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 2019

ANNUAL RESULTS HIGHLIGHTS

- Gross pay-ins were ¥141,731 million (or HK$10,023 million#), recording an increase of 2.3% as compared with the year ended 31 March 2018;
- Revenue was ¥28,325 million (or HK$2,003 million#), recording an increase of 6.7% as compared with the year ended 31 March 2018;
- Profit before income tax was ¥1,093 million (or HK$77 million#), recording a rise of 413.1% as compared with the year ended 31 March 2018;
- Profit for the year attributable to owners of the Company was ¥610 million (or HK$43 million#), recording a hike of ¥625 million as compared with the year ended 31 March 2018;
- The Group operates 53 halls as at the date of this announcement (55 halls as at 31 March 2018);
- Basic earnings per share of the Company was ¥0.510 (or HK$0.036#) (2018: basic loss per share ¥0.013); and
- The Board has resolved to declare a final dividend of ¥0.07 (or HK$0.005) per common share (2018: ¥0.12 per common share).

Translated into Hong Kong dollar at the rate of ¥14.14 to HK$1.00, the exchange rate prevailing on 29 March 2019 (i.e. the last business day in March 2019).

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") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2019 together with the comparative figures for the year ended 31 March 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	2019 ¥ million	2018 ¥ million
Revenue	4	**28,325**	26,554
Other income	5	**551**	606
Other gains, net	5	**54**	121
Hall operating expenses	6	**(22,875)**	(22,640)
Administrative and other operating expenses	6	**(4,502)**	(3,918)
Operating profit		**1,553**	723
Finance income		**52**	51
Finance costs		**(507)**	(561)
Finance costs, net	7	**(455)**	(510)
Share of results of an associate		**(5)**	–
Profit before income tax		**1,093**	213
Income tax expense	8	**(549)**	(273)
Profit/(loss) for the year		**544**	(60)
Profit/(loss) attributable to:			
Owners of the Company		**610**	(15)
Non-controlling interest		**(66)**	(45)
		544	(60)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company — Basic and diluted (expressed in Japanese Yen per share)	9	**0.510**	(0.013)
Other comprehensive income/(loss)			
Items that have been reclassified or may be subsequently reclassified to profit or loss			
Change in value of financial assets through other comprehensive income		**(29)**	(179)
Currency translation differences		**99**	(93)
Total comprehensive income/(loss) for the year		**614**	(332)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**680**	(287)
Non-controlling interest		**(66)**	(45)
		614	(332)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	**2019** **¥ million**	2018 ¥ million
ASSETS			
Non-current assets			
Property, plant and equipment		**28,523**	26,207
Investment properties		**650**	662
Intangible assets		**1,662**	1,571
Prepayments, deposits and other receivables		**4,208**	3,751
Interest in an associate		**–**	–
Financial assets at fair value through profit or loss		**100**	52
Financial assets at fair value through other comprehensive income		**911**	953
Deferred income tax assets		**1,588**	1,565
Long-term bank deposits		**–**	47
		37,642	34,808
Current assets			
Inventories		**109**	57
Trade receivables	*11*	**53**	57
Prepayments, deposits and other receivables		**1,020**	1,312
Current income tax recoverable		**–**	300
Bank deposits with maturity over 3 months		**43**	43
Cash and cash equivalents		**15,176**	15,594
		16,401	17,363
Total assets		**54,043**	52,171

	Note	**2019**	2018
		¥ million	*¥ million*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,000**	3,000
Reserves		**24,617**	24,176
		27,617	27,176
Non-controlling interest		**(106)**	(40)
Total equity		**27,511**	27,136
LIABILITIES			
Non-current liabilities			
Borrowings	*13*	**11,792**	10,854
Obligations under finance leases	*14*	**2,717**	3,247
Provisions and other payables		**2,226**	2,111
Derivative financial instruments		**27**	8
		16,762	16,220
Current liabilities			
Trade payables	*12*	**294**	247
Borrowings	*13*	**4,290**	3,886
Obligations under finance leases	*14*	**703**	888
Accruals, provisions and other payables		**4,353**	3,793
Derivative financial instruments		**4**	1
Current income tax liabilities		**126**	–
		9,770	8,815
Total liabilities		**26,532**	25,035
Total equity and liabilities		**54,043**	52,171

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 comprising the Group (together, the "Group") are principally engaged in pachinko and pachislot hall operations, hotel and restaurant operations in Japan; and amusement arcade operations in Southeast Asian countries.

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 8 April 2015.

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

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 adopted by the Group

The following new standards and amendments have been issued and are effective for annual periods beginning on 1 April 2018:

IFRS 2 (Amendment)	Classification and measurement of share-based payment transactions
IFRS 4 (Amendment)	Applying IFRS 9 Financial Instrument with IFRS 4 Insurance Contract
IFRS 15	Revenue from contracts with customers
IFRS 15 (Amendment)	Clarification to IFRS 15
IFRIC 22	Foreign currency transactions and advance consideration
IAS 40 (Amendment)	Transfers of investment property
Annual improvement Project IFRS 1 and IAS 28 (Amendment)	Annual improvement Project 2014–2016 Cycle

The impact of the adoption of IFRS 15 is disclosed below. The other new or amended standards did not have any material impact on the Group's accounting policies.

Adoption of IFRS 15, "Revenue from contracts with customers"

The Group has adopted IFRS 15 from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in IFRS 15, the Group has adopted the modified retrospective approach and comparative figures have not been restated.

The accounting policies were changed to comply with IFRS 15. IFRS 15 replaces the provision of IAS 18 "Revenue" and IAS 11 "Construction Contracts" that relate to the recognition, classification and measurement of revenue and costs.

The effect of the adoption of IFRS 15 is related to presentation of contract liabilities within "Accruals, provisions and other payables" recognised in the consolidated statement of financial position as at 1 April 2018 to be consistent with the terminology used under IFRS 15:

— Contract liabilities recognised for unutilised balls and tokens was previously presented within "Accruals, provisions and other payables".

— Contract liabilities recognised for vending machine rental receipt in advance was previously presented within "Accruals, provisions and other payables".

The adoption of IFRS 15 has no material impact to the Group's net assets as at 31 March 2018 and the consolidated results, earnings per share (basic and diluted) and consolidated statement of cash flows for the year ended 31 March 2019.

(iv) New standards and amendments to existing standards not yet adopted by the Group

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 April 2019 or later periods, but have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for accounting year beginning on or after
IAS 19 (Amendments)	Employee Benefits	1 January 2019
IAS 28 (Amendments)	Long-term interests in associates and joint ventures	1 January 2019
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
Annual Improvements to IFRS	Annual improvements 2015–2017 Cycle	1 January 2019
IFRS 17	Insurance contracts	1 January 2021
IFRS 10 and IFRS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

IFRS 16 Leases

IFRS 16 provides new provision for the accounting treatment of leases and will will result in almost all leases being recognised on the consolidated statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, a right-of-use ("ROU") asset (for the rights to use the leased item) and a financial liability (for the payment obligations) will be recognised. The only exceptions are short-term and low-value leases.

The new standard will therefore result in an increase in ROU and an increase in lease liability in the consolidated statement of financial position. In the combined statement of comprehensive income, lease will be recognised as depreciation over the terms of the leases and will no longer be recorded as rental expenses. Interest expense on the lease liability will be presented separately from depreciation under finance cots. The combination of a straight-line depreciation of the ROU and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial year of the leases, and decreasing expenses during the later part of the lease terms on a lease-by-lease basis. Hence, adopting the new standard will have effects to the financial performance of the Group by increasing EBITDA and EBIT. Operating cash flows will increase and financing cash flows will decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows used in financing activities.

Nevertheless, it is expected that there will be no material impact on the total expenses to be recognised over the entire lease period and the Group's total net profit over the lease period is not expected to be materially affected. As at the reporting date, the Group has non-cancellable operating lease commitments of ¥10,176 million. Based on a preliminary assessment, the total assets and total liabilities are expected to be increased with no material impact on the net assets.

The Group has set up a project team to review the Group's leasing arrangements in light of the new standard and will continue to assess the full impact of the adoption of IFRS 16.

The Group will apply the standard from its mandatory adoption date of 1 April 2019. The Group intends to elect the modified retrospective approach where the cumulative effects of initially applying IFRS 16 will be recognised as an adjustment to the opening balance of retained profits without restating the comparative figures.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2019 ¥ million	2018 ¥ million
Revenue		
Gross pay-ins	**141,731**	138,493
Less: gross pay-outs	**(115,850)**	(113,230)
Revenue from pachinko and pachislot hall business	**25,881**	25,263
Revenue from amusement arcades	**1,535**	417
Vending machine income	**507**	536
Revenue from hotel operations	**132**	158
Revenue from restaurant operations	**270**	180
	28,325	26,554

(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.

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

Segment assets consist primarily of property, plant and equipment, investment properties, 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, 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 Director for the years ended 31 March 2019 and 2018 are as follows:

	Year ended 31 March 2019			
	Pachinko and pachislot hall operations	Amusement arcade operations		Total
	Japan	Southeast Asia	Japan and China	
	¥ million	*¥ million*	*¥ million*	*¥ million*
Segment revenue from external customers				
— Over time	26,388	1,535	402	28,325
Segment results	2,314	153	(237)	2,230
Corporate expenses				(1,132)
Share of loss 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)	(71)	(2,632)
Finance income	50	2	–	52
Finance costs	(501)	(6)	–	(507)
Capital expenditures	4,606	156	419	5,181

	Year ended 31 March 2018			
	Pachinko and pachislot hall operations	Amusement arcade operations		Total
	Japan	Southeast Asia	Japan and China	
	¥ million	*¥ million*	*¥ million*	*¥ million*
Segment revenue from external customers				
— Over time	25,799	417	338	26,554
Segment results	1,223	(74)	(213)	936
Corporate expenses				(723)
Profit before income tax				213
Income tax expense				(273)
Loss for the year				(60)
Other segment items				
Depreciation and amortisation expenses	(2,243)	(95)	(45)	(2,383)
Finance income	49	2	–	51
Finance costs	(539)	(22)	–	(561)
Capital expenditures	1,768	76	75	1,919

The segment assets as at 31 March 2019 and 2018 are as follows:

	Pachinko and pachislot hall operations	**Amusement arcade operations**		**Total**
	Japan	**Southeast Asia**	**Japan and China**	
	¥ million	***¥ million***	***¥ million***	***¥ million***
As at 31 March 2019				
Segment assets	**42,933**	**1,003**	**1,821**	**45,757**
Unallocated assets				**6,698**
Deferred income tax assets				**1,588**
Total assets				**54,043**
As at 31 March 2018				
Segment assets	42,247	980	1,108	44,335
Unallocated assets				6,271
Deferred income tax assets				1,565
Total assets				52,171

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

	2019	2018
	¥ million	*¥ million*
Japan, country of domicile	**34,016**	31,609
Southeast Asia and China	**1,027**	629
	35,043	32,238

No single external customer contributed more than 10% revenue to the Group's revenue for the years ended 31 March 2019 and 2018.

5 OTHER INCOME AND OTHER GAINS, NET

	2019	2018
	¥ million	*¥ million*
Other income		
Rental income	**167**	154
Income from expired IC and membership cards	**29**	31
Dividend income	**55**	57
Compensation and subsidies	**3**	4
Income from scrap sales of used pachinko and pachislot machines	**265**	331
Others	**32**	29
	551	606
Other gains, net		
Loss on fair value for financial assets at fair value through profit or loss	**(2)**	(2)
(Loss)/gain on fair value for derivative financial instruments	**(23)**	3
(Loss)/gain on disposal of property, plant and equipment	**(54)**	215
Release of obligation under finance leases upon closure of halls	**133**	–
Loss on disposal of investment properties	**(7)**	–
Net exchange gain/(loss)	**7**	(95)
	54	121

6 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2019	2018
	¥ million	*¥ million*
Auditors' remuneration		
— Audit fees	**100**	76
— Other services	**7**	13
Employee benefits expenses		
— Hall operations	**5,510**	5,176
— Administrative and others	**1,683**	1,635
Operating lease rental expense in respect of land and buildings	**3,006**	2,835
Depreciation of property, plant and equipment	**2,532**	2,315
Depreciation of investment properties	**19**	19
Write off of other receivables	**–**	54
Amortisation of intangible assets	**81**	49
Reinstatement expenses	**26**	25
Recruitment expenses	**65**	52
Travelling and transportation	**125**	132
Other taxes and duties	**395**	348
Repairs and maintenance	**291**	226
Utilities expenses	**1,055**	952
Consumables and cleaning	**1,495**	1,438
Outsourcing service expenses	**1,048**	962
G-Prize procurement expenses to wholesalers	**753**	763
Pachinko and pachislot machines expenses *(Note (i))*	**6,971**	7,699
Advertising expenses	**1,121**	1,102
Service fee	**32**	35
Impairment loss on property, plant and equipment	**195**	–
Legal and professional fees	**46**	155
Loss on termination of existing/opening of outlets *(Note (ii))*	**240**	46
Others	**581**	451
	27,377	26,558

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 charges for early termination of rental contracts of ¥143 million, forfeiture of rental deposits of ¥74 million and miscellaneous expenses in relation to the closure of halls of ¥23 million.

During the year ended 31 March 2018, a pachinko and pachislot hall and a restaurant were closed. The amount of ¥46 million represents penalty charge for early termination of rental contract of ¥8 million and forfeiture of rental deposits of ¥3 million in relation to the closure of a restaurant and ¥35 million penalty charge in relation to closure of the pachinko and pachislot hall.

7 FINANCE COSTS, NET

	2019	2018
	¥ million	*¥ million*
Finance income		
Bank interest income	**1**	3
Other interest income	**51**	48
	52	51
Finance costs		
Bank borrowings	**(196)**	(195)
Obligations under finance leases	**(195)**	(228)
Provision for unwinding discount	**(116)**	(138)
	(507)	(561)
Finance costs, net	**(455)**	(510)

8 INCOME TAX EXPENSE

	2019	2018
	¥ million	*¥ million*
Current income tax		
— Japan	**518**	170
— Other Asian countries	**34**	9
	552	179
Deferred income tax	**(3)**	94
	549	273

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 2019 and 2018 as the Group did not generate any assessable profits arising in Hong Kong and China during the years ended 31 March 2019 and 2018.

9 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 March 2019 and 2018.

	2019	2018
Profit/(loss) attributable to owners of the Company (¥ million)	**610**	(15)
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share (thousands)	**1,195,850**	1,195,850
Basic and diluted earnings/(loss) per share (¥)	**0.510**	(0.013)

No diluted earnings/(loss) per share is presented as there was no potential dilutive shares during the years ended 31 March 2019 and 2018. Diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share.

10 DIVIDENDS

During the year ended 31 March 2019, the Company paid interim dividend of ¥96 million (¥0.08 per common share) and final dividend of ¥143 million (¥0.12 per common share) to its shareholders in respect of the six months ended 30 September 2018 and the year ended 31 March 2018, respectively.

The board of directors of the Company declared a final dividend of ¥0.07 per common share totalling ¥84 million in respect of the year ended 31 March 2019. These consolidated financial statements do not reflect this dividend payable.

11 TRADE RECEIVABLES

	2019	2018
	¥ million	*¥ million*
Trade receivables	**53**	57
Less: provision for impairment of trade receivables	**–**	–
	53	57

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

Provision for impaired receivables have been included in “administrative and other operating expenses” in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering the amount.

As at 31 March 2019 and 2018, the ageing analysis of the trade receivables, based on invoice date, is as follows:

	2019	2018
	¥ million	*¥ million*
Less than 30 days	**52**	53
31 days to 90 days	**1**	4
	53	57

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables 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 2019 and 2018.

12 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice dates as at 31 March 2019 and 2018 were as follows:

	2019	2018
	¥ million	*¥ million*
Less than 30 days	**47**	72
31–90 days	**242**	162
Over 90 days	**5**	13
	294	247

The carrying amounts of trade payables approximate their fair values as at 31 March 2019 and 2018.

13 BORROWINGS

	2019	2018
	¥ million	*¥ million*
Non-current portion		
Bank loans	**3,247**	2,761
Syndicated loans	**8,545**	8,093
	11,792	10,854
Current portion		
Bank loans	**1,047**	813
Syndicated loans	**3,243**	3,073
	4,290	3,886
Total borrowings	**16,082**	14,740

As at 31 March 2019 and 2018, the Group's borrowings were repayable as follows:

	2019 ¥ million	2018 ¥ million
Within 1 year	**4,290**	3,886
Between 1 and 2 years	**2,445**	2,821
Between 2 and 5 years	**5,676**	4,991
Over 5 years	**3,671**	3,042
	16,082	14,740

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

	2019	2018
Bank loans	**1.91%**	0.8%
Syndicated loans	**1.0%**	1.1%

As at 31 March 2019, the borrowings under sales and leaseback arrangements with a third party lessor amounted to ¥2,686 million (2018: ¥1,674 million). These sales and leaseback arrangements included sell of certain leasehold improvements and pachislot machines at an aggregate consideration of ¥2,801 million and lease-back to the Group for a total lease payment of ¥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:

	2019 ¥ million	2018 ¥ million
Property, plant and equipment	**11,050**	8,340
Investment properties	**650**	662
Deposits and other receivables	**180**	582
	11,880	9,584

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

	2019 ¥ million	2018 ¥ million
Floating rate		
— Expiring over 1 year	**995**	1,663

The carrying amounts of borrowings of the Group approximate their fair values as at 31 March 2019 and 2018.

14 OBLIGATIONS UNDER FINANCE LEASES

	2019 **¥ million**	2018 ¥ million
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	**833**	1,041
Later than 1 year and no later than 2 years	**564**	817
Later than 2 year and no later than 5 years	**157**	1,206
Later than 5 years	**2,642**	1,985
	4,196	5,049
Future finance charges on finance leases	**(776)**	(914)
Present values of finance lease liabilities	**3,420**	4,135

The present values of finance lease liabilities are as follows:

	2019 **¥ million**	2018 ¥ million
No later than 1 year	**703**	888
Later than 1 year and no later than 2 years	**451**	683
Later than 2 year and no later than 5 years	**100**	918
Later than 5 years	**2,166**	1,646
Total obligations under finance leases	**3,420**	4,135
Less: Amount included in current liabilities	**(703)**	(888)
Non-current obligations under finance leases	**2,717**	3,247

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 (2018: 3.22% to 4.42% per annum) 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.

15 BUSINESS COMBINATION

Acquisition of Dream Games Singapore Pte. Ltd.

On 20 November 2017, the company has completed the acquisition of 100% issued share capital of Dream Games Singapore Pte. Ltd. and its subsidiaries ("Dream Games") at a cash consideration of ¥1,870 million. Dream Games is engaged in the operation of entertainment and amusement facilities in Cambodia and Vietnam. The acquisition represents a strategic opportunity for the Group to establish its leading presence in gaming and entertainment industry in Southeast Asia and broaden the types of entertainment provided by the Group.

Net cash outflow arising from acquisition of subsidiaries amounted to ¥1,753 million.

The following table summarises the consideration paid for Dream Games, and the fair value of the assets acquired and liabilities assumed at the acquisition date.

	As at date of acquisition *¥ million*
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	117
Prepayments, deposits and other receivables	236
Inventories	21
Property, plant and equipment	579
Deferred tax assets	15
Intangible assets	408
Provision and other payables	(170)
Borrowings and obligation under finance leases	(351)
Deferred tax liabilities	(89)
Current income tax liabilities	(5)
Total identifiable net assets	761
Goodwill	1,109
Net assets acquired	1,870
Purchase consideration settled in cash	1,870

The fair value is being valued by Roma Group Limited, an independent qualified professional valuer, not connected to the Group.

The goodwill arose in the acquisition of Dream Games included amounts in relation to the benefit of expected synergies, revenue growth, future business development and expansion in Asian markets. None of goodwill recognised is expected to be deductible for income tax purpose.

Acquisition related costs of Dream Games of ¥24 million have been charged to "administrative and other operating expenses" in the consolidated statement of comprehensive income for the year ended 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

With the implementation of strategic sales plan and overhaul of the corporate structure, our core pachinko and pachislot business recorded a strong improvement in current year. Despite the market downturn, our revenue was maintained and operating income was substantially improved.

Apart from our domestic business, we also endeavour to expand our overseas markets. During the year, we opened an amusement arcade in Cambodia under our wholly-owned subsidiary, Dream Games. We also stepped into the eSports business via investing in a Hong Kong established private company named Yes! E-Sports Asia Holdings Limited ("YEAH") which its main focus is in the Pan-Asian region. Soon in June this year, we will commence a food and beverage business in Shenzhen, the Shenzhen Upper Hills YOKOCHO Japanese food court (the "Shenzhen Upper Hills YOKOCHO"), which the idea is inspired by the concept of "Yokocho" alleyway.

In Southeast Asian countries with fast-growing economies where citizens have more disposal income and leisure time, expansion of leisure and entertainment market is foreseen. This will lead to the emergence of mature societies and markets in the near future, which Japan had once experienced. In addition, Shenzhen is one of the major cities in China, which its vibrant economy and rapid growing of intellectual technology has attracted more foreign investment. We are confident that we can convey the excellence and pleasure of Japanese gastronomy, culture, and service to the global audience.

The Group strives to expand its business with a focus on Asia as a whole, by providing places for people to gather and enjoy as well as places for communities where people can interact with each other. To that end, in the medium term, we aim to expand our entertainment business in a broad sense, encompassing the amusement business, the food and beverage business, and our mainstay pachinko hall business, both in Japan and across the Asian region.

"Providing happy time for people by making the world cheerful, fun and entertaining" — this philosophy not only applies to our core pachinko hall business, but is also a shared philosophy for the business portfolio of the entire Group. Moreover, this philosophy is not limited to a specific country or region, but has universal meaning. With an eye to the future, we will accelerate the pace of our own globalisation and build a robust and future-oriented foundation for business.

Pachinko business

The pachinko industry remains difficult with markets shrinking across the entire industry, more pachinko hall operators are experiencing management difficulties and a trend toward closing of pachinko halls. It is believed that this declining trend will continue for the time being, with no immediate solutions to resolve market-wide issues such as unveil new markets of younger people and prevent departure of existing players.

Furthermore, in the future, the pachinko industry will likely be confronted with other issues further constraining its profitability, such as change of gambling property for gaming machine due to the revision of gaming machine regulations, the increase in consumption tax, and measures to protect against gambling dependency following the lifting of casino restrictions, among others.

Given this industry environment, for our pachinko hall business we have further promoted the implementation of sales policies necessary for achieving continuous profitable growth and cost efficiency, in compliance with various regulations, while at the same time striving to provide a gaming environment that meets the needs of diverse fans as an important sales strategy. As a result, despite the ongoing severity of the situation the pachinko industry as a whole is facing — such as the market shift following changes of machine standards regulations and the decrease in sales (gross pay-in) that has accompanied this shift — we have successfully maintained our sales scale and have achieved an expansion of customer visits.

Despite the macro environment of pachinko industry is seen to be severe, we regard this market phenomenon as an opportunity for future growth, and we will focus on areas with existing pachinko halls where we can demonstrate our strengths. We intend to establish a foundation for future growth through opening of new halls seeking opportunity for acquisitions of other halls and allying with business partnerships.

Apart from persistently configure products to accommodate the characteristics of each region, improve the gaming environment and customer service, we will also work to enhance our overall organisation by implementing cost efficiency plan and work in unity to create halls that win the support of customers.

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.

Operating mainly in shopping malls with strong ability to attract customers, including Aeon Mall, Dream Games currently operates a total of nine outlets, of which seven are in Vietnam and two in Cambodia. Vietnam and Cambodia are undergoing rapid economic expansion and their leisure markets can be expected to keep expanding. In these countries, both the average age and the overall proportion of young people are on an increasing trend, but facilities designed for people to enjoy leisure time are still limited, and it is expected that use of amusement facilities will further expand within the leisure market.

In addition, this amusement arcade business is extremely compatible with the pachinko hall business we have cultivated over the years. Through this acquisition, we have succeeded in enhancing synergy for the Group including human resources efficiency. We plan to further invest in management resources, to achieve further business growth in the future.

We will continue to open new outlets in Vietnam and Cambodia with an aim to increase our market share while also developing various modes of business. At the same time, we will fix our gaze on other Southeast Asian markets and plan to develop a wide variety of amusement businesses across Asia in the future. By accurately grasping the economic growth of Asian countries, the accompanying expansion of leisure market, and their needs, we plan to actively invest in business expansion and promote growth as one of our mainstays for group profit in the medium term.

Overseas restaurant business (Yokocho business)

In mid 2019, we will open the Shenzhen Upper Hills YOKOCHO which is located inside an urban complex centre named Shenzhen Upper Hills.

The Shenzhen Upper Hills development has a total area of 1.2 million square meters, a large-scale urban complex comprising commercial facilities, offices, hotels, conference halls, residential areas, with an excellent location near the center of Shenzhen. Directly connected to two public parks, it has an abundant natural environment and is linked to the subway by a dedicated thoroughfare, and with its ability to draw customers, it is expected to benefit not only from domestic Chinese demand but also large inbound demand.

The Shenzhen Upper Hills YOKOCHO will comprise a food court of approximately 3,000 square meters in area, with the participation of 16 diversified well-known Japanese restaurants, cafes, and sake bars. By fusing and coordinating these various aspects in a cross-cutting and innovative manner, we are confident that we can mutually enhance the overall value of this business.

Through Shenzhen Upper Hills YOKOCHO, our Group intends to convey the excellence and pleasure of Japanese gastronomy, culture, and service to a global audience, starting from Shenzhen, a city of discerning tastes.

Domestic food business

In the domestic restaurant business, as a franchisee of the "Lizarran" Spanish restaurant, developed by the Spain-based Comess Group, which principally operates restaurants in Europe, we are currently operating three restaurants in three locations — Shinbashi, Nishi-Shinjuku and Takadanobaba, where our newly opened restaurant is.

The "Lizarran" brand, developed by the Comess Group of Spain, is a brand that is full of fun — not only serving food but also offering an entertaining style of service.

We are confident that moving ahead, in developing a larger number of restaurants, we will be able to fully utilize all of the efficient store operation, service, and quality maintenance and management systems we have cultivated through our pachinko business. We plan to continue expanding these restaurants in Japan's major urban areas.

eSports business

Seeing the potential growth in eSports business, in November 2018, we stepped in the eSports business through investment in a 40% equity interest in YEAH.

Recent statistic has shown that global eSports market revenue will reach USD1.79 billion by 2022, with annual growth rate of nearly 30%, particularly in the Pan-Asian region, and the size of the market is expected to keep growing in the future. With YEAH, we will build strong business networks with strategic partners in each country, making full use of the business know-how possessed by each partner, and through this unique "eSports + entertainment" platform, we plan to provide new entertainment with a focus on China (including Hong Kong and Macao), Taiwan, Japan, South Korea, Singapore, Malaysia, Thailand, and Vietnam, among others.

STRATEGIES AND FUTURE DEVELOPMENT

Management strategy

This year, the Group formulated its medium-term management strategy to build a robust foundation for becoming the No. 1 "total entertainment company" in Asia in the future.

As part of this management strategy, we will make bold strategic investments in the domestic Japanese amusement industry, centering on the pachinko hall business, with the construction of a solid business foundation in Japan a top priority. At the same time, by further promoting our own globalisation, we will focus on solidifying the business foundation of each overseas business with the intention of securing a stable foundation for earnings and growth trajectory. Through this, we will establish a foundation for our Group's survival as a "hundred-year company".

The outline of our management strategy is as follows:

1. *Invest management resources in domestic Japanese amusement business*

   We will continue to position the establishment of a solid business foundation as our most important management issue by actively and intensively investing management resources in the domestic Japanese amusement business, centered on the pachinko business.

2. *Build a base for overseas business as a profitable business*

   With regard to our overseas businesses (overseas arcade game business, overseas food service business, overseas entertainment business) centered on the rapidly growing Asian region, as we aim to become the No. 1 "total entertainment company" in Asia, we will build a solid foundation for profitable businesses that are stable and have growth potential.

3. *Strengthen head office functions to facilitate management of the Group as it expands*

   By strengthening the functions of the head office, we aim to improve the corporate value of the Group by establishing a business foundation of each Group operating company, establishing a stable earnings structure, and promoting corporate governance.

By firmly implementing the medium-term business strategy above, we are confident that we can weather the severe business environment that we anticipate, strengthen our structural business base for the future, and create systems for further growth.

By making people's lives more "cheerful, fun, and entertaining", our next goal is to welcome the 100th anniversary in better shape, in light of many opinions from our customers. To that end, we aim to expand our businesses not only in Japan but also across the entire Group, increase corporate value, and maintain better relationships with our stakeholders, including our employees, and to grow together.

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 an increase of ¥618 million, or 2.4%, from ¥25,263 million in 2018 to ¥25,881 million in 2019. The rise was attributable to the full year effect of revenue generated from a new hall which was opened in December 2017 as well as general improvement in hall performance despite the slump in pachinko industry.

Gross pay-ins

For the year ended 31 March 2019, the Group's gross pay-ins from pachinko and pachislot business amounted to ¥141,731 million, comprising revenue from suburban halls of ¥135,064 million (2018: ¥131,811 million) and urban halls of ¥6,667 million (2018: ¥6,682 million), representing an increase of ¥3,253 million, or 2.5%, and slight drop of ¥15 million, or 0.2%, respectively, as compared to last year. The overall increase was mainly generated from Hitachi-Omiya hall which was opened in late December 2017.

Gross pay-out

Gross pay-out increased from ¥113,230 million in 2018 to ¥115,850 million in 2019, an increase of ¥2,620 million, or 2.3%, generally mirrored the increase in gross pay-ins.

Revenue margin

The revenue margin in current year maintained at similar level as that of last year, with an immaterial increase of 0.1% from 18.2% in 2018 to 18.3% in 2019.

Revenue from Amusement Arcade Business

In November 2017, the Group acquired 100% of equity interest in Dream Games, a company engages in the operation of entertainment and amusement facilities in Cambodia and Vietnam. As a result of the acquisition, the financial results of Dream Games and its subsidiaries were consolidated into the Group's financial statements.

For the year ended 31 March 2019, the revenue contributed from amusement arcade business amounted to ¥1,535 million (2018: ¥417 million), of which ¥1,274 million (2018: ¥349 million) and ¥261 million (2018: ¥68 million) were derived from Vietnam and Cambodia, respectively. Apart from the improvement in the performance of amusement arcade business, the surge of revenue is mainly due to the full year effect of consolidated revenue in current year, while the amount in last year represented 4 months' revenue subsequent to acquisition of Dream Games.

Other revenue

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

Vending machines income amounted to ¥507 million in 2019. The decrease of ¥29 million as compared to ¥536 million in 2018 was resulted from decrease in number of vending machines.

Revenue from hotel operations decreased from ¥158 million in 2018 to ¥132 million in 2019 as a result of decrease in average occupancy rate from 75.7% in 2018 to 62.9% in 2019 due to increasing competition in the vicinity.

Revenue from restaurant increased from ¥180 million in 2018 to ¥270 million in 2019. The hike was due to (i) full year effect of Shinbashi restaurant which was opened in August 2017 netted with closure of restaurant in Akasakamitsue in late February 2018; (ii) increase in revenue from restaurant in Nishishibashi by ¥17 million as compared to prior year; and (iii) opening of Komeda Café in two pachinko halls which generated additional income of ¥80 million.

Hall operating expenses

Hall operating expenses rose by ¥235 million, or 1.0%, from ¥22,640 million in 2018 to ¥22,875 million in the current year. Major components of hall operating expenses are pachinko and pachislot machine expenses, staff cost for hall staff and rental expenses, amounting to ¥6,971 million, ¥5,510 million and ¥2,902 million, respectively, in 2019 (2018: ¥7,699 million, ¥5,176 million and ¥2,728 million, respectively). The slight increase in hall operating expenses is mainly resulted from the full year hall expenses of Dream Game netted with plunge in pachinko and pachislot machine expenses.

Administrative and other operating expenses

Administrative and other operating expenses decreased by ¥584 million, or 14.9%, from ¥3,918 million in 2018 to ¥4,502 million in 2019, primarily due to the full year results of Dream Game business and provision of impairment loss of ¥195 million made in current year but nil in previous year; netted with continuous implementation of cost savings measures.

Finance costs, net

Finance costs, net declined by ¥55 million, or 10.8%, from ¥510 million in 2018 to ¥455 million in 2019. The drop was attributable to the centralisation of borrowings from individual subsidiaries level to the Company, allowing higher cost savings on borrowings.

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

Profit attributable to owners of the Company of ¥610 million was recorded for the year ended 31 March 2019, as compared to the loss attributable to owners of ¥15 million in 2018. The turnaround from loss to profit was mainly attributable to additional revenue driven from the new pachinko hall and Dream Games business, general improvement in hall performance, together with the decline in machine expenses.

Basic earnings per share was ¥0.510 (basic loss per share in 2018: ¥0.013). The Board has declared a final dividend of ¥0.07 (or HK$0.005) per common share for the year ended 31 March 2019 (2018: ¥0.12 per common share) on 24 May 2019.

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 2019 and 2018, and operating cash flows before movements in working capital of the Group for the years ended 31 March 2019 and 2018, respectively:

	As at 31 March	
	2019	2018
	¥ million	*¥ million*
Cash and cash equivalents	**15,176**	15,594
Bank deposits	**43**	90
	15,219	15,684
Bank loans	**4,294**	3,574
Syndicated loans	**11,788**	11,166
Obligations under finance leases	**3,420**	4,135
	19,502	18,875
Working capital	**6,631**	8,548
Total equity	**27,511**	27,136
Gearing ratio	**70.9%**	69.6%

	For the year ended 31 March	
	2019	2018
	¥ million	*¥ million*
Operating cash flows before movements in working capital	**4,278**	2,925

Net current assets of the Group totalled ¥6,631 million as at 31 March 2019 (31 March 2018: ¥8,548 million), and current ratio was 1.68 as at 31 March 2019 (31 March 2018: 1.97). As at 31 March 2019, there were cash and cash equivalents of ¥15,176 million (31 March 2018: ¥15,594 million), in which ¥14,340 million was denominated in Japanese Yen, ¥445 million was denominated in United States dollar, ¥252 million was denominated in Hong Kong dollar and ¥139 million was denominated in other currencies. The Group had total borrowings of ¥19,502 million as at 31 March 2019 (31 March 2018: ¥18,875 million). Current portion of borrowings and current portion of obligations under finance leases amounted to ¥4,993 million as at 31 March 2019 (31 March 2018: ¥4,774 million).

The Group's bank borrowings during the current period comprised bank loans and syndicated loans. As at 31 March 2019, the total bank borrowings amounted to ¥16,082 million (31 March 2018: ¥14,740 million) with the average effective interest rates ranged from 0.99% to 1.91% (31 March 2018: 0.8% to 1.1%) per annum. Approximately 9.3% of bank borrowings as at 31 March 2019 were fixed rate borrowings.

HEDGING OF FLOATING RATE BORROWINGS AND FOREIGN EXCHANGE

As at 31 March 2019, the Group had three floating to fixed interest rate swap contracts with three 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 2019, the loss on fair value for interest rate swap contracts amounted to ¥23 million.

The Group's debts were primarily denominated in Japanese Yen. After the acquisition of Dream Games, the Group maintains an appropriate level of external borrowings in Vietnam Dong for natural hedging of Vietnam Dong attributed to projects in Vietnam. The Vietnam Dong exposure of the Group is mainly derived from the translation of non-current assets and liabilities of the Vietnam subsidiary with functional currency of Vietnam Dong and the Vietnam Dong deposits held for future development costs. As at 31 March 2019, the translation of non-current assets and liabilities of subsidiaries with functional currency other than Japanese Yen to Japanese Yen by using exchange rates at that day resulted in a gain of ¥99 million is recognised in equity. Apart from this, the Group does not have any material foreign exchange exposure.

GEARING RATIO

The gearing ratio, defined as the aggregate of interest-bearing loans and obligations under finance leases, divided by total equity, was 70.9% as at 31 March 2019 (31 March 2018: 69.6%). The increase of 1.3% as compared with that as at 31 March 2018 was mainly due to the increase in total borrowings of ¥627 million and total equity of ¥375 million.

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	
	2019	2018
	¥ million	*¥ million*
Property, plant and equipment	**5,084**	1,915
Investment properties	**14**	3
Intangible assets	**83**	–
Others	**–**	1
	5,181	1,919

CHARGES ON ASSETS

As at 31 March 2019 and 2018, the carrying values of charged assets were as below:

	2019	2018
	¥ million	*¥ million*
Property, plant and equipment	**11,050**	8,340
Investment properties	**650**	662
Deposits and other receivables	**180**	582
	11,880	9,584

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2019 and 2018.

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

Save for those disclosed in this annual 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 events affecting the Company that have occurred since the end of the financial year.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group had 1,846 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 declared a final dividend of ¥0.07 per common share for the year ended 31 March 2019 (31 March 2018: ¥0.12 per common share) on 24 May 2019, the final dividend will be payable on 11 July 2019 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company at close of business on 11 June 2019.

The exchange rate for the conversion of Japanese Yen to Hong Kong dollar for the dividend distributed to the Shareholders in the currency other than Japanese Yen is based on the average currency rates prevailing five trading days immediately prior to 24 May 2019 (being 17 May 2019 and 20 to 23 May 2019).

CORPORATE GOVERNANCE

During the year ended 31 March 2019, 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 (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 leader 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 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 2018 was held on 28 June 2018 ("2018 AGM"), while the notice for the 2018 AGM was despatched on 7 June 2018. 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 for AGM but the notice period for the 2018 AGM was less than 20 clear business days before the 2018 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 2018 for the financial year ended 31 March 2018).

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 of the Company for the year ended 31 March 2018 which accompanied the 2018 AGM notice despatched to 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 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the year ended 31 March 2019. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 March 2019.

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 2019.

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 2019 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 ("2019 AGM") will be held on 27 June 2019 at 1-39 Hohaccho 1-chome, Koriyama-shi, Fukushima, Japan. Notice of the 2019 AGM will be published and issued to Shareholders in due course. The right to attend and vote at the 2019 AGM will be granted to the Shareholders whose names appear on the Company's share register at the close of business on Friday, 21 June 2019.

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 2019 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, 21 June 2019.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of 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 2019 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 (formerly known as JEONG Seonggi)

Fukushima, Japan, 24 May 2019

As at the date of this announcement, the executive Director is Hisanori TANIGUCHI (formerly known as JEONG Seonggi); the non-executive Director is Hiroshi BANNAI; and the independent non-executive Directors are Hiroaki MORITA, Michio MINAKATA and Yoshihiro KOIZUMI.

* *for identification purpose only*