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NIRAKU GC HOLDINGS

株式会社ニラク·ジー·シー·ホールディングス

NIRAKU GC HOLDINGS, INC.*

(Incorporated in Japan with limited liability)

(Stock Code: 1245)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

ANNUAL RESULTS HIGHLIGHTS

- Gross pay-ins were ¥139,053 million (or HK$9,911 million#), recording a decrease of 1.9% as compared with the year ended 31 March 2019;
- Revenue was ¥28,046 million (or HK$1,999 million#), recording a decrease of 1.0% as compared with the year ended 31 March 2019;
- Profit before income tax was ¥581 million (or HK$41 million#), recording a drop of 46.8% as compared with the year ended 31 March 2019;
- Profit for the year attributable to owners of the Company was ¥179 million (or HK$13 million#), recording a decrease of ¥431 million as compared with the year ended 31 March 2019;
- The Group operates 53 halls as at the date of this announcement (31 March 2019: same);
- Basic earnings per share of the Company was ¥0.150 (or HK$0.011#) (2019: basic earnings per share ¥0.510); and
- The Board has resolved not to declare a final dividend for the year ended 31 March 2020 (2019: ¥0.07 per common share).

Translated into Hong Kong dollar at the rate of ¥14.03 to HK$1.00, the exchange rate prevailing on 31 March 2020 (i.e. the last business day in March 2020).

Note: The above % increases and decreases refer to the changes in respect of the Japanese Yen amounts but not the translated amounts in Hong Kong dollar.

* *For identification purpose only*

The board (the "Board") of directors (the "Directors") of NIRAKU GC HOLDINGS, INC.* (the "Company" or "NIRAKU") would like to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020 together with the comparative figures for the year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	2020 ¥ million	2019 ¥ million
Revenue	4	**28,046**	28,325
Other income	5	**1,074**	551
Other gains, net	5	**400**	54
Hall operating expenses	6	**(21,910)**	(22,875)
Administrative and other operating expenses	6	**(5,655)**	(4,502)
Operating profit		**1,955**	1,553
Finance income		**62**	52
Finance costs		**(1,436)**	(507)
Finance costs, net	7	**(1,374)**	(455)
Share of results of an associate		**–**	(5)
Profit before income tax		**581**	1,093
Income tax expense	8	**(717)**	(549)
(Loss)/profit for the year		**(136)**	544
(Loss)/profit attributable to:			
Owners of the Company		**179**	610
Non-controlling interest		**(315)**	(66)
		(136)	544
Earnings per share for profit attributable to owners of the Company			
— Basic and diluted (expressed in Japanese Yen per share)	9	**0.150**	0.510
Other comprehensive (loss)/income			
Items that have been or may be subsequently reclassified to profit or loss			
Change in value of financial assets through other comprehensive income		**(241)**	(29)
Currency translation differences		**(45)**	99
Total comprehensive (loss)/income for the year		**(422)**	614
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(107)**	680
Non-controlling interest		**(315)**	(66)
		(422)	614

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 ¥ million	2019 ¥ million
ASSETS			
Non-current assets			
Property, plant and equipment		**22,257**	28,523
Right-of-use assets	*14*	**32,072**	–
Investment properties		**630**	650
Intangible assets		**1,601**	1,662
Prepayments, deposits and other receivables		**5,119**	4,208
Interest in an associate		**–**	–
Financial assets at fair value through profit or loss		**–**	100
Financial assets at fair value through other comprehensive income		**565**	911
Deferred income tax assets		**2,822**	1,588
		65,066	37,642
Current assets			
Inventories		**40**	109
Trade receivables	*11*	**48**	53
Prepayments, deposits and other receivables		**1,026**	1,020
Financial assets at fair value through profit or loss		**100**	–
Bank deposits with maturity over 3 months		**750**	43
Cash and cash equivalents		**14,128**	15,176
		16,092	16,401
Total assets		**81,158**	54,043

	Note	**2020**	2019
		¥ million	*¥ million*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,000**	3,000
Reserves		**23,220**	24,617
		26,220	27,617
Non-controlling interest		**(421)**	(106)
Total equity		**25,799**	27,511
LIABILITIES			
Non-current liabilities			
Borrowings	*13*	**9,853**	11,792
Lease liabilities	*14*	**32,035**	2,717
Provisions and other payables		**2,270**	2,226
Derivative financial instruments		**22**	27
		44,180	16,762
Current liabilities			
Trade payables	*12*	**114**	294
Borrowings	*13*	**3,233**	4,290
Lease liabilities	*14*	**2,542**	703
Accruals, provisions and other payables		**4,404**	4,353
Derivative financial instruments		**4**	4
Current income tax liabilities		**882**	126
		11,179	9,770
Total liabilities		**55,359**	26,532
Total equity and liabilities		**81,158**	54,043

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

株式会社ニラク▪ジー▪シー▪ホールディングスNIRAKU GC HOLDINGS, INC.* was incorporated in Japan under the Japan Companies Act with limited liability on 10 January 2013. The address of its registered office is 1-39 Hohaccho 1-chome, Koriyama-shi, Fukushima, Japan.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in pachinko and pachislot hall operations, hotel and restaurant operations in Japan; amusement arcade operations in Southeast Asian countries; and restaurant operations in China. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in millions of Japanese Yen ("¥"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 19 June 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

3 BASIS OF PREPARATION

(i) Compliance with International Financial Reporting Standards and Hong Kong Companies Ordinance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") issued by the IASB and requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) which are carried at fair values.

(iii) New and amended standards, improvements and interpretations adopted by the Group

The Group has applied the following standards, amendments and interpretations for the first time for their annual reporting period commencing 1 April 2019:

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over income tax treatments
Amendments to IFRS 9	Prepayment features with negative compensation
Amendments to IAS 19	Plan amendment, curtailment or settlement
Amendments to IAS 28	Long-term interests in associates and joint ventures
Amendments to IFRSs	Annual improvements to IFRSs 2015–2017 cycle

The Group had to change its accounting policies as a result of adopting IFRS 16. For details, please refer to below. Most of the other amendments and interpretations listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current period.

(iv) New and amended standards, improvements and interpretations to existing standards not yet adopted by the Group

		Effective for accounting periods beginning on or after
Amendments to IFRS 3	Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
IFRS 17	Insurance contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Adoption of IFRS 16 Leases

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

As indicated in Note 3(iii) above, the Group has adopted IFRS 16 Leases retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.06%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease assets and lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

(i) *Practical expedients applied*

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 April 2019

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) Measurement of lease liabilities

	2019
	¥ million
Operating lease commitments disclosed as at 31 March 2019	10,176
Discounted using the lessee's incremental borrowing rate at the date of initial application	(3,352)
Add: adjustments as a result of a different treatment of extension and termination options	26,041
Less: short-term leases recognised on a straight-line basis as expense	(660)
Add: finance lease liabilities under IAS 17 as at 31 March 2019	3,420
Lease liability recognised as at 1 April 2019	35,625
Of which are:	
Current lease liabilities	3,993
Non-current lease liabilities	31,632
	35,625

(iii) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019.

(iv) Adjustments recognised on adoption of IFRS 16

The carrying amount of right-of-use assets by class of underlying asset are as below:

	1 April 2019
	¥ million
Non-current assets	
Buildings	32,566
Leasehold improvements	1,646
Equipment and tools	97
	34,309

The following table shows the adjustment for change in accounting policy recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	As at 1 April 2019		
Consolidated statement of financial position (extracted)	As originally presented *¥ million*	Adjustment under IFRS 16 *¥ million*	Restated *¥ million*
Non-current assets			
Property, plant and equipment	28,523	(3,661)	24,862
Right-of-use assets	—	34,309	34,309
Deferred tax assets	1,588	471	2,059
Non-current liabilities			
Lease liabilities	—	31,632	31,632
Obligations under finance leases	2,717	(2,717)	—
Current liabilities			
Lease liabilities	—	3,993	3,993
Obligations under finance leases	703	(703)	—
Equity			
Reserves	24,617	(1,086)	23,531

(v) *Lessor accounting*

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

(vi) Accounting for sales and leaseback transaction

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package.

Until 31 March 2019, the accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

On the initial application day, the Group did not re-assess sale and leaseback transactions entered into before the date of initial application to determine whether or not the sale fulfilled the condition of IFRS 15. The seller-lessee accounts for any deferred gain or loss due to off-market term as an adjustment to the leaseback right-of-use asset for an operating leaseback.

Upon adoption of IFRS 16, the associated right-of-use for sales and leaseback entered into before the date of initial application were measured at the amount equal to the lease liability, adjusted by the amount of other liabilities, retained earnings and non-controlling interest, relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019.

(vii) Impact on segment disclosures

Segment EBITDA for the year ended 31 March 2020, segment assets and segment liabilities as at 31 March 2020 changed as a result of the change in accounting policy as follows:

	Segment EBITDA ***¥ million*** **Increase/ (decrease)**	**Segment assets** ***¥ million*** **Increase/ (decrease)**	**Segment liabilities** ***¥ million*** **Increase/ (decrease)**
Pachinko and pachislot hall operations	**2,215**	**27,225**	**30,504**
Amusement arcade operations	**227**	**910**	**930**
Others	**(269)**	**276**	**441**
	2,173	**28,411**	**31,875**

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2020	2019
	¥ million	*¥ million*
Revenue		
Gross pay-ins	**139,053**	141,731
Less: gross pay-outs	**(114,046)**	(115,850)
Revenue from pachinko and pachislot hall business	**25,007**	25,881
Revenue from amusement arcades	**1,663**	1,535
Vending machine income	**480**	507
Revenue from hotel operations	**143**	132
Revenue from restaurant operations	**753**	270
	28,046	28,325

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used for making strategic decisions. The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from a service perspective and assess the performance of the operating segments based on a measure of adjusted profit before tax before unallocated corporate expenses for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as this consolidated financial statements.

During the year, management has changed its internal performance renew to align more closely with the Group's strategic decision and development of which the previous operating segment of "others" was separated into two operating segments namely "others", representing hotel and restaurant operations in Japan and "restaurant operations" in China. The comparative amounts of the segment information in 2019 has been reclassified to reflect such change.

Management has identified four reportable segments based on the types of services, namely (i) pachinko and pachislot hall operations, (ii) amusement arcade operations, (iii) restaurant operations in China and (iv) others, representing hotel and restaurant operations in Japan.

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, intangible assets, inventories, trade receivables, prepayments, deposits and other receivables, bank deposits and cash and bank balances. They exclude deferred income tax assets, and assets used for corporate functions including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and interest in an associate.

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets, investment properties and intangible assets. Unallocated corporate expenses and income tax expenses are not included in segment results.

The segment information provided to the executive directors for the years ended 31 March 2020 and 2019 are as follows:

	Year ended 31 March 2020				
	Pachinko and pachislot hall operations	Amusement arcade operations	Restaurant operations	Other	Total
	Japan	Southeast Asia	China	Japan	
	¥ million	*¥ million*	*¥ million*	*¥ million*	*¥ million*
Segment revenue from external customers					
Over time	25,487	1,663	304	592	28,046
Segment results	2,438	56	(597)	(493)	1,404
Corporate expenses					(823)
Share of results of an associate					–
Profit before income tax					581
Income tax expense					(717)
Loss for the year					(136)
Other segment items					
Depreciation and amortisation expenses	(4,401)	(466)	(85)	(56)	(5,008)
Impairment loss on right-of-use assets	(181)	–	(90)	(192)	(463)
Impairment loss on intangible assets	(1)	–	(10)	–	(11)
Impairment loss on property, plant and equipment	(107)	–	(1)	(105)	(213)
Finance income	60	2	–	–	62
Finance costs	(1,346)	(90)	–	–	(1,436)

	Pachinko and pachislot hall operations	Amusement arcade operations	Restaurant operations	Other	Total
	Year ended 31 March 2019				
	Japan	Southeast Asia	China	Japan	
	¥ million	*¥ million*	*¥ million*	*¥ million*	*¥ million*
			(Restated)	(Restated)	
Segment revenue from external customers					
Over time	26,388	1,535	–	402	28,325
Segment results	2,314	153	(92)	(145)	2,230
Corporate expenses					(1,132)
Share of results of an associate					(5)
Profit before income tax					1,093
Income tax expense					(549)
Profit for the year					544
Other segment items					
Depreciation and amortisation expenses	(2,278)	(283)	(16)	(55)	(2,632)
Impairment loss on property, plant and equipment	(195)	–	–	–	(195)
Finance income	50	2	–	–	52
Finance costs	(501)	(6)	–	–	(507)

The segment assets as at 31 March 2020 and 2019 are as follows:

	Pachinko and pachislot hall operations	**Amusement arcade operations**	**Restaurant operations**	**Other**	**Total**
	Japan	**Southeast Asia**	**China**	**Japan**	
	¥ million	***¥ million***	***¥ million***	***¥ million***	***¥ million***
As at 31 March 2020					
Segment assets	**68,234**	**2,130**	**970**	**696**	**72,032**
Unallocated assets					**6,304**
Deferred income tax assets					**2,822**
Total assets					**81,158**
Addition to non-current assets other than financial instruments and deferred tax assets	**1,221**	**580**	**469**	**229**	**2,499**

	Pachinko and pachislot hall operations	Amusement arcade operations	Restaurant operations	Other	Total
	Japan	Southeast Asia	China	Japan	
	¥ million	*¥ million*	*¥ million* (Restated)	*¥ million* (Restated)	*¥ million*
As at 31 March 2019					
Segment assets	42,933	1,003	863	958	45,757
Unallocated assets					6,698
Deferred income tax assets					1,588
Total assets					54,043
Addition to non-current assets other than financial instruments and deferred tax assets	4,606	156	122	297	5,181

The total of non-current assets other than financial instruments and deferred tax assets, analysed by location of the assets, is as follows:

	2020	2019
	¥ million	*¥ million*
Japan, country of domicile	**59,314**	34,016
Southeast Asia and China	**2,365**	1,027
	61,679	35,043

No single external customer contributed more than 10% revenue to the Group's revenue for the year ended 31 March 2020 and 2019.

5 OTHER INCOME AND OTHER GAINS, NET

	2020	2019
	¥ million	*¥ million*
Other income		
Rental income	**410**	167
Income from expired IC and membership cards	**29**	29
Dividend income	**55**	55
Compensation and subsidies *(Note)*	**332**	3
Income from scrap sales of used pachinko and pachislot machines	**169**	265
Others	**79**	32
	1,074	551
Other gains, net		
Loss on fair value for financial assets at fair value through profit or loss	**–**	(2)
Gain/(loss) on fair value for derivative financial instruments	**5**	(23)
Gain/(loss) on disposal of property, plant and equipment	**317**	(54)
Loss on disposal of investment properties	**–**	(7)
Others	**78**	140
	400	54

Note: During the year ended 31 March 2020, compensation and subsidies were mainly received from an insurance company for the typhoon that occurred in October 2019. The disaster caused significant damages to certain property, plant and equipment and inventories in certain pachinko and pachislot halls located principally in Fukushima Japan.

6 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2020	2019
	¥ million	*¥ million*
Auditors' remuneration		
— Audit fees	**115**	100
— Other services	**14**	7
Employee benefits expenses		
— Hall operations	**5,542**	5,510
— Administrative and others	**1,830**	1,683
Operating lease rental expense in respect of land and buildings	**291**	3,006
Depreciation of property, plant and equipment	**2,178**	2,532
Depreciation of right-of-use assets	**2,734**	–
Depreciation of investment properties	**20**	19
Amortisation of intangible assets	**76**	81
Reinstatement expenses	**27**	26
Recruitment expenses	**72**	65
Travelling and transportation	**111**	125
Other taxes and duties	**352**	395
Repairs and maintenance	**314**	291
Utilities expenses	**987**	1,055
Consumables and cleaning	**1,663**	1,495
Outsourcing service expenses	**960**	1,048
G-Prize procurement expenses to wholesalers	**878**	753
Pachinko and pachislot machines expenses *(Note (i))*	**6,692**	6,971
Advertising expenses	**1,219**	1,121
Service fee	**33**	32
Impairment loss on property, plant and equipment	**213**	195
Impairment loss on right-of-use assets	**463**	–
Impairment loss on intangible assets	**11**	–
Legal and professional fees	**49**	46
Loss on termination of existing outlets *(Note (ii))*	**–**	240
Others	**721**	581
	27,565	27,377

Notes:

(i) Pachinko and pachislot machines are expensed off in the consolidated statement of comprehensive income upon installation. The expected useful lives of these machines are less than one year.

(ii) During the year ended 31 March 2019, two pachinko and pachislot halls were closed. The amount of ¥240 million represents penalty charge for early termination of rental contract of ¥143 million, forfeiture of rental deposits of ¥74 million and miscellaneous expenses in relation to the closure of halls of ¥23 million. No such costs were incurred during the year ended 31 March 2020.

7 FINANCE COSTS, NET

	2020 ¥ million	2019 ¥ million
Finance income		
Bank interest income	**5**	1
Other interest income	**57**	51
	62	52
Finance costs		
Bank borrowings	**(197)**	(196)
Lease liabilities	**(1,131)**	(195)
Provision for unwinding discount	**(108)**	(116)
	(1,436)	(507)
Finance costs, net	**(1,374)**	(455)

8 INCOME TAX EXPENSE

	2020 ¥ million	2019 ¥ million
Current income tax		
— Japan	**1,337**	518
— Other Asian countries	**38**	34
	1,375	552
Deferred income tax	**(658)**	(3)
	717	549

Taxation has been provided at the appropriate rates prevailing in the countries in which the Group operates.

No provision for Hong Kong profits tax or China income tax have been made for the years ended 31 March 2020 and 2019 as the Group did not generate any assessable profits arising in Hong Kong and China during the years ended 31 March 2020 and 2019.

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 March 2020 and 2019.

	2020	2019
Profit attributable to owners of the Company *(¥ million)*	**179**	610
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(thousands)*	**1,195,850**	1,195,850
Basic and diluted earnings per share *(¥)*	**0.150**	0.510

No diluted earnings per share is presented as there was no potential dilutive shares during the years ended 31 March 2020 and 2019. Diluted earnings per share is equal to the basic earnings per share.

10 DIVIDENDS

During the year ended 31 March 2020, the Company paid interim dividend of ¥120 million (¥0.10 per ordinary share) and final dividend of ¥84 million (¥0.07 per ordinary share) to its shareholders in respect of the years ended 31 March 2020 and 2019, respectively.

The board of directors of the Company has resolved not to declare a final dividend in respect of the year ended 31 March 2020 (2019: ¥0.07 per ordinary share).

11 TRADE RECEIVABLES

	2020 ***¥ million***	2019 *¥ million*
Trade receivables	**48**	53

Trade receivables represent income receivable from vending machines. The credit terms granted by the Group generally ranged from 0 to 30 days.

As at 31 March 2020 and 2019, the ageing analysis of the trade receivables, based on invoice date, is as follows:

	2020 ***¥ million***	2019 *¥ million*
Less than 30 days	**48**	52
31 days to 90 days	**–**	1
	48	53

The maximum exposure to credit risk at the reporting date is the carrying value of the receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of trade receivables approximate their fair values as at 31 March 2020 and 2019 and are denominated in ¥.

12 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice dates as at 31 March 2020 and 2019 were as follows:

	2020	2019
	¥ million	*¥ million*
Less than 30 days	**114**	47
31–90 days	**–**	242
Over 90 days	**–**	5
	114	294

The carrying amounts of trade payables approximate their fair values as at 31 March 2020 and 2019.

13 BORROWINGS

	2020	2019
	¥ million	*¥ million*
Non-current portion		
Bank loans	**3,365**	3,247
Syndicated loans	**6,488**	8,545
	9,853	11,792
Current portion		
Bank loans	**1,427**	1,047
Syndicated loans	**1,806**	3,243
	3,233	4,290
Total borrowings	**13,086**	16,082

As at 31 March 2020 and 2019, the Group's borrowings were repayable as follows:

	2020	2019
	¥ million	*¥ million*
Within 1 year	**3,233**	4,290
Between 1 and 2 years	**2,389**	2,445
Between 2 and 5 years	**5,454**	5,676
Over 5 years	**2,010**	3,671
	13,086	16,082

The average effective interest rates (per annum) at the end of each reporting period were set out as follows:

	2020	2019
Bank loans	**1.80%**	1.91%
Syndicated loans	**1.08%**	1.00%

As at 31 March 2020, the borrowings under sales and leaseback arrangements with a third party lessor amounted to ¥3,290 million (2019: ¥2,686 million). These sales and leaseback arrangements included sell of certain leasehold improvements and pachislot machines at an aggregate consideration of ¥3,983 million (2019: ¥2,801 million), and lease-back to the Group for a total lease payment of ¥4,244 million (2019: ¥2,979 million) covering the periods ranged between 24 months to 84 months. During the lease period, the Group cannot transfer or pledge to any party the relevant leasehold improvements and pachislot machines. For leasehold improvement, the Group has an option to renew for a further term of 1 year on the 20th of the preceding month before the end of each lease term at no cost.

At the end of each reporting period, the total borrowings are pledged by certain assets and their carrying values are shown as below:

	2020	2019
	¥ million	*¥ million*
Property, plant and equipment	**10,475**	11,050
Investment properties	**630**	650
Deposits and other receivables	**178**	180
	11,283	11,880

The undrawn borrowing facilities of the Group at each reporting period are as follows:

	2020	2019
	¥ million	*¥ million*
Floating rate		
— Expiring over 1 year	**600**	995

The carrying amounts of borrowings of the Group approximate their fair values as at 31 March 2020 and 2019.

14 LEASES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	31 March 2020	1 April 2019
	¥ million	*¥ million*
Right-of-use assets		
Buildings	**30,565**	32,566
Leasehold improvement	**1,438**	1,646
Equipment and tools	**69**	97
Total right-of-use assets	**32,072**	34,309
Lease liabilities		
Current	**2,542**	3,993
Non-current	**32,035**	31,632
	34,577	35,625

Additions to the right-of-use assets during the year ended 31 March 2020 were ¥963 million.

For the year ended 31 March 2020, as a result of the impairment review, impairment loss of approximately ¥463 million has been recognised.

Obligations under finance leases as at 31 March 2019

	2019
	¥ million
Gross lease liabilities — minimum lease payments	
No later than 1 year	833
Later than 1 year and no later than 2 years	564
Later than 2 years and no later than 5 years	157
Later than 5 years	2,642
	4,196
Future finance charges on finance leases	(776)
Present values of finance lease liabilities	3,420

The present values of finance lease liabilities are as follows:

	2019
	¥ million
No later than 1 year	703
Later than 1 year and no later than 2 years	451
Later than 2 years and no later than 5 years	100
Later than 5 years	2,166
Total obligations under finance leases	3,420
Less: Amount included in current liabilities	(703)
Non-current obligations under finance leases	2,717

Assets arranged under finance leases represent buildings for pachinko and pachislot halls, pachinko and pachislot machines, and gaming machines for amusement arcades. The average lease term range from 1 to 20 years with effective interest rate range from 2.45% to 4.42% per annum as at 31 March 2019 for pachinko and pachislot business; and from 2 to 3 years with effective interest rate range from 8.06% to 20.0% for amusement arcade business. No arrangements have been entered into for contingent rental payments during the reporting periods.

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	31 March 2020
	¥ million
Depreciation charge of right-of-use assets	
Buildings	**2,412**
Leasehold improvement	**292**
Equipment and tools	**30**
	2,734
Interest expense (included in finance cost)	**1,131**
Expense relating to short-term leases (included in hall expenses)	**259**
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**32**

The total cash outflow for leases during the year ended 31 March 2020 was ¥3,142 million.

(c) **The Group's leasing activities and how these are accounted for**

The Group leases various offices, pachinko and pachislot halls and amusement arcades centres, equipment and motor vehicles. Rental contracts are typically made for fixed periods of 5 to 20 years but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) **Extension and termination options**

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable under mutual agreement by the Group and the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

15 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 7 April 2020, the Japan government declared the state of emergency declaration in response to the outbreak of COVID-19. Entertainment facilities including pachinko and pachislot halls were requested to be suspended from operation by the local government. As a result, the Group had suspended operation of all 53 pachinko and pachislot halls and the restaurants in Japan since April 2020. With the decreasing number of infected cases in early May 2020, the Japan government has eased its restriction measure gradually and most of the Group's pachinko and pachislot halls had resumed operations sequentially in the same month.

As a result of the temporarily lockdown of pachinko and pachislot halls in Japan, the Group anticipates that the financial results and business operations will be negatively impacted after March 2020. Although the restriction and social-distancing measures imposed have been released subsequently, the Group expects the adverse effects may continue in the future. As of the reporting date, the management is still in process of assessing the overall financial effect and is subject to further evaluation. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

IAS 10 "Events After the Reporting Period" defines an adjusting event as an event that provides evidence of conditions that existed at the reporting date. A non-adjusting event indicates conditions that arose after the reporting date. The measurement of assets and liabilities as well as the impairment assessments as at 31 March 2020 prepared by management reflect the conditions that existed as of that date and have not reflected the possible effects of the outbreak. The effects will be reflected in the financial results for the year ending 31 March 2021.

Up to the date on which the consolidated financial statements were authorised for issue, the Group is continuously assessing the impact of the COVID-19 on the performance of the Group based on the latest development.

In addition, the estimated future cash flows of the Group's various cash-generating units ("CGUs") which are used for the impairment tests will be updated continuously based on the development of the COVID-19 outbreak. The recoverable amount of the Group's CGUs may be lower if the COVID-19 outbreak continues for a prolonged period.

Notwithstanding the recent negative impact on the Group's operations, management's assessment indicates that the going concern basis continues to be appropriate for the Group for the next 12 months from the reporting date and the Group will be able to comply with all bank covenants for the year ending 31 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Based on our corporate philosophy to make life "Happy, Enjoyable, and Fun", our Group aims to create a community that brings people together and brings people together with the people. In our main core pachinko business, we strive for quality improvement of operation services based on the perspective of our customers in order to deliver the greatest excitement and enjoyment. As a result, we were able to gain a higher share than last year even though the pachinko market is shrinking. On the other hand, gross pay-ins fell by 1.9% compared to prior year due to the impact of increase in consumption tax from 8% to 10%, changes in specification of machines in accordance with the new regulations, and the impact of temporary closure of stores due to localized damage caused by Typhoon No. 19 in October 2019.

We acquired the company that is operating amusement arcade business in Vietnam and Cambodia in November 2017. We made investments to take an advantage of the growth in these countries, including opening of two new "Kids Playground" format stores. The main target of "Kids Playground" is children at or under 12 years old and their parents. As a result, operating revenue rose by 8.3% year-on-year.

As the COVID-19 has spread globally from the beginning of 2020, it is expected that our way of living will be coexistent with the virus under circumstances after this pandemic. And we imagine that people's needs, values and behavior will significantly change after COVID-19 pandemic. However, we look at this shift into a different lifestyle as an opportunity and we believe that the needs that people seek for fulfilling life of leisure, entertainment and amusement will never change as long as people want a better life than one has now. We have confidence to address the need for what people seek, because we have accumulated invaluable experience in this industry since foundation, which will be advantageous in business development. We will strive to build existence value in community with our strength by coping appropriately with social changes, and by doing good in a community.

We will continue to concentrate to build a strong base of operations and make effort to gain customer satisfaction, which allow us to maintain and improve the competitiveness. In the medium-to-long term, we will continue to seek the entertainment and hospitality in amusement and food businesses, and we will realize the basic philosophy of "we provide happy time for people by making the world cheerful, fun, and entertaining" by developing this business portfolio.

Pachinko business

In the pachinko industry, the sign of recovery is still unclear. It is expected that many operators will have to withdraw from the market, especially those with less resilience to market change caused by the negative effect of COVID-19 amidst and after the pandemic. Even in these business environments, we strive to take step further to provide customers with the best possible services and the best assortment of machines through hearing the voice from each customer. Furthermore, we will continue to improve the business structure in order to provide best service quality. We believe that we will be able to increase the market share even if these difficult circumstances, decline in gross pay-in caused by the change of the machine regulations, is expected to remain unchanged.

During the year, we acquired a property that has a capacity of more than 1,000 machines in our main market Koriyama city in Fukushima Prefecture in order to strengthen our base and achieve competitive advantage. We are aiming to commence the business in the mid-2020.

Amusement arcade business (Dream Games)

Dream Games is currently operating gaming arcades in Vietnam and Cambodia, which are extremely fast-growing countries with high potential and young people, which is an advantage to leisure and entertainment business.

Dream Games' outlets mainly focused in popular shopping malls, like Aeon Mall, with strong ability to attract customers. During the year, Dream Games opened four new outlets in Vietnam, among which, two are under the mode of "kids playgrounds" targeting children aged 12 and under in order to meet the diversified needs of leisure. As at 31 March 2020, Dream Games operated eleven outlets in Vietnam, including five Kids' Playground; and two outlets in Cambodia, with a total of thirteen outlets.

Dream Games will continue to raise its awareness on the expansion trend in the leisure market in both countries and build up on the existing business.

Food business

Including the new "LIZARRAN" restaurant that opened in Tokyo in October 2019, we currently have four restaurants arranged under a franchise agreement with Comess Group, a Spain-based restaurant developer that operates many restaurants primarily in Europe.

In July 2019, we opened a food mall named "YOKOCHO" which consists of famous Japanese restaurants in Shenzhen Upper Hills, an urban complex centre in Shenzhen, China. YOKOCHO business is temporarily suspended due to COVID-19 pandemic, and will resume its business at an appropriate time.

eSports business

In November 2018, we stepped in the eSports business through a 40% equity investment in a company named Yes! E-Sports Asia Holdings Limited (YEAH), which is jointly established with a Hong Kong partner. During the year, YEAH actively organized various promotional events with the aim of raising awareness, establishing a business model, and working to increase the value of the YEAH brand.

We will build a unique "eSports + entertainment" platform and plan to provide new entertainment in the future.

Impact of COVID-19 pandemic and management initiatives

In response to the COVID-19 pandemic, the Japanese government declared a state of emergency on 7 April 2020, and each local government issued a request to specific industries, including the pachinko hall business, asking them to refrain from undertaking sales activities. In response to this request, the Group temporarily suspended all 53 pachinko outlets on 25 April 2020, and gradually started resuming operations from 7 May 2020.

In addition, with the request from Vietnamese government, 11 outlets of the Dream Games business in Vietnam were under temporarily closure on 26 March 2020. These outlets have been gradually reopened since 8 May 2020, while the two outlets in Cambodia which were closed since 14 May 2020 were still under suspension as at date of this annual report.

The temporary closures of domestic and overseas operations have a significant impact on the Group's financial position and business activities. Despite our businesses resumption since 7 May 2020, the uncertainties surrounding the business environment as a result of the outbreak of the COVID-19 has a significant impact on our future business performance and financial position.

In preparation for future uncertainties, we will maintain a healthy cash flow and financial position and has sufficient cash to meet its business needs. In addition, we plan to move ahead with structural reforms.

The year ahead continues to be challenging and severe as the movement of people and supply chains are significantly interrupted as a result of the COVID-19 pandemic. In light of the adverse impact to the business performance, we will adopt prudent measures and exercise our strength of resilience to deliver a stable performance and ensure business continuity.

FINANCIAL REVIEW

Revenue from Pachinko and Pachislot Business

Revenue from pachinko and pachislot is derived from gross pay-in netted with gross pay-out.

Revenue from pachinko and pachislot business recorded a decrease of ¥874 million, or 3.4%, from ¥25,881 million in 2019 to ¥25,007 million in 2020. The decline was mainly attributable to the (i) closure of two loss-making halls during the year ended 31 March 2019 and (ii) introduction of new gaming regulation requiring all pachinko hall operators to replace the high jackpot sized pachinko and pachislot machines with lower jackpot size machines which chased away the hall traffic as these new machines are less popular among the players.

Gross pay-ins

For the year ended 31 March 2020, the Group's gross pay-ins from pachinko and pachislot business amounted to ¥139,053 million, comprising revenue from suburban halls of ¥132,706 million (2019: ¥135,064 million) and urban halls of ¥6,347 million (2019: ¥6,667 million), representing a drop of ¥2,358 million, or 1.7%, and slight drop of ¥320 million, or 0.5%, respectively, as compared to last year. The overall decrease was mainly generated from closure of two pachinko halls in 2019 as mentioned above.

Gross pay-out

Gross pay-out decreased from ¥115,850 million in 2019 to ¥114,046 million in 2020, a drop of ¥1,804 million, or 1.6%, which mirrored the fall of pay-out ratio to improve revenue.

Revenue margin

The revenue margin in current year decreased by 0.3% from 18.3% in 2019 to 18.0% in 2020. The decline in revenue margin was due to slight increase in pay-out ratio to improve customer visits.

Revenue from Amusement Arcade Business

Revenue from amusement arcade business increased from ¥1,535 million in 2019 to ¥1,663 million in current year. The amount comprised revenue derived from Vietnam and Cambodia amounting to ¥1,292 million and ¥371 million, respectively (2019: ¥1,274 million and ¥261 million, respectively). The increase in revenue was attributable to opening of a new amusement centre in January 2019 and four more centres during the year ended 31 March 2020 which generated additional income of ¥15 million and ¥56 million, respectively, together with continuous growth in each game centre.

Other revenue

Other revenue represents incomes from vending machines, hotel and restaurant operations.

Vending machines income amounted to ¥480 million in 2020. The decrease of ¥27 million as compared to ¥507 million in 2019 was resulted from decrease in number of vending machines.

Revenue from hotel operations amounted to ¥143 million with an average occupancy rate of 66.5%. Income derived from hotel operation achieved an increase of 8.3% as a result of rise in occupancy rate.

Revenue from restaurant increased from ¥270 million in 2019 to ¥753 million in 2020. The hike was due to the opening of one Lizarran restaurant, two Komeda Cafés in pachinko halls close to the 2019 financial year end and commencement of YOKOCHO business in July 2019 which generated additional revenue of ¥26 million, ¥80 million and ¥304 million, respectively.

Hall operating expenses

Hall operating expenses decreased by ¥965 million, or 4.2%, from ¥22,875 million in 2019 to ¥21,910 million in current year. Major components of hall operating expenses are pachinko and pachislot machine expenses, staff cost for hall staff and depreciation expenses, amounting to ¥6,692 million, ¥5,542 million and ¥4,384 million, respectively, in 2020 (2019: ¥6,971 million, ¥5,510 million and ¥2,902 million, respectively).

The decline in hall operating expenses was mainly resulted from drop in pachinko and pachislot machine expenses netted with the effect of adoption of IFRS 16 Leases which led to an increase in depreciation expense and corresponding drop in rental expenses.

Administrative and other operating expenses

Administrative and other operating expenses increased by ¥1,153 million, or 25.6% from ¥4,502 million in 2019 to ¥5,655 million in current year. The increase in expenses was due to (i) increase in staff costs subsequent to opening of YOKOCHO restaurants in China which requires employees to fill up different posts, (ii) increase in provision for impairment loss of ¥687 million, and (iii) increase in depreciation expense and corresponding drop in rental expenses as a result of adoption of IFRS 16 Leases.

Finance costs

Finance costs, net recorded a surge of ¥919 million, or 202.0%, from ¥455 million in 2019 to ¥1,374 million in current year. The drastic increase was resulted from the adoption of IFRS 16 Leases which caused a significant amount of interest expenses from lease liabilities being recognised in current year.

Profit attributable to owners of the Company, basic earnings per share and dividend

Profit attributable to shareholders of the Company of ¥179 million was recorded in current year, as compared to ¥610 million in 2019. The decrease was mainly due to increase in provision for impairment loss during the year.

Basic earnings per share was ¥0.150 (2019: ¥0.510). The Board has resolved not to declare a final dividend for the year ended 31 March 2020 (2019: ¥0.07 per share).

CAPITAL STRUCTURE

The Group principally meets its working capital and other liquidity requirements through a combination of capital contributions, including cash flow from operations and bank borrowings. The Group's daily operation is mainly financed by operating cash flows, and relies on short- and long-term borrowings for financing working capital, future expansion plans and unexpected needs. The Group's treasury objective is mainly to ensure there is sufficient cash flow to meet the payment of expenses, loans and to fund any capital expenditure and commitment that the Group may have from time to time. The Group's cash surpluses are placed in short-term and long-term fixed deposits to maintain liquidity. The Group has not experienced any difficulty in repaying its borrowings.

The Group's principal business activities are carried out in Japan, with income, expenditure, assets and liabilities mainly denominated in Japanese Yen, as such, the Group does not have any material foreign exchange exposure.

The table below sets forth the information regarding the cash and cash equivalents, bank deposits, bank borrowings, obligations under finance leases, working capital, total equity and gearing ratio of the Group as at 31 March 2020 and 2019, and operating cash flows before movements in working capital of the Group for the years ended 31 March 2020 and 2019, respectively:

	As at 31 March	
	2020	2019
	¥ million	*¥ million*
Cash and cash equivalents	**14,128**	15,176
Bank deposits	**750**	43
	14,878	15,219
Bank loans	**4,792**	4,294
Syndicated loans	**8,294**	11,788
Lease liabilities *(Note 1)*	**2,701**	3,420
	15,787	19,502
Working capital *(Note 2)*	**4,913**	6,631
Total equity	**25,799**	27,511
Gearing ratio	**61.2%**	70.9%

Note 1: The balances only include leases under hire purchase arrangement.

Note 2: Working capital being current assets less current liabilities.

	For the year ended 31 March	
	2020	2019
	¥ million	*¥ million*
Operating cash flows before movements in working capital	**7,122**	4,278

Net current assets of the Group totalled ¥4,913 million as at 31 March 2020 (31 March 2019: ¥6,631 million), and current ratio was 1.44 as at 31 March 2020 (31 March 2019: 1.68). As at 31 March 2020, there were cash and cash equivalents of ¥14,128 million (31 March 2019: ¥15,176 million), in which ¥12,854 million was denominated in Japanese Yen, ¥856 million was denominated in United States dollar, ¥250 million was denominated in Hong Kong dollar and ¥168 million was denominated in other currencies. Excluding the impact on adoption of IFRS 16 Leases, the Group had total borrowings of ¥15,787 million as at 31 March 2020 (31 March 2019: ¥19,502 million). Current portion of borrowings and current portion of lease liabilities amounted to ¥3,675 million as at 31 March 2020 (31 March 2019: ¥4,993 million).

The Group's bank borrowings during the current period comprised bank loans and syndicated loans. As at 31 March 2020, the total bank borrowings amounted to ¥13,086 million (31 March 2019: ¥16,082 million), with average effective interest rates on bank borrowings ranged from 1.08% to 1.80% (31 March 2019: 0.99% to 1.91%) per annum. Approximately 10.0% of bank borrowings as at 31 March 2020 were fixed rate borrowings.

HEDGING OF FLOATING RATE BORROWINGS AND FOREIGN EXCHANGE

As at 31 March 2020, the Group had three floating to fixed interest rate swap contracts with a bank in Japan (i.e. the Group pays fixed interest rates and receives interests at floating rate). These interest rate swap contracts were entered into as a measure to manage interest rate risk in relation to loans of the Group. As interest rates of some of the Group's loans are on a floating rate basis, the floating to fixed interest rate swap contracts enabled the Group to reduce the volatility in the amount of interest being paid. For the year ended 31 March 2020, the gain on fair value for interest rate swap contracts amounted to ¥5 million.

The Group did not carry out any foreign currency investment and its debts were all denominated in Japanese Yen as at 31 March 2020. As the functional currencies of certain subsidiaries are different from the Company, the Group will be exposed to foreign exchange risk arising from such exposure, namely in Singapore Dollar, Vietnamese Dong, Cambodian Riel and Renminbi against Japanese Yen. The management is assessing the significance of the foreign currency exposures faced by the Group and will consider adopting appropriate measures to mitigate the risk, including but not limited to entering into currency hedges.

GEARING RATIO

The gearing ratio, defined as the aggregate of interest-bearing loans and lease liabilities, divided by total equity, was 61.2% as at 31 March 2020 (31 March 2019: 70.9%).

CAPITAL EXPENDITURE

Capital expenditure mainly comprises expenditure for (i) the purchase of property, plant and equipment mainly used for construction of buildings, and (ii) the purchase of equipment and tools for the expansion and maintenance of our pachinko and pachislot hall and amusement arcade operations. The table below shows a breakdown of the capital expenditure for the indicated periods:

	As at 31 March	
	2020	2019
	¥ million	¥ million
Property, plant and equipment	**1,473**	5,084
Right-of-use assets	**963**	–
Investment properties	**–**	14
Intangible assets	**63**	83
	2,499	5,181

CHARGES ON ASSETS

As at 31 March 2020 and 2019, the carrying values of charged assets were as below:

	2020	2019
	¥ million	*¥ million*
Property, plant and equipment	**10,475**	11,050
Investment properties	**630**	650
Deposits and other receivables	**178**	180
	11,283	11,880

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2020 and 2019.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this results announcement, the Group had no plan authorised by the Board for other material investments or additions of capital assets as at the date of this annual results announcement.

There is no important event affecting the Company that have occurred since the end of the financial year.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had 1,932 employees. The remuneration policy of the Group (including those for directors and employees) is determined by the Remuneration Committee under the Board as per the performance, qualifications and competence of the employees.

FINAL DIVIDEND

The board of directors of the Company has resolved not to declare a final dividend in respect of the year ended 31 March 2020 (2019: ¥0.07 per ordinary share).

CORPORATE GOVERNANCE

During the year ended 31 March 2020, the Company has adopted and complied with all the applicable principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception for code provision A.2.1, which requires the roles of chairman and chief executive to be separate and should be performed by different individuals, and code provision E.1.3, which requires that notice for an annual general meeting should be sent to the shareholders at least 20 clear business days before the meeting.

Code Provision A.2.1

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Our Chairman currently holds both positions. Since April 2010, our Chairman has been the key leadership figure of our Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group's operations as he directly supervises our executive officers (other than himself) and members of our senior management. Taking into account the continuation of the implementation of our business plans, the Directors (including our independent non-executive Directors) consider our Chairman is the best candidate for both positions and the present arrangements are beneficial to and in the interests of our Company and our shareholders as a whole.

Code Provision E.1.3

Code provision E.1.3 stipulates that notice for an annual general meeting (the "AGM") should be sent to its shareholders by the issuer at least 20 clear business days before the meeting. The AGM of the Company for the year ended 31 March 2019 was held on 27 June 2019 (the "2019 AGM"), while the notice for the 2019 AGM was despatched on 5 June 2019. The above arrangement complied with the articles of incorporation of the Company (the "Articles of Incorporation") prepared pursuant to the Companies Act in respect of the minimum notice period of 21 calendar days (the date of sending and the date of the meeting shall not be included within this period) for AGM but the notice period for the 2019 AGM was less than 20 clear business days before the 2019 AGM.

Under the Companies Act and the Articles of Incorporation, the Company is required to hold an AGM within three months after the expiration of each financial year (i.e. on or before 30 June 2019 for the financial year ended 31 March 2019).

The Companies Act also requires the notice for the AGM to be despatched together with the audited financial statements under the Japanese Generally Accepted Accounting Principles, which must be approved by the Board. On the other hand, the annual report must contain audited financial statements prepared under the IFRS as required under the Listing Rules. As a result, more time was required to finalise the annual report which accompanied the AGM notice despatched to the shareholders of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct during the year ended 31 March 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the year ended 31 March 2020. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 March 2020.

AUDIT COMMITTEE

The audit committee of the Company had reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 March 2020.

REVIEW OF THE PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 March 2020 as set out in this preliminary results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary results announcement.

ANNUAL GENERAL MEETING AND RECORD DATE

The annual general meeting of the Company (the "2020 AGM") will be held on 29 July 2020 at 1-24 Hohaccho 2-chome, Koriyama-shi, Fukushima, Japan. Notice of the 2020 AGM will be published and issued to Shareholders in due course. The right to attend and vote at the 2020 AGM will be granted to the Shareholders whose names appear on the Company's share register at the close of business on Thursday, 23 July 2020.

In order for those Shareholders whose names have not been registered on the Company's share register to be eligible to attend and vote at the 2020 AGM, all properly completed, duly stamped and executed transfer documents accompanied by the relevant share certificates should be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. (Hong Kong time) on Thursday, 23 July 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk) and the Company (www.ngch.co.jp), and the annual report of the Company for the year ended 31 March 2020 containing all the information required by the Listing Rules will be dispatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

On behalf of the Board
NIRAKU GC HOLDINGS, INC.*
株式会社ニラク▪ジー▪シー▪ホールディングス
Chairman, Executive Director and Chief Executive Officer
Hisanori TANIGUCHI

Fukushima, Japan, 19 June 2020

As at the date of this announcement, the executive Directors are Hisanori TANIGUCHI, Akinori OHISHI and Masataka WATANABE; the non-executive Director is Hiroshi BANNAI; and the independent non-executive Directors are Michio MINAKATA, Yoshihiro KOIZUMI and Kuraji KUTSUWATA.

* *for identification purpose only*