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 2021

ANNUAL RESULTS HIGHLIGHTS

- Gross pay-ins were ¥94,414 million (or HK$6,630 million#), recording a decrease of 32.1% as compared with the year ended 31 March 2020;
- Revenue was ¥18,541 million (or HK$1,302 million#), recording a decrease of 33.9% as compared with the year ended 31 March 2020;
- Loss before income tax was ¥8,502 million (or HK$597 million#), recording a drop of ¥9,083 million as compared with the year ended 31 March 2020;
- Loss for the year attributable to owners of the Company was ¥5,481 million (or HK$385 million#), recording a decrease of ¥5,660 million as compared with the year ended 31 March 2020;
- The Group operates 47 halls as at the date of this announcement (31 March 2020: 53 halls);
- Basic loss per share of the Company was ¥4.58 (or HK$0.322#) (2020: basic earnings per share ¥0.15); and
- The Board has resolved not to declare a final dividend for the year ended 31 March 2021 (2020: Nil).

Translated into Hong Kong dollar at the rate of ¥14.24 to HK$1.00, the exchange rate prevailing on 31 March 2021 (i.e. the last business day in March 2021).

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 2021 together with the comparative figures for the year ended 31 March 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	**2021** **¥ million**	2020 ¥ million
Revenue	4	**18,541**	28,046
Other income	5	**639**	1,074
Other gains, net	5	**173**	400
Impairment loss on property, plant and equipment	6	**(2,949)**	(213)
Impairment loss on right-of-use assets	6	**(2,643)**	(463)
Hall operating expenses	6	**(17,571)**	(21,234)
Administrative and other operating expenses	6	**(3,393)**	(5,655)
Operating (loss)/profit		**(7,203)**	1,955
Finance income	7	**95**	62
Finance costs	7	**(1,394)**	(1,436)
Finance costs, net	7	**(1,299)**	(1,374)
Share of results of an associate		**–**	–
(Loss)/profit before income tax		**(8,502)**	581
Income tax credit/(expense)	8	**2,898**	(717)
Loss for the year		**(5,604)**	(136)
Loss attributable to:			
Owners of the Company		**(5,481)**	179
Non-controlling interest		**(123)**	(315)
		(5,604)	(136)
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company			
— Basic and diluted (expressed in Japanese Yen per share)	9	**(4.58)**	0.15
Other comprehensive loss			
Items that will not be subsequently reclassified to profit or loss			
Change in value of financial assets through other comprehensive income		**17**	(241)
Items that have been or may be subsequently reclassified to profit or loss			
Currency translation difference		**(6)**	(45)
Total comprehensive loss for the year		**(5,593)**	(422)
Total comprehensive loss attributable to:			
Owners of the Company		**(5,458)**	(107)
Non-controlling interest		**(135)**	(315)
		(5,593)	(422)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Note	**2021** **¥ million**	2020 ¥ million
ASSETS			
Non-current assets			
Property, plant and equipment		**18,581**	22,257
Right-of-use assets		**27,949**	32,072
Investment properties		**737**	630
Intangible assets		**1,400**	1,601
Prepayments, deposits and other receivables		**4,545**	5,119
Financial assets at fair value through other comprehensive income		**577**	565
Deferred income tax assets		**5,765**	2,822
		59,554	65,066
Current assets			
Inventories		**21**	40
Trade receivables	*11*	**64**	48
Prepayments, deposits and other receivables		**1,327**	1,026
Financial assets at fair value through profit or loss		**106**	100
Current income tax recoverable		**474**	–
Bank deposits with original maturity over 3 months		**42**	750
Cash and cash equivalents		**15,903**	14,128
		17,937	16,092
Total assets		**77,491**	81,158

	Note	2021 ¥ million	2020 ¥ million
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,000**	3,000
Reserves		**17,762**	23,220
		20,762	26,220
Non-controlling interest		**(556)**	(421)
Total equity		**20,206**	25,799
LIABILITIES			
Non-current liabilities			
Borrowings	*13*	**738**	9,853
Lease liabilities	*14*	**30,534**	32,035
Provisions and other payables		**2,192**	2,270
Derivative financial instruments		**16**	22
		33,480	44,180
Current liabilities			
Trade payables	*12*	**108**	114
Borrowings	*13*	**15,929**	3,233
Lease liabilities	*14*	**2,906**	2,542
Accruals, provisions and other payables		**4,131**	4,404
Derivative financial instruments		**3**	4
Current income tax liabilities		**728**	882
		23,805	11,179
Total liabilities		**57,285**	55,359
Total equity and liabilities		**77,491**	81,158

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 by the Board of Directors of the Company on 28 June 2021.

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

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative financial instruments) which are carried at fair value.

(i) Going concern basis

The Group reported a net loss of ¥5,604 million during the financial year ended 31 March 2021. As at 31 March 2021, the Group had total borrowings of approximately ¥16,667 million. As at 31 March 2021, management assessed that the Group was not able to comply with certain financial covenants for part of the Group's bank borrowings amounting to approximately ¥14,758 million ("Relevant Borrowings"). Such non-compliance of the covenants would grant the banks ("Relevant Banks") the right to request for immediate repayment of the borrowings. As a result, the Group reclassified borrowings of approximately ¥7,063 million, representing the non-current portion of the Relevant Borrowings to current liabilities. As at 31 March 2021, following the reclassification, the Group's current liabilities exceeded its current assets by approximately ¥5,868 million.

In June 2021, the Group obtained written consents from Relevant Banks on waiving their rights to request immediate repayment arising from the aforementioned non-compliance of financial covenants and therefore, the Relevant Borrowings would only be due for repayment in accordance with the original repayment terms. In addition, the Relevant Banks also agreed to revise the financial covenants of these borrowings to be more favourable to the Group. The Group will continue to monitor its compliance with the covenant requirements and the directors of the Company is confident that the Group will be able to comply with the revised and other existing financial covenants of its bank borrowings. Should the Group anticipate any non-compliance with the covenant requirements, management will discuss and negotiate with the respective banks and will seek to further revise the terms and covenant requirements or obtain a waiver of compliance with the covenant requirements from the banks as needed.

The directors of the Company have prepared cash flow projections covering a period of not less than twelve months from 31 March 2021, to assess the Group's ability to continue as a going concern. Based on the cash flow projections, which takes into account the anticipated cash flows generated from the Group's operations, the reasonably possible changes in operations under the COVID-19 pandemic, the continued compliance of the financial covenants and availability of the Group's bank borrowings, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 March 2021. Accordingly, the directors of the Company consider it appropriate to prepare the consolidated financial statements on a going concern basis.

(ii) Amendments to standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2020:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IAS 39, IFRS 7 and IFRS 9	Interest Rate Benchmark Reform — Phase I
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the standards and amendments did not have any material impact on the Group's accounting policies.

(iii) New and amended standards, improvements and interpretations to existing standards (collectively, the "Amendments") not yet adopted by the Group

The following amendments have been published but not mandatory for 31 March 2021 reporting period and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to IFRS 16	Covid-19 Related Rent Concessions	1 June 2020
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform — Phase 2	1 June 2021
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to Annual Improvement project	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The related impacts of the adoption of these amendments to the Group are currently under assessment and the Group is not yet in a position to state whether any substantial changes to the Group's significant policies and presentation of the financial information will result.

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2021	2020
	¥ million	*¥ million*
Revenue		
Gross pay-ins	**94,414**	139,053
Less: gross pay-outs	**(77,531)**	(114,046)
Revenue from pachinko and pachislot hall business	**16,883**	25,007
Revenue from amusement arcades	**1,015**	1,663
Vending machine income	**335**	480
Revenue from hotel operations	**55**	143
Revenue from restaurant operations	**253**	753
	18,541	28,046

During the year ended 31 March 2021, revenue recognised that was included in the contract liabilities balances of rental receipt in advance and unutilised balls and tokens at the beginning of the year amounted to ¥194 million and ¥1,132 million, respectively.

As at 31 March 2021, the amount of transaction price allocated to the contract liabilities in relation to rental receipt in advance and unutilised balls and tokens that are unfulfilled were ¥153 million and ¥1,225 million, respectively, of which all are expected to be recognised as revenue during the next reporting period.

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker ("CODM") that are used for making strategic decisions. The COMD 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 segment results, being adjusted (loss)/profit before income tax and 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.

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 cash equivalents. They exclude current income tax recoverable, 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 2021 and 2020 are as follows:

	Year ended 31 March 2021				
	Pachinko and pachislot hall operations	Amusement arcade operations	Restaurant operations	Others	Total
	Japan	Southeast Asia	China	Japan	
	¥ million	*¥ million*	*¥ million*	*¥ million*	*¥ million*
Timing of revenue recognition					
Over time	17,218	1,015	–	55	18,288
At a point in time	–	–	–	253	253
Segment revenue from external customers	17,218	1,015	–	308	18,541
Segment results	(6,493)	(308)	(260)	(506)	(7,567)
Corporate expenses					(935)
Loss before income tax					(8,502)
Income tax credit					2,898
Loss for the year					(5,604)
Other segment items					
Depreciation and amortisation expenses	(3,811)	(460)	(92)	(31)	(4,394)
Impairment loss on right-of-use assets	(2,488)	(58)	(97)	–	(2,643)
Impairment loss on intangible assets	(187)	–	(17)	–	(204)
Impairment loss on property, plant and equipment	(2,929)	(19)	(1)	–	(2,949)
Impairment loss on investment properties	(55)	–	–	–	(55)
Finance income	90	5	–	–	95
Finance costs	(1,289)	(105)	–	–	(1,394)

	Year ended 31 March 2020				
	Pachinko and pachislot hall operations	Amusement arcade operations	Restaurant operations	Others	Total
	Japan	Southeast Asia	China	Japan	
	¥ million	*¥ million*	*¥ million*	*¥ million*	*¥ million*
Timing of revenue recognition					
Over time	25,487	1,663	–	144	27,294
At a point in time	–	–	304	448	752
Segment revenue from external customers	25,487	1,663	304	592	28,046
Segment results	2,438	56	(597)	(493)	1,404
Corporate expenses					(823)
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)

The segment assets as at 31 March 2021 and 2020 are as follows:

	Pachinko and pachislot hall operations	Amusement arcade operations	Restaurant operations	Others	Total
	Japan	Southeast Asia	China	Japan	
	¥ million	*¥ million*	*¥ million*	*¥ million*	*¥ million*
As at 31 March 2021					
Segment assets	**62,150**	**1,750**	**576**	**933**	**65,409**
Unallocated assets					**6,317**
Deferred income tax assets					**5,765**
Total assets					**77,491**
Addition to non-current assets other than financial instruments and deferred tax assets	**3,909**	**231**	**4**	**90**	**4,234**

	Pachinko and pachislot hall operations	Amusement arcade operations	Restaurant operations	Others	Total
	Japan	Southeast Asia	China	Japan	
	¥ million	*¥ million*	*¥ million*	*¥ million*	*¥ million*
As at 31 March 2020					
Segment assets	68,234	2,130	970	696	72,030
Unallocated assets					6,306
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

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

	2021	2020
	¥ million	*¥ million*
Japan	**47,722**	54,703
Southeast Asia	**948**	1,202
China	**412**	527
	49,082	56,432

No single external customer contributed more than 10% revenue to the Group's revenue for the years ended 31 March 2021 and 2020.

5 OTHER INCOME AND OTHER GAINS, NET

	2021	2020
	¥ million	*¥ million*
Other income		
Rental income	**176**	410
Income from expired IC and membership cards	**19**	29
Dividend income	**27**	55
Compensation and subsidies *(Note)*	**243**	332
Income from scrap sales of used pachinko and pachislot machines	**86**	169
Others	**88**	79
	639	1,074
Other gains, net		
Gain on release of lease liabilities	**178**	151
Gain on fair value for financial assets at fair value through profit or loss	**6**	–
Gain on fair value for derivative financial instruments	**7**	5
(Loss)/gain on disposal of property, plant and equipment, net	**(55)**	317
Others	**37**	(73)
	173	400

Note: Compensation and subsidies received during the year ended 31 March 2021 mainly represents subsidies from the Government of Japan as a financial aid to Japanese corporations during the COVID-19 pandemic. 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

	2021	2020
	¥ million	*¥ million*
Auditors' remuneration		
— Audit fees	**100**	101
— Other services	**13**	14
Employee benefits expenses		
— Hall operations	**4,805**	5,542
— Administrative and others	**1,164**	1,830
Expense relating to short-term and low-value leases	**174**	291
Depreciation of property, plant and equipment	**1,974**	2,178
Depreciation of right-of-use assets	**2,335**	2,734
Depreciation of investment properties	**21**	20
Amortisation of intangible assets	**64**	76
Other taxes and duties	**372**	352
Utilities expenses	**761**	987
Consumables and cleaning	**853**	1,663
Outsourcing service expenses	**695**	960
Prizes procurement expenses to wholesalers	**680**	878
Pachinko and pachislot machines expenses *(Note)*	**4,650**	6,692
Advertising expenses	**723**	1,219
Impairment loss on other receivables	**271**	–
Impairment loss on property, plant and equipment	**2,949**	213
Impairment loss on right-of-use assets	**2,643**	463
Impairment loss on investment properties	**55**	–
Impairment loss on intangible assets	**204**	11
Legal and professional fees	**67**	49
Others	**983**	1,292
	26,556	27,565

Note:

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.

7 FINANCE COSTS, NET

	2021	2020
	¥ million	*¥ million*
Finance income		
Bank interest income	**2**	5
Interest income on lease receivables	**37**	–
Other interest income	**56**	57
	95	62
Finance costs		
Bank borrowings	**(239)**	(197)
Lease liabilities	**(935)**	(1,131)
Provision for unwinding discount	**(220)**	(108)
	(1,394)	(1,436)
Finance costs, net	**(1,299)**	(1,374)

8 INCOME TAX (CREDIT)/EXPENSE

	2021	2020
	¥ million	*¥ million*
Current income tax		
— Japan	**2**	1,337
— Other Asian countries	**2**	38
	4	1,375
Deferred income tax	**(2,902)**	(658)
	(2,898)	717

No provision for Hong Kong profits tax or China income tax have been made for the years ended 31 March 2021 and 2020 as the Group did not generate any assessable profits arising in Hong Kong and China during the years ended 31 March 2021 and 2020.

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Japan as follows:

	2021	2020
	¥ million	*¥ million*
(Loss)/profit before income tax	**(8,502)**	581
Tax calculated at applicable Japan corporate income tax	**(2,544)**	174
Effect of different in tax rates of subsidiaries	**(568)**	82
Income not subject to tax	**(14)**	(22)
Expenses not deductible for tax purpose	**65**	314
Unrecognised tax losses	**34**	6
Unrecognised deductible temporary differences	**129**	163
	(2,898)	717

9 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 March 2021 and 2020.

	2021	2020
(Loss)/profit attributable to owners of the Company *(¥ million)*	**(5,481)**	179
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 (loss)/earnings per share *(¥)*	**(4.58)**	0.15

No diluted (loss)/earnings per share is presented as there was no potential dilutive shares during the years ended 31 March 2021 and 2020. Diluted (loss)/earnings per share is equal to the basic earnings per share.

10 DIVIDENDS

No dividend was declared during the year ended 31 March 2021. For 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 2021 (2020: Nil).

11 TRADE RECEIVABLES

	2021 ¥ million	2020 ¥ million
Trade receivables	**64**	48

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 2021 and 2020, the ageing analysis of the trade receivables, based on invoice date, is as follows:

	2021 ¥ million	2020 ¥ million
Less than 30 days	**64**	48

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 2021 and 2020 and are denominated in ¥.

12 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice dates as at 31 March 2021 and 2020 were as follows:

	2021 ¥ million	2020 ¥ million
Less than 30 days	**108**	114

The carrying amounts of trade payables approximate their fair values as at 31 March 2021 and 2020.

13 BORROWINGS

	2021	2020
	¥ million	*¥ million*
Non-current portion		
Bank loans	**738**	3,365
Syndicated loans	**–**	6,488
	738	9,853
Current portion		
Bank loans	**3,740**	1,427
Syndicated loans	**12,189**	1,806
	15,929	3,233
Total borrowings	**16,667**	13,086

As at 31 March 2021 and 2020, the Group's borrowings were repayable as follows:

	2021	2020
	¥ million	*¥ million*
Within 1 year	**15,929**	3,233
Between 1 and 2 years	**326**	2,389
Between 2 and 5 years	**406**	5,454
Over 5 years	**6**	2,010
	16,667	13,086

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

	2021	2020
Bank loans	**1.68%**	1.80%
Syndicated loans	**0.67%**	1.08%

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

	2021	2020
	¥ million	*¥ million*
Property, plant and equipment	**9,790**	10,475
Investment properties	**611**	630
Deposits and other receivables	**170**	178
	10,571	11,283

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

	2021	2020
	¥ million	*¥ million*
Floating rate		
— Expiring over 1 year	**1,383**	600

The carrying amounts of borrowings of the Group approximate their fair values as at 31 March 2021 and 2020.

As at 31 March 2021, the Group had total borrowings of approximately ¥16,667 million, of which approximately ¥14,758 million are subject to annual financial covenant assessment. As at 31 March 2021, management assessed that the Group was not able to comply with certain covenants of part of the Group's bank borrowings amounting to approximately ¥14,758 million. In June 2021, the Group obtained written consents from all relevant banks on waiving the right to request for immediate repayment arising from the breach of covenants for the year ended 31 March 2021. These consents would remain in force until next annual assessment. The Group will repay the outstanding borrowings in accordance with the original repayment schedules.

14 LEASES

During the year ended 31 March 2021, the Group received rent concessions in the form of a discount on fixed monthly rental payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of Coronavirus Disease 2019 ("COVID-19"). The Group has not early adopted the amendment to IFRS 16 "COVID-19-related rent concessions" and has accounted for the rent concessions as lease modifications.

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

	2021	2020
	¥ million	*¥ million*
Right-of-use assets		
Buildings	**27,286**	30,565
Leasehold improvement	**355**	1,438
Equipment and tools	**263**	69
Vehicle	**45**	–
Total right-of-use assets	**27,949**	32,072
Lease liabilities		
Current	**2,906**	2,542
Non-current	**30,534**	32,035
	33,440	34,577

Additions and disposals to the right-of-use assets during the year ended 31 March 2021 were ¥2,293 million and ¥1,502 million (2020: ¥562 million and ¥36 million), respectively.

For the year ended 31 March 2021, as a result of the impairment review, impairment loss of approximately ¥2,643 million (2020: ¥463 millions) has been recognised on right-of-use assets.

(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 2021	31 March 2020
	¥ million	*¥ million*
Depreciation of right-of-use assets		
Buildings	**1,946**	2,412
Leasehold improvement	**298**	292
Equipment and tools	**70**	30
Motor vehicles	**21**	–
	2,335	2,734
Interest expense (included in finance cost)	**935**	1,131
Expense relating to short-term leases (included in hall operating expenses)	**160**	259
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**14**	32

The total cash outflow for leases during the year ended 31 March 2021 was ¥4,032 million (2020: ¥3,142 million).

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

The Group leases various offices, pachinko and pachislot halls, 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).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The World Health Organization (WHO) declared an outbreak of the new coronavirus infection ("COVID-19") which was widespread in China as a global pandemic on 11 March 2020. The pandemic has disrupted consumer markets around the world, and hugely impacted the global economy since the Great Depression. Governments around the world have announced stay-at-home orders and social distancing measures to ensure the safety of their people, and also implemented fiscal stimulus packages to support businesses and the economy. Under these circumstances, the patterns of shopping, dining, work and entertainment by consumers have changed, and many of their behaviors and values have also changed. The IMF anticipated that the global economy will be recovered to 6.0% in 2021 after the shrinkage by 3.6% in 2020. However, uncertainty in the anticipation was not expected to be low considering the future development of the pandemic such as the spread of new variant and the effectiveness of political support that will lead to the normalization of vaccine-driven economic activities. COVID-19 contributing worldwide spread of infection had a considerable impact on the business of the Group.

In the pachinko hall business, which is the core business of the Group, the Japan Government announced the first state of emergency in April 2020, resulting in temporary closure of all outlets. Since then, the number of new infections has continued to move up and down, the second state of emergency was announced primarily in the Tokyo metropolitan area in January 2021, and the third state of emergency was also announced primarily in the Tokyo metropolitan area in April 2021. This state of emergency restricted travel and going-out activities not only in the specified target areas but also nationwide, resulting in significant impact on the local economy. Under these circumstances, although the Company has taken infection prevention measures so that customers who come to our outlets are able to play with a sense of security, many customers have stopped visiting pachinko halls or reduced the frequency of visits due to the spread of COVID-19, and the hall traffic has decreased significantly throughout the year. Therefore, the total revenue (gross pay-ins) of Niraku, a subsidiary that engages in pachinko hall business, declined by 32% compared with the previous period. Even now, we cannot exactly tell that the outbreak of COVID-19 has already settled down, and the number of customers has been recovering by around 80% before the pandemic. The pachinko market has shown a long-term decreasing tendency, and even if COVID-19 pandemic settles down, people's lifestyles are expected to change, and the recovery rate of the hall traffic will remain at around 80% with no significant improvement. In addition, due to the change of standards for machines, it is mandatory to replace all machines with the machines that comply with new standard by the end of 2021. This means that the gambling nature of machines will become lower than conventional ones, and it is expected that the revenue (gross pay-ins) per machine will decrease.

Despite these harsh business conditions, such changes in the business environment can be taken as an opportunity to transform the business structure. In this fiscal year, to respond to these challenges, we not only complied with the industry's infection prevention guidelines in each outlet, but also have made efforts to create an environment where customers are able to come to the outlets with a sense of security and play comfortably. In addition, we have accelerated the closure of unprofitable outlets in accordance with medium-term business plan and closed 7 outlets, and we started to improve the efficiency of company-wide expenses by substantially re-examining operations of outlets. We have put effort on creating a corporate system that can secure profits even under these circumstances. On the other hand, we opened a mega outlet with more than 1,000 machines in August 2020. New outlet opening despite the shrinking market is important for increasing market share and shall constitute the core of Niraku's medium-term strategy. Thus, in the domestic pachinko hall business, we will proceed with the digitization to further improve cost efficiency, also we will build a solid profit structure in the future by investing in new outlets based on the financial foundation we have established.

The impact of the COVID-19 pandemic was also significant in our businesses in China and Southeast Asia, resulting in substantial drop in revenue due to intermittent temporary closures of restaurants and gaming arcades.

Dream Games, a subsidiary that operates gaming arcades business in Vietnam and Cambodia, resulted in a 39% decrease in operating revenue compared to the previous year due to a series of temporary closure upon the request by the governments of the countries and requests from malls where the outlets located to remove machines with high gambling elements. While the spread of COVID-19 has rebounded from April 2021, off-and-on suspension of business of gaming arcades continued, and an end to the epidemic is not in sight. In order to deal with this situation, although we have taken measures such as closure of unprofitable stores, cost reduction, and streamlining of expenses, we do not expect the business environment will improve immediately. We will continue to strengthen our business structure to cope with the unforeseen business environment by further reducing costs and improving cost efficiency. On the other hand, although the GDP growth rates of both countries dropped dramatically in 2020 due to the outbreak of COVID-19, IMF forecast the growth rate will recover to a high level again after the COVID-19 pandemic settles down, and we expect to see recovery and growth of business. While we closed three unprofitable outlets this fiscal year, we opened three outlets in Vietnam. One of these outlets is a large-scale outlet incorporating many athletic elements that are different from the traditional Japanese arcade style, and we are also making investments in anticipation of the settlement of the COVID-19 pandemic. As mentioned above, both countries are still developing countries, and we expect that consumption and leisure markets will continue to expand. The amusement arcade business in both Vietnam and Cambodia is centered on opening outlets in leading shopping malls. The new development plans of leading shopping mall development companies in both countries have not been changed on the assumption that future economic growth is foreseeable. While keeping an eye on this situation, we will continue to expand our business focusing on opening outlets in shopping malls.

The joint business of operating Japanese restaurant food court "YOKOCHO" in Shenzhen City, Guangdong Province, China, opened in July 2019, was considered to be difficult to continue operations given that the recovery of number of customers visiting the shopping malls where the outlets located cannot be expected due to the impact of the outbreak of COVID-19 within China. Accordingly, in February 2020, we decided to suspend operations. Nevertheless, China's domestic economy has improved as a result of success of Chinese government's measures against COVID-19 pandemic and initiatives at an early stage for resumption of economic activities. Therefore, we decided to resume the operations within 2021.

The Hong Kong-based e-sports joint business in the Asian region was significantly impacted by changes in the political circumstances and the outbreak of COVID-19. As a result, we were unable to hold any planned e-sports games events which are major source of earnings, and the situation has not improved yet. In this business, we have planned to form an e-sports university league mainly in the Asian region and organize events in various locations of the Asian region as the core of our business strategies. In the future, we will look for a path for business reconstruction, including a review of our business models.

The Group's medium-term strategy is to focus on securing revenues and expanding market share in the pachinko hall business, which is our core business, and to invest in opening new outlets and M&A, aiming to create a structure that is able to secure stable earnings. At the same time, we will renovate existing outlets and make investments to promote digitization with the aim of further improving business efficiency. In addition, from a long-term perspective, the size of the pachinko market is on a declining trend, and we plan to branch out into new businesses in Japan.

In addition to Japan, while keeping an eye on COVID-19 pandemic in each country, we will focus on rebuilding and strengthening individual businesses in the short term and will put effort on stabilizing the business foundation as a priority issue. Over the medium term, we will also seek to expand existing businesses and create new business opportunities in order to respond to changes in the business environment in each country.

FINANCIAL REVIEW

Revenue from Pachinko and Pachislot Business

Revenue from pachinko and pachislot is derived from gross pay-ins netted with gross pay-outs.

Revenue from pachinko and pachislot business recorded a drastic decrease of ¥8,124 million, or 32.5%, from ¥25,007 million in 2020 to ¥16,883 million in 2021. The plunge was due to the declaration of the state of emergency by the government of Japan, restricting social activities and people-to-people contact to curb the spread of COVID-19. Following the declarations, pachinko and pachislot halls of the Group were temporarily closed. Though the restrictions were lifted subsequently, customers had low intention to visit the pachinko halls during the pandemic. Further, to reduce costs and preserve resources, during the financial year, seven loss-making pachinko halls were closed down. All these factors had caused disruption on the business and in turn dampened the revenue in 2021.

Gross pay-ins

For the year ended 31 March 2021, the Group's gross pay-ins from pachinko and pachislot business amounted to ¥94,414 million, comprising revenue from suburban halls of ¥92,014 million (2020: ¥132,706 million) and urban halls of ¥2,400 million (2020: ¥6,347 million), representing a drop of ¥40,692 million, or 30.7%, and ¥3,947 million, or 62.2%, respectively, as compared to last year. The overall decrease was caused by the factors mentioned above.

Gross pay-outs

Gross pay-outs, being the aggregate cost of G-prizes and general prizes exchanged by customers, dropped from ¥114,046 million in 2020 to ¥77,531 million in 2021, a plunge of ¥36,515 million, or 32.0%, which corresponded to the decrease in gross pay-ins.

Revenue margin

The revenue margin in current year decreased by 0.1% from 18.0% in 2020 to 17.9% in 2021 with no material change as compared to prior year.

Revenue from Amusement Arcade Business

Revenue from amusement arcade business decreased from ¥1,663 million in 2020 to ¥1,015 million in current year. The amount comprised revenue derived from Vietnam and Cambodia amounting to ¥872 million and ¥143 million, respectively (2020: ¥1,292 million and ¥371 million, respectively). The decrease in revenue was due to the lockdown and social distancing measures imposed by local governments, causing temporary closure of game centres in both Vietnam and Cambodia.

Other revenue

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

Vending machines income amounted to ¥335 million in 2021. The decrease of ¥145 million as compared to ¥480 million in 2020 was resulted from the negative impact of COVID-19 as mentioned above.

Income from hotel operation amounted to ¥55 million in 2021, recording a significant drop of ¥88 million, or 61.5%, as compared to 2020 of ¥143 million. The hit on hotel income is caused by extremely low occupancy rate of 41.7% for the year ended 31 March 2021 as compared to 66.5% in 2020, as the hotel was closed for few months during the early outbreak of COVID-19 in 2020 and the earthquake that happened in February 2021.

Revenue from restaurant also noted a decline of ¥500 million in current year, from ¥753 million in 2020 to ¥253 million in 2021 which was mainly resulted from the temporary suspension of YOKOCHO business during the pandemic.

Hall operating expenses

Hall operating expenses decreased by ¥3,663 million, or 17.3%, from ¥21,234 million in 2020 to ¥17,571 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 ¥4,650 million, ¥4,805 million and ¥4,124 million, respectively, for the year ended 31 March 2021 (31 March 2020: ¥6,692 million, ¥5,542 million and ¥4,384 million, respectively).

The decrease in hall operating expenses was resulted from the combined effects of (i) less pachinko and pachislot machines purchased during the current year; (ii) cancellation of interim bonus for staff; and (iii) decrease in variable costs such as repair and maintenance.

Administrative and other operating expenses

Administrative and other operating expenses dropped significantly by ¥2,262 million, or 40.0% from ¥5,655 million for the year ended 31 March 2020 to ¥3,393 million in 2021. The plunge in expenses was attributable to the decrease in staff and recruitment expenses and advertising expenses under the cost control measures.

Impairment loss

Impairment loss on property, plant and equipment and right-of-use assets increased drastically from ¥676 million in 2020 to ¥5,592 million in 2021. The International Accounting Standard 36 “Impairment of Assets” (“IAS 36”) requires that assets be carried at no more than their recoverable amount. If an asset’s carrying value exceeds the amount that could be received through use or selling the asset, then the asset is impaired and IAS 36 requires a company to make provision for the impairment loss. The management carries out impairment assessment when there are events that indicate that the related asset values may not be recoverable, and when impairment indicators exist for the Group’s cash-generating units (“CGUs”).

The Group’s impairment indicators for previous years required impairment assessment on halls with operating at a loss for current financial year and performed below management’s expectations. Due to the outbreak of COVID-19 in Japan, there was a significant drop in customer traffic at pachinko halls during 2021, particularly when the Group was mandatorily required to temporarily suspend operations at its pachinko halls from mid-April 2020 to May 2020.

The management noted that its financial performance is highly sensitive to changes in market situations. Taking into account the ongoing development and impact of COVID-19 outbreak, management considered CGU with loss for one year or had performed below management’s revised expectation as having impairment indicator, and performed impairment assessments over pachinko and pachislot hall operations, amusement arcade operations and restaurant operations by assessing the recoverable amounts of the CGU, determined as the higher of their value-in-use and fair value less cost of disposal. As a result, the Group recognised an impairment loss of ¥2,949 million and ¥2,643 million over plant, property and equipment and right-of-use assets, respectively.

Finance costs

Finance costs, net amounted to ¥1,299 million for the year ended 31 March 2021 as compared to ¥1,374 million in 2020. The drop was attributable to the increase in interest income received from sub-leasing, and decrease in interest expense on lease liabilities.

(Loss)/profit attributable to owners of the Company, basic (loss)/earnings per share and dividend

Loss attributable to shareholders of the Company of ¥5,481 million was recorded for the year ended 31 March 2021, as compared to profit attributable to shareholders of the Company of ¥179 million for the year ended 31 March 2020. The turnaround from profit in 2020 to loss in 2021 was due to the significant drop in revenue and substantive increase in provision for impairment loss on fixed assets caused by the negative impact of COVID-19 pandemic.

Basic loss per share for the year ended 31 March 2021 was ¥4.58 (basic earnings per share for the year ended 31 March 2020: ¥0.15). The Board has resolved not to declare a final dividend for the year ended 31 March 2021 (31 March 2020: Nil).

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 relied 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 bank balances, borrowings, lease liabilities, working capital, total equity and gearing ratio of the Group as at 31 March 2021 and 2020, and operating cash flows before movements in working capital of the Group for the years ended 31 March 2021 and 2020, respectively:

	As at 31 March	
	2021	2020
	¥ million	*¥ million*
Cash and cash equivalents	**15,903**	14,128
Bank deposits with original maturity over 3 months	**42**	750
	15,945	14,878
Bank loans	**4,478**	4,792
Syndicated loans	**12,189**	8,294
Lease liabilities	**33,440**	34,577
	50,107	47,663
Working capital *(Note 1)*	**(5,868)**	4,913
Total equity	**20,206**	25,799
Gearing ratio *(Note 2)*	**1.7**	1.3

Note 1: Working capital being current assets less current liabilities.

Note 2: Gearing ratio is calculated as total borrowings and lease liabilities less cash and cash equivalents divided by equity.

	For the year ended 31 March	
	2021	2020
	¥ million	*¥ million*
Operating cash flows before movements in working capital	**3,150**	7,122

As at 31 March 2021, net current liabilities of the Group totalled ¥5,868 million (31 March 2020: net current assets ¥4,913 million), and current ratio was 0.75 as at 31 March 2021 (31 March 2020: 1.44). As at 31 March 2021, there were cash and cash equivalents of ¥15,903 million (31 March 2020: ¥14,128 million), in which ¥14,480 million was denominated in Japanese Yen, ¥1,119 million was denominated in United States dollar, ¥238 million was denominated in Hong Kong dollar and ¥66 million was denominated in other currencies. As at 31 March 2021, the Group had total borrowings and lease liabilities of ¥50,107 million (31 March 2020: ¥47,663 million). Current portion of bank borrowings and current portion of lease liabilities amounted to ¥18,835 million as at 31 March 2021 (31 March 2020: ¥5,775 million).

The Group's bank borrowings during the current period comprised bank loans and syndicated loans. As at 31 March 2021, the total bank borrowings amounted to ¥16,667 million (31 March 2020: ¥13,086 million), with average effective interest rates on bank borrowings ranged from 0.67% to 1.68% (31 March 2020: 1.08% to 1.80%) per annum. Approximately 6.6% of bank borrowings as at 31 March 2021 were fixed rate borrowings.

HEDGING OF FLOATING RATE BORROWINGS AND FOREIGN EXCHANGE

As at 31 March 2021, the Group had three floating to fixed interest rate swap contracts with banks 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 2021, gain on fair value for interest rate swap contracts amounted to ¥7 million (2020: ¥5 million).

The Group did not carry out significant foreign currency investment and its debts were all denominated in Japanese Yen as at 31 March 2021. As the functional currency 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 less cash and cash equivalents, divided by total equity, was 1.7 as at 31 March 2021 (31 March 2020: 1.3).

CAPITAL EXPENDITURE

Capital expenditure mainly comprised of 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 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:

	2021	2020
	¥ million	*¥ million*
Property, plant and equipment	**1,718**	1,473
Right-of-use assets	**2,293**	963
Investment property	**183**	–
Intangible assets	**40**	63
	4,234	2,499

CHARGES ON ASSETS

As at 31 March 2021 and 2020, the carrying values of charged assets were as below:

	2021	2020
	¥ million	*¥ million*
Property, plant and equipment	**9,790**	10,475
Investment properties	**611**	630
Deposits and other receivables	**170**	178
	10,571	11,283

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2021 and 2020.

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 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 2021, the Group had 1,717 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 has resolved not to declare a final dividend in respect of the year ended 31 March 2021 (31 March 2020: Nil).

CORPORATE GOVERNANCE

During the year ended 31 March 2021, 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 separated 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 2020 was held on 29 July 2020 (the "2020 AGM"), while the notice for the 2020 AGM was despatched on 3 July 2020. 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 2020 AGM was less than 20 clear business days before the 2020 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 2020 for the financial year ended 31 March 2020). Due to COVID-19, it is permitted by the Ministry of Justice of Japan to hold the 2020 AGM on a day after the date specified in the Articles of Incorporation.

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 (the "Shareholders").

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 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the year ended 31 March 2021. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 March 2021.

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 of the Group for the year ended 31 March 2021.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

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 2021 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 "2021 AGM") will be held on 29 July 2021 at 1-24 Hohaccho 2-chome, Koriyama-shi, Fukushima, Japan. Notice of the 2021 AGM will be published and issued to Shareholders in due course. The right to attend and vote at the 2021 AGM will be granted to the Shareholders whose names appear on the Company's share register at the close of business on Friday, 23 July 2021.

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 2021 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 Friday, 23 July 2021.

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 2021 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, 28 June 2021

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, Kuraji KUTSUWATA and Akihito TANAKA.

* *for identification purpose only*