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NIRAKU GC HOLDINGS

株式会社ニラク・ジー・シー・ホールディングス

NIRAKU GC HOLDINGS, INC.*

(Incorporated in Japan with limited liability)

(Stock Code: 1245)

DISCLOSEABLE TRANSACTION

(1) ACQUISITION OF LAND IN FUKUSHIMA-KEN, JAPAN AND (2) BUILDING CONTRACT IN RESPECT OF THE LAND

The Board is pleased to announce that, on 13 March 2024, Nexia (as purchaser) entered into the Sale and Purchase Agreement with SKL (as vendor) in relation to the acquisition of the Land located at Toramarumachi, Koriyama-shi, Fukushima-ken, Japan, at a consideration of JPY 277.2 million (equivalent to approximately HK\$14.7 million).

On 13 March 2024, Nexia (as client) also entered into the Building Contract with SKL (as contractor) in respect of the Construction Project for the building to be erected on the Land in the contract sum of JPY 602.8 million (inclusive of a 10% consumption tax) (equivalent to approximately HK\$31.9 million).

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Sale and Purchase Agreement and the Building Contract (on an aggregated basis) are greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

(1) ACQUISITION OF THE LAND

On 13 March 2024, Nexia (as purchaser) entered into the Sale and Purchase Agreement with SKL (as vendor) in relation to the acquisition of the Land located at Toramarumachi, Koriyama-shi, Fukushima-ken, Japan, at a consideration of JPY 277.2 million (equivalent to approximately HK\$14.7 million).

* For identification purposes only

The principal terms of the Sale and Purchase Agreement are as follows:-

- Date:** 13 March 2024
- Parties:** (1) Nexia (as purchaser)
(2) SKL (as vendor)
- Subject matter:** The Land to be acquired by Nexia under the Sale and Purchase Agreement is a piece of residential land with an area of approximately 1,369.67 sq. m. located in Toramarumachi, Koriyama-shi, Fukushima-ken, Japan
- Consideration:** The consideration for the Acquisition is JPY 277.2 million (equivalent to approximately HK\$14.7 million).
- Payment terms:** An earnest money deposit of JPY 10.0 million (equivalent to approximately HK\$0.53 million) was paid upon signing of the Sale and Purchase Agreement as partial payment of the consideration, and the balance of the consideration in the sum of JPY 267.2 million (equivalent to approximately HK\$14.2 million) shall be paid on 21 May 2024.
- Delivery:** SKL shall deliver the Land to Nexia immediately upon receipt of the full amount of the consideration i.e. on 21 May 2024 in accordance with the terms of the Sale and Purchase Agreement. Nexia and SKL shall thereafter apply for registration of the transfer of ownership of the Land without delay.
- Stamp duty:** Stamp duty shall be borne equally by Nexia and SKL. Nexia's share of the stamp duty in the sum of JPY 60,000 was deposited with SKL upon signing of the Sale and Purchase Agreement.
- Other expenses:** Nexia shall be responsible for ownership transfer registration fee in the sum of JPY 1.7 million and fixed asset tax in the sum of JPY 1.0 million, which shall be deposited by Nexia with SKL on 21 May 2024. After the delivery date of the Land, Nexia shall be responsible for public taxes, dues and other assessments levied on the Land.

Special provision: Nexia may obtain a loan from a financial institution for payment of the consideration in accordance with the terms of the Sale and Purchase Agreement. In the event that Nexia is unable to pay the consideration due to a total or partial denial of any of its loan applications by financial institutions, either Nexia or SKL may cancel the Sale and Purchase Agreement retrospectively back to the time of its conclusion.

The consideration for the Acquisition was determined after arm's length negotiations between the parties by reference to prevailing local market conditions, expected rental yield after development, the location and accessibility of the Land and the investment potential of the Land. The Directors (including the independent non-executive Directors) are of the view that the consideration for the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(2) BUILDING CONTRACT

On 13 March 2024, Nexia (as client) also entered into the Building Contract with SKL (as contractor) in respect of the Construction Project for the building to be erected on the Land in the contract sum of JPY 602.8 million (inclusive of a 10% consumption tax) (equivalent to approximately HK\$31.9 million).

The principal terms of the Building Contract are as follows:-

Date:	13 March 2024
Parties:	(1) Nexia (as client) (2) SKL (as contractor)
Subject matter:	SKL shall perform the design and construction work as well as provide supervision services necessary for the Construction Project.
Construction Project:	The construction of a 4-storey building comprising 26 residential units with a total floor area of approximately 1,652.71 sq. m. in accordance with the design and specification set out in the design documents attached to the Building Contract.
Construction period:	Construction work shall commence on 3 June 2024 subject to and after building permits and other approvals have been obtained. The Construction Project is expected to be completed on 7 March 2025 and delivered by SKL on 10 March 2025.

If SKL is unable to complete the Construction Project within the construction period for reasons attributable to SKL, Nexia may demand a penalty fee calculated at the rate of 10% per annum on the price of the construction work, based on the number of days of delay starting from the day following the indicated date of completion.

Consideration: The contract price in the total sum of JPY 602.8 million comprises (i) the agreed price for the construction work in the sum of JPY 548.0 million and (ii) a 10% consumption tax in the sum of JPY 54.8 million. In the event of change to the design, construction work period or details of the construction work, the details of such change and the change in the contract price shall be determined by way of mutual consultation between the parties.

Payment terms: The contract sum shall be paid in cash by way of bank transfer according to the schedule below:

- (i) Initial payment of the construction work price in the sum of JPY 20.0 million was paid upon signing of the Building Contract;
- (ii) Intermediate payment of the construction work price in the sum of JPY 365.0 million shall be paid on 22 July 2024; and
- (iii) Final payment of the construction work price in the sum of JPY 163.0 million and consumption tax in the sum of JPY 54.8 million shall be paid on 10 March 2025.

Stamp duty: Stamp duty shall be borne equally by Nexia and SKL. Nexia's share of the stamp duty in the sum of JPY 160,000 was deposited with SKL upon signing of the Building Contract.

Other expenses: Nexia shall be responsible for miscellaneous expenses actually incurred in relation to the Construction Project including water supply and facility liability insurance premium.

Special provision: Nexia may obtain a loan from a financial institution for payment of the consideration in accordance with the terms of the Building Contract. In the event that Nexia is unable to pay the consideration due to a total or partial denial of any of its loan applications by financial institutions, the Building Contract may be cancelled retrospectively to the time of its execution save and except, inter alia, in the case when Nexia has already obtained a building permit.

The consideration was determined after arm's length negotiations between Nexia and SKL with reference to the local market conditions, the complexity of the design and the construction work to be carried out, the material to be used and the size of the Construction Project. The Directors (including the independent non-executive Directors) are of the view that the consideration under the Building Contract is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE CONSTRUCTION PROJECT

Nexia is principally engaged in the business of real estate management and investment. The acquisition of properties for investment purpose is an integral part of its business.

Upon completion of the Acquisition, the Land will be held by Nexia as investment property for long-term rental yield. The Construction Project will commence on the Land once building permits and approvals are obtained. It is the Group's present intention that, upon completion of the Construction Project, the 26 residential units of the new building will be leased to third parties for rental income.

The Land is located in an area designated as a central area for guiding urban functions in the location optimization plan established by Koriyama City, and is expected to become the central hub of Koriyama City in the medium to long term. The management of the Group is of the view that there will be an increasing demand in the area for residential units from university students, businessmen and for other purposes such as company housing. Considering the high potential for good rental yield upon completion of the Construction Project, the Directors are of the view that the Acquisition and the Construction Project represent a good investment opportunity for the Group.

Taking into account the above factors, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition and the Construction Project are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

None of the Directors has any material interests in the Acquisition and/or the Construction Project and therefore, none of them has abstained from voting on the Board resolution(s) approving the Sale and Purchase Agreement, the Building Contract and the transactions contemplated thereunder.

The consideration and other expenses for the Acquisition and the Construction Project will be funded partly by internal resources of the Group and partly by external financing. It is expected that approximately 68.2% of the total consideration shall be funded by loan proceeds to be obtained from financial institutions.

INFORMATION OF THE PARTIES

The Group is principally engaged in the business of pachinko hall operation. Nexia is a wholly-owned subsidiary of the Company principally engaged in real estate management and investment.

SKL is a company incorporated in Japan whose shares are listed on the Tokyo Stock Exchange, and is principally engaged in the business of property development and construction. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, SKL and its ultimate beneficial owner(s) are Independent Third Parties of the Company and its connected persons.

GENERAL

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Sale and Purchase Agreement and the Building Contract (on an aggregated basis) are greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14 of 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 Land by Nexia from SKL pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Building Contract”	the building contract agreement for the Construction Project entered into between Nexia (as client) and SKL (as contractor) on 13 March 2024
“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
“connected person(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Construction Project”	the construction of a 4-storey building on the Land comprising 26 residential units with a total floor area of approximately 1,652.71 sq. m. in accordance with the terms of the Building Contract

“Directors”	the directors of the Company
“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) who is/are independent of the Company and its connected persons
“JPY” or “¥”	Japanese Yen, the lawful currency of Japan
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Land”	Lot No.215-1 located in Toramarumachi, Koriyama-shi, Fukushima-ken, Japan with an area of approximately 1,369.67 sq. m.
“Nexia”	Nexia Inc.* (株式会社ネクシア), a limited liability company incorporated in Japan and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the agreement for sale and purchase of the Land entered into between SKL (as vendor) and Nexia (as purchaser) on 13 March 2024
“Share(s)”	common share(s)* (普通株式) in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s)
“SKL”	Sekisui House, Ltd.* (積水ハウス株式会社), which is a stock company* (株式会社) incorporated in Japan with limited liability, the shares of which are listed on the Tokyo Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	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.*

In this announcement, certain amounts denominated in ¥ are translated into HK\$ at the exchange rate shown below, but such conversions shall not be construed as representations that amounts in ¥ were or may have been converted into HK\$ at such rate or any other exchange rates or at all: ¥1 = HK\$0.053.

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, 13 March 2024

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.