

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

MAJOR TRANSACTION

ACQUISITION OF PROPERTIES IN FUKUSHIMA-KEN, JAPAN

On 5 February 2019, the Purchaser entered into the Sale and Purchase Agreement with the Vendor in relation to the acquisition of the Properties located at Omachi 2-chome, Koriyama-shi, Fukushima-ken, Japan, at a consideration of JPY¥3.768 billion (inclusive of a 8% value added tax) (equivalent to approximately HK\$268.8 million).

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition for the Company exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

As such, the failure by the Company to comply with the reporting and announcement requirements in respect of Acquisition in a timely manner constituted non-compliance with Chapter 14 of the Listing Rules.

On 5 February 2019, the Purchaser entered into the Sale and Purchase Agreement with the Vendor in relation to the acquisition of the Properties located at Omachi 2-chome, Koriyama-shi, Fukushima-ken, Japan, at a consideration of JPY¥3.768 billion (inclusive of a 8% value added tax) (equivalent to approximately HK\$268.8 million).

* For identification purposes only

SALE AND PURCHASE AGREEMENT

Date: 5 February 2019

Parties: (1) Purchaser: Niraku Corporation, a wholly-owned subsidiary of the Company

(2) Vendor: GAIA Co., Ltd.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties of the Company and its connected persons.

Properties acquired

The Properties to be acquired by the Purchaser include two parcels of land, namely, Nos. 35 and 10 other tracts and Nos. 64 and 3 other tracts, totalling approximately 10,869.53 sq. m., and buildings including a two stories retail store and a three stories car park constructed on the parcels of land located at Omachi 2-chome, Koriyama-shi, Fukushima-ken, Japan.

The Properties are currently occupied by the Vendor for pachinko hall operation. Pursuant to the Sale and Purchase Agreement, the Vendor would continue to operate the pachinko hall for a period of 10 months from the date of the Sale and Purchase Agreement and the Purchaser would receive a monthly rental of JPY¥24 million (equivalent to approximately HK\$1.71 million) from the Vendor.

Valuation reports of the Properties performed by an independent professional valuer appointed by the Company will be contained in the circular to be despatched to the Shareholders. The preliminary valuation of the Properties is approximately JPY¥2.223 billion (equivalent to approximately HK\$158.6 million).

Consideration and payment terms

The consideration for the Acquisition is JPY¥3.768 billion (equivalent to approximately HK\$268.8 million), payable in cash, which was satisfied by the Purchaser in the following manner:

1. An initial deposit of JPY¥376.8 million (equivalent to approximately HK\$26.9 million), representing 10% of the total consideration for the Acquisition, was paid by the Purchaser upon signing of the Sale and Purchase Agreement; and
2. JPY¥3,391.2 million (equivalent to approximately HK\$241.9 million), representing the remaining balance of the total consideration for the Acquisition, was paid by the Purchaser upon Completion.

As at the date of this announcement, the total consideration has been settled by the Purchaser in cash and was funded by a combination of internal resources of the Group and bank mortgage financing to the extent where available.

The consideration for the Acquisition was determined after arm's length negotiations between the parties by reference to the prevailing market conditions, as well as the location of the Properties and investment potential in the domestic Japanese amusement industry, centering on the pachinko hall business.

The Directors (including the independent non-executive Directors) believe that the consideration for the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as whole.

Completion

Completion of the Acquisition has taken place on 28 March 2019.

REASONS FOR THE ACQUISITION

The Group is a leading pachinko hall operator in Fukushima Prefecture in Japan, and has over 60 years of pachinko hall operation experience. The Group has a strong pachinko hall network with 53 halls at present, stretching from Tokyo Metropolitan Area to Northeast Honshu, equipped with over 28,000 pachinko and pachislot machines serving customers in ten prefectures in Japan.

As disclosed in the Company's annual results for the year ended 31 March 2019, 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. The Board believes 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 prevention of departure of existing players.

Given the difficulties faced by the Company in this industry environment, the Company considers the competition presented by a pachinko hall to the size of the Properties would cause significant negative impact on the operating profit for its ten stores in the Koriyama-shi area. The Company plans to make necessary investments to the Properties, including interior renovations and acquisition of equipment, and operate a large scale pachinko hall, with approximately 1,000 pachinko and pachislot machines, targeting in the middle 2020.

Taking into account the above factors, the Directors consider that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Shareholders and the Company as a whole.

None of the Directors has any material interests in the Acquisition and therefore, none of them has abstained from voting on the Board resolution(s) which approved the Sale and Purchase Agreement and the transactions contemplated thereunder.

INFORMATION OF THE GROUP AND THE VENDOR

The Group is principally engaged in the business of pachinko hall operation.

To the knowledge of the Directors, the Vendor is principally engaged in pachinko hall operation.

GENERAL

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition for the Company exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Acquisition, thus no Shareholder is required to abstain from voting if the Company were to convene an EGM for the approval of the Acquisition. The Company has obtained a written shareholders' approval from the Taniguchi Consortium, the controlling shareholder group holding 821,280,460 Shares (representing approximately 68.7% of the total issued Shares as at the date of this announcement), in lieu of holding an EGM to approve the Acquisition in accordance with Rule 14.44 of the Listing Rules.

As such, the failure by the Company to comply with the reporting and announcement requirements in respect of Acquisition in a timely manner constituted non-compliance with Chapter 14 of the Listing Rules. The failure to make timely disclosure was due to its inadvertent oversight and a misunderstanding by the management of the Company of the application of the relevant Listing Rules.

A circular containing, inter alia, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the valuation reports of the Properties; (iii) the financial and other information of the Group; and (iv) pro forma financial information of the Group as enlarged by the Acquisition, will be despatched to the Shareholders. In order to allow sufficient time for preparing the circular, the Company will apply for an extension of the time required under the Rule 14.41(a) of the Listing Rules to despatch the circular to its Shareholders on or before the end of July 2019.

REMEDIAL ACTIONS

The Company deeply regrets its non-compliance with the Listing Rules but the Company would like to stress that the non-compliance was inadvertent. To prevent similar non-compliance from occurring in the future, the Company shall take the following measures and actions:

- i. the company secretarial and legal department of the Company shall continue to oversee and monitor the Company's on-going compliance with the Listing Rules;
- ii. the Company should conduct an internal training session to explain the relevant requirements and the reporting procedures for notifiable transactions under the Listing Rules, and to emphasise the importance of identifying such transactions prior to execution; and
- iii. the Company should, as and when appropriate and necessary, seek its external legal or other professional advice as to any action required to be taken in relation to any proposed transactions or events in the future.

Going forward, the Company will make such disclosure in a timely manner to ensure compliance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition of the Properties by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Company”	NIRAKU GC HOLDINGS, INC.* (株式会社ニラク・ジー・シー・ホールディングス), which is a stock company* (株式会社) incorporated in Japan with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the Sale and Purchase Agreement in relation to the acquisition of the Properties entered into between the Purchaser and the Vendor
“connected person(s)”	shall have the meaning as ascribed to it under the Listing Rules

“Directors”	the directors of the Company
“EGM”	any extraordinary general meeting of the Company to be held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transaction contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of, not connected or acting in concert (as defined in the Codes on Takeover and Mergers and Share Buy-backs) with the Company and any of its connected persons or any of their respective associates (as defined under the Listing Rules)
“Japanese Yen”, “¥” or “Yen”	Japanese Yen, the lawful currency of Japan
“Listing Rules”	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Properties”	include two parcels of land, namely, Nos. 35 and 10 other tracts and Nos. 64 and 3 other tracts, totalling approximately 10,869.53 sq. m, and buildings adjacent to them located at Omachi 2-chome, Koriyama-shi, Fukushima-ken, Japan
“Purchaser”	Niraku Corporation, a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the agreement for sale and purchase of the Properties entered into between the Vendor and the Purchaser on 5 February 2019
“Share(s)”	common share(s)* (普通株式) in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Taniguchi Consortium”	Mr. Hisanori TANIGUCHI (谷口久徳)#, a Controlling Shareholder, an Executive Director, our Chief Executive Officer and our Chairman of the Board and a group of (1) natural persons, namely Mr. Tatsuo TANIGUCHI (谷口龍雄), Mr. Masataka TANIGUCHI (谷口晶貴), Mr. Yoshihiro TEI (鄭義弘)# (also known as Mr. JEONG Jungwung), Mr. Mitsuhiro TEI (鄭允碩), Mr. Motohiro TEI (鄭元碩), Ms. Eijun TEI (鄭盈順), Ms. Rika TEI (鄭理香) and Ms. Noriko KANESHIRO (金城徳子), each being a family member of our Chairman; and (2) corporate entities, namely Jukki Limited* (有限会社十起), Densho Limited* (有限会社伝承), Echo Limited* (有限会社エコー), Daiki Limited* (有限会社大喜), Hokuyo Kanko Limited* (有限会社北陽観光) and KAWASHIMA Co., Ltd.* (株式会社KAWASHIMA), each being an entity controlled by the family members of our Chairman. Each member of the Taniguchi Consortium is an associate (as defined under the Listing Rules) of, and a person acting in concert (as defined under the Takeovers Code) with, our Chairman of the Board and is a controlling shareholder
“Takeovers Code	the Codes on Takeovers and Mergers and Share Buy-backs
“Vendor”	GAIA Co., Ltd.
“%”	per cent.

(*) The English titles marked with “*” are unofficial English translations of the Japanese titles of natural persons, legal persons, governmental authorities, institutions, laws, rules, regulations and other entities for which no official English translation exists. These titles are for identification purpose only.

(#) The Japanese names marked with “#” are Japanese aliases* (通称名) adopted by non-Japanese residents in Japan as a second legal name which, upon registration under the Order for Enforcement of the Residential Basic Book Act* (住民基本台帳法施行規則) (Ministry of Home Affairs Regulation No. 35 of 1999) of Japan, may be used with legal force and recorded in their resident certificate* (住民票) and residential basics book card* (住民基本台帳カード). Unless otherwise marked with “#”, names of natural persons shown in this announcement are legal names recorded in their passports or travel documents.

In this announcement, certain amounts denominated in JPY¥ are translated into HK\$ at the exchange rate shown below, but such conversions shall not be construed as representations that amounts in JPY¥ were or may have been converted into HK\$ at such rate or any other exchange rates or at all: JPY¥1 = HK\$0.0713.

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, 21 June 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 BANNAL; and the independent non-executive Directors are Hiroaki MORITA, Michio MINAKATA and Yoshihiro KOIZUMI.

* *for identification purpose only*