



CSR REPORT 2018

明るく、楽しく、面白く。



Introduction

NIRAKU GC Holdings, Inc. is a leader in the pachinko hall management industry in Japan's Fukushima Prefecture. From our more than 60 years' experience in pachinko hall management, NGCH (and together with its subsidiaries, the "Group") believes that focusing attention on ESG, including contributing to our local and regional community, is crucial for management with our origin from management philosophy.

CSR Report 2018 reports on the Group's activities for enhancing corporate value over the longer term.

We would be pleased for this report to offer all of our stakeholders the opportunity to understand NIRAKU Group's initiatives.





※Chairman of the Board, Executive Director and Chief Executive Officer
Hisanori Taniguchi 谷口久徳

Making life happy, enjoyable, and fun.

Happy Time Creation

By making world happy, enjoyable, and fun,
we create a happy time for people.



Corporate Guidelines,
Policy to realize our management philosophy.



CSR Initiatives and Stakeholder Engagement

The Board of Directors has responsibility for CSR-related strategy, including determining the risk evaluation related to CSR for NGCH Group, engaging in appropriate and effective CSR risk management, and keeping an internal control system in place.

NGCH Group's employees from different departments considered and identified CSR-related material issues and assessed their importance to the NGCH Group's business and all of its stakeholders by reviewing daily work and internal discussions. As a result, this report addresses in detail the material issues areas we believe are important from a CSR perspective.

During the reporting period, NCGH Group was not aware of any non-compliance with laws and regulations that have significant impact on the NGCH Group relating to areas of such material issues.

We solicit feedback from all of the stakeholders to make this report's preparation process as inclusive as possible. For more detailed information about the feedback, please refer to "Feedback Request" at the end of this report.

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Feedback form



for employees



For all those who work at NIRAKU



People who believe in limitless capabilities, creating the future together

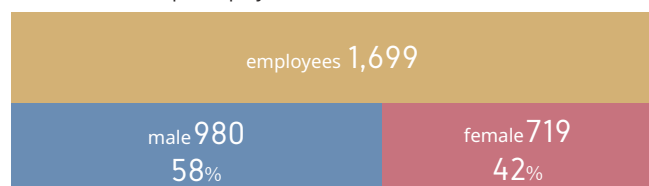


Our approach to human resources

Since its founding, NIRAKU has sought out personnel who are sympathetic to its own values: those who hold honesty and sincerity at their core; who maintain a clear sense of vision and purpose; and who firmly believe that their own capabilities are limitless. It is our intention to change the pachinko industry by combining the capabilities of these human resources, and to achieve true industrialization and innovation as we move into new business domains. We are also proactive in providing opportunities for individual learning and growth to all of our employees equally.



• Number of Group's employees (2018.3.31)



We are in compliance with Japanese laws related to labour, including but not limited to compensation and dismissals, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare; safety working environment and protecting employees from occupational hazards.

Promoting a pleasant work environment for all employees



Diversity, Promotion of Participation by women

We are committed to improving our workplace environment to ensure that all employees of diverse values and lifestyles can demonstrate their unique abilities and individuality. In March 2017, we received Level 3 (three star) certification as a general enterprise promoting female workplace empowerment—the highest level of certification. For its compliance with Japan's childcare nursing care leave law, promoting support for women's childbirth and childcare as well as childcare leave taken by male employees, NIRAKU has been recognized three times as a general business owner conforming to the criteria based on the Act on Advancement for Measures to Support Raising Next Generation Children by Japan's Ministry of Health, Labour and Welfare.



Kurumin Mark Obtained

※Certified by the Ministry of Health, Labor and Welfare as a Company that Supports Child Raising



1

At NIRAKU, we encourage our male employees to take paternity leave, with the percentage of male employees taking childcare leave after their spouses give birth or taking special leave for their spouse's childbirth at least 50%.

2

We are implementing efforts to build our capacity and support career formation to ensure that female employees taking childcare leave or otherwise undertaking childcare can continue to work and play an active role in our organization.



Eruboshi Mark Obtained

We met all five criteria of accreditation compliance with standards based on the Act on Promotion of Women's Participation and Advancement in the Workplace and were recognized with the highest level of certification (Level 3).

Five criteria

- ①Recruitment
- ②Continuing employment
- ③Ways of working, including work hours etc.
- ④Proportion of female managers
- ⑤Diverse career courses

● Number of managers/
Proportion of female
employees

	2013	2014	2015	2016	2017
Total	138	146	149	158	160
Number of male managers	129	136	139	145	147
Number of female managers	9	10	10	13	13
Proportion of female managers	7.0%	7.4%	7.2%	8.2%	8.1%

A special subsidiary company expanding the scope of employment for people with disabilities



NIRAKU MERRIST Corporation

Based on its policy of contributing to the development of local communities, the NIRAKU Group has achieved the legally mandated rate of employment of people with disabilities. In February 2010, we established a special subsidiary, NIRAKU MERRIST, to promote employment of persons with disabilities. NIRAKU MERRIST strives to provide an environment that expands the scope of work lively performed by employees with disabilities, such as cleaning of halls and training facilities and cultivation of vegetables as an agribusiness project. As a result, in 2016 NIRAKU received a commendation from the Minister of Health, Labour and Welfare at a national award ceremony to recognize and celebrate employment of persons with disabilities.



Number of employees with disabilities

	employees	employment rate	Statutory employment rate
2016	52	3.7%	2.0%
2017	47	3.4%	2.0%
2018	42	3.3%	2.0%

Implementation of training at various levels with NIRAKU University



Education and training system

- We discover and nurture the capable leaders who will lead NIRAKU in the future
- We teach young leaders to acquire leadership and insight in fields outside their own work
- We learn correct action and honesty, striving to become better human beings

Based on our belief that the greatest happiness lies in people realizing what they should do and striving to achieve that purpose, we have established NIRAKU University as an in-house training program to cultivate human resources capable of playing a leading role in the future pachinko industry, as well as human resources capable of bringing the innovation that we seek. For on job training, in addition to work process manuals, we create our own educational programs and implement e-learning using tablet terminals in our halls, thus supporting the growth and self-realization of each and every employee.



• NIRAKU LMS[※] E Content Registration Status [2018.3.31]

※LMS: Learning Management System

Category	Classification	Content
Skills development (Career development)	Business skills	Logical thinking
		System thinking
		Analysis thinking
		Preparing plans
		Presentation skills
		Using diversity
		Facilitating meetings
		Organizational theory
		Critical thinking
		Design thinking
		Creative thinking
		Making strategies
		Negotiation
		Business model creation
	NIRAKU person skill	Pachinko's history and existence significance
		Harassment
		Compliance
		AML (Anti-Money Laundering)
Practical education		Self-declaration and family declaration programs
		Dependence problem and outline, efforts at stores
		Entertainment business law
		Labor management
		Computational management foundation
New personnel system		Compliance
		Evaluation system

A complete system granting peace of mind for every individual's approach to work

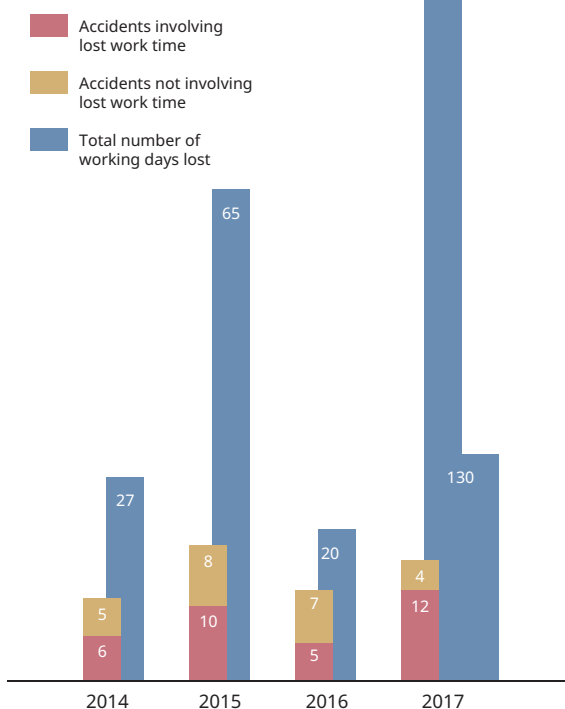


Occupational safety & Health management

In order to prevent occupational accidents and occupational illness in the workplace, we have instituted a company-wide safety and health management system by appointing a comprehensive safety and health manager to our business center (headquarters), as well as hygiene managers and industrial health physicians (safety and health promotion personnel for small-scale workplaces with fewer than 50 employees) for each workplace. We seek to gain an understanding of the actual situation and health and safety issues at each workplace. In regard to health management, in addition to regular health examinations, we have instituted both in-house and external consultation services, including NIRAKU Hotline (an internal reporting service) and EAP (mental health support), and we strive to prevent overwork by employing industrial health physicians to conduct checks of lengthy work hours and encouraging our employees to take annual paid leave.



Number of occupational accidents and total number of working days lost

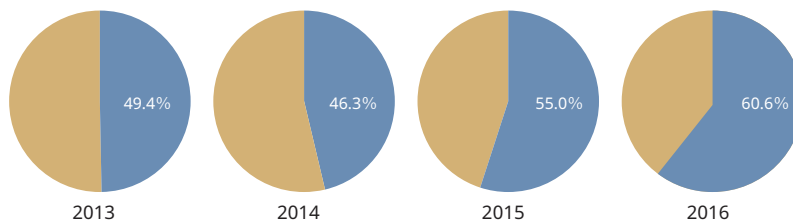


Work-related injuries severity rate[※] For the year ended 31 March 2018

0.05

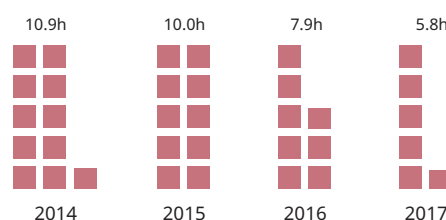
※Calculated based on the Group in Japan
The work-related severity rate is calculated by the number of lost work days divided by total working hours multiplied by 1,000. This indicates the severity of labor accidents.

Trends in paid vacation acquisition rate



※Currently, KPIs on 2017 are not available.

Trend of monthly average overtime hours



Supporting future asset formation of our employees



Welfare benefits



We are supporting the formation of medium- and long-term assets for our employees by introducing “an employee stock opportunity plan” (revised in 2015 following our listing on the Stock Exchange of Hong Kong), “a matching contribution scheme” (introduced in 2016, enabling employees to make additional contributions to their existing company pension contributions under the defined contribution pension plan), as well as “a savings scheme”. In addition, we are committed to providing a diverse array of welfare benefits, such as by introducing “a welfare loan system” enabling employees to receive loans from the Company in the event of a disaster or accidental family tragedy.



Establishing a sound and positive relationship between labor and management



Labor relations

The UA Zensen NIRAKU Union (the “Union”) was established in 2005, with a collective agreement being signed between NIRAKU and the Union. Since this time, we have continued our activities aiming at promoting mutual cooperation between labor and management, developing our business, maintaining and improving the workplace environment, and achieving lifestyles of comfort for union members. Labor-management meetings are held regularly. We encourage active discussion aimed at sharing and resolution of issues based on employee opinions for improving our working environment and working conditions. Through mutual good communication, we work to establish and maintain sound and positive labor-management relations.

CSR
REPORT
2018



for customers



For the benefit of everyone who uses NIRAKU



Being well prepared brings peace of mind for all our customers



For the safety of our customers (About AED)

We started installing AEDs (Automatic External Defibrillators) in 2010 and completed AED installation in all halls and sales offices by January 2011. Additionally, all employees undergo training in using simple cardiopulmonary resuscitation simulation kits. Currently, in order to prevent our AEDs from becoming unusable due to age and deterioration and to maintain the top level of emergency readiness, we have entered into a service agreement with a security company to provide comprehensive services ranging from AED maintenance to training. Since 2017, there have been 2 serious life-threatening incidents where an AED saved a life as well as 88 emergency transport incidents.



• Training content

By watching the accompanying DVD (about 40 minutes), trainees learn the importance of life, the importance of the first discoverer, chest compressions, and the correct usage and significance of AEDs.

Trainees open the CPR training box, prepare pseudo-AED and AED pads, practice exercise strength by performing chest compressions and applying proper timing and pressure on plastic molded heart equipment.

Earning our customers' trust by supporting safety



Peaceful Environment for Recreation

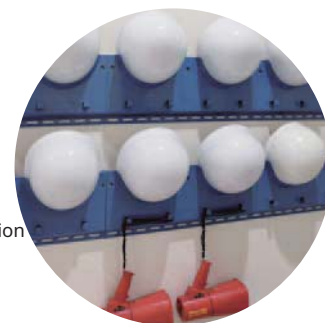


• Drills

Fire drills 2 x per year

Firefighting equipment inspection 2 x per year

Fire prevention target inspection 1 x per year



Preventing incidents by patrolling parking lots



Leaving Children in the Car

NIRAKU is committed to preventing incidents stemming from children being left in cars. In all halls with a parking lot, a full-time security guard patrols the parking lot every two hours to ensure no children have been left in a car. These car inspections are stepped up to hourly intervals during the summer and winter seasons. For the fiscal year ended March 2017, two cases of children left in a car were confirmed, but as both incidents were discovered within a short time, incidents were successfully prevented.

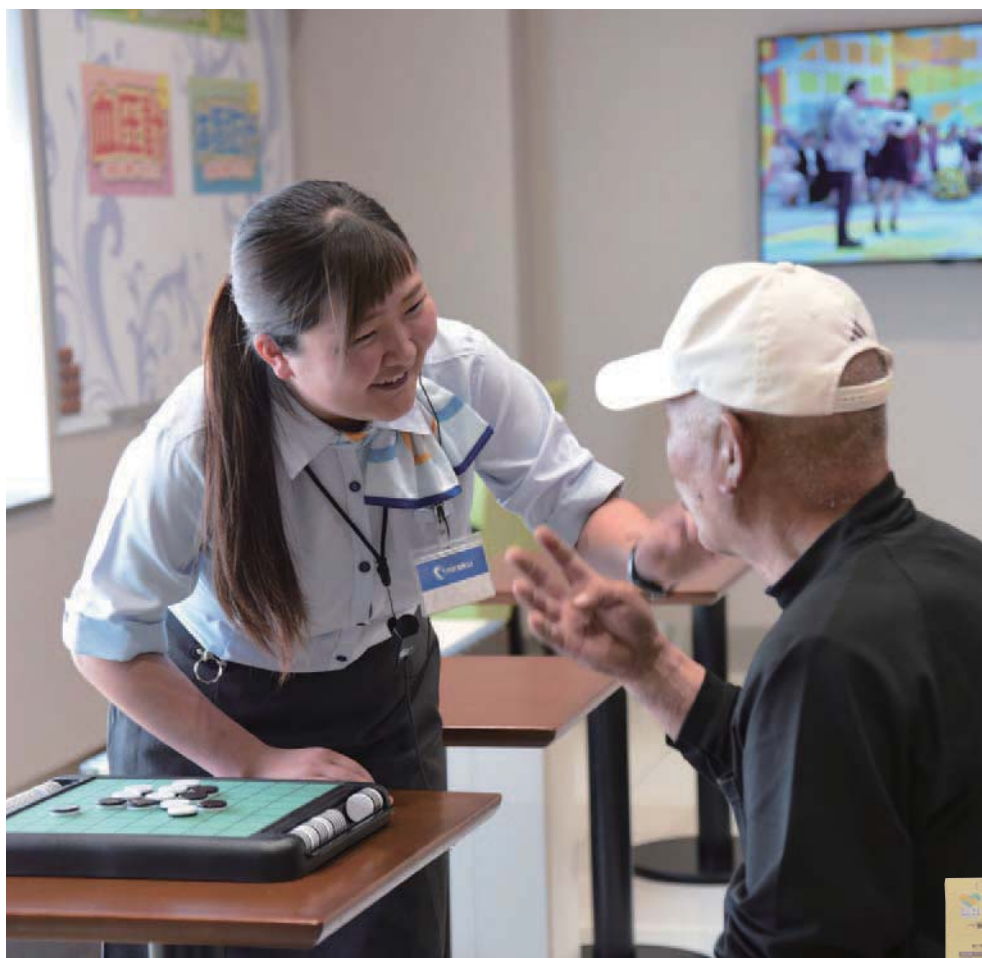


Toward achievement of responsible gaming



Measures against dependence problem

As the social mission of a gaming hall business, NIRAKU has been addressing issues of dependency more than ever before through our countermeasures to reduce gaming fixation. In the future, NIRAKU will continue to direct customers toward consultation services operated in conjunction with industry organizations, as well as posting awareness-raising posters, appointing "safe pachinko & pachislot advisors," implementing a "self-declaration and family declaration program," holding enlightenment seminars, and more.



"self-declaration and family declaration program," 55

"safe pachinko & pachislot advisors," 184

※This means "A program that limits monetary amounts spent on gaming, imposes gaming time limits, and restricts store entry according to the wishes of customers and their families in order to promote safe and happy gaming". NIRAKU introduced and implemented this program in all its halls in February 2018.

Basic policy: Responsible gaming

With regard to excessive fixation that may be caused by the gaming we provide, NIRAKU takes responsibility for making efforts to prevent and minimize this.

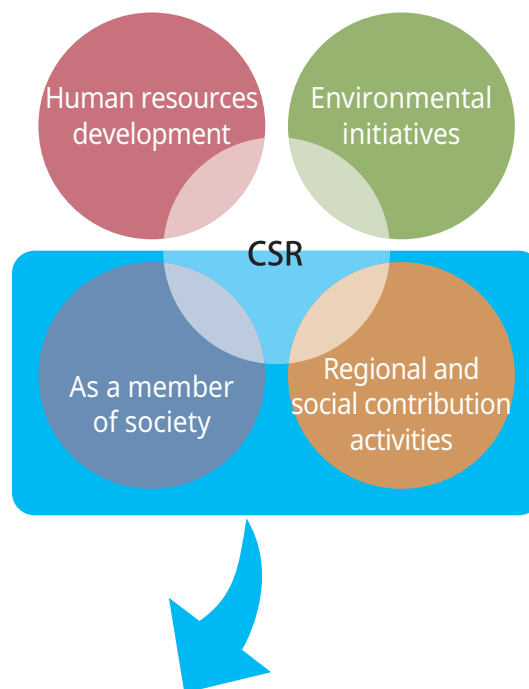
New way of thinking

Responsible gaming

- Encouraging prevention and awareness-raising to prevent problems arising
- Conveying the right way to play
- Identifying risks
- Ensuring customers have more fun

NIRAKU is furthering advanced research into dependency countermeasures, against the background of the approval of the IR Promotion Law in December 2016. In 2018, in order to further strengthen measures, we established a basic policy for “responsible gaming,” and are working on constructing specific action plans.

Responsible gaming as CSR



We need to have accurate knowledge in order to face the issue of excessive fixation. Having accurate knowledge creates opportunities to think more deeply about the state of gaming and the background of each customer in front of you. This will lead to actions that are more in line with the customer's feelings.

1 Educating employees

Training employees with accurate knowledge can lead to early detection and preventing customers from excessive fixation.

Conventionally, countermeasures focused on taking action only after problems occurred. We now work to prevent the occurrence of problems by addressing preventive measures at earlier stages.

2 Encouraging prevention

We encourage suitable methods of gaming and healthy behavioral habits, and we offer appropriate support so that our customers can enjoy gaming in a safe and reasonable way.

Responsible gaming

3 Maintaining a safety net

Working in conjunction with support groups and recovery facilities, we endeavor to help customers with problems head toward recovery at an early stage.

We maintain a safety net for the local area around each of our halls. We also cooperate and coordinate with existing consultation services and support groups.

4 Harmony with local communities

Through the above activities, we create gaming halls that help local residents to enjoy gaming in safety and peace of mind.

Our halls exist with the support of the local community. We contribute in turn to the development of the local community so that customers and local residents know that they can play with peace of mind at NIRAKU—so they are happy that NIRAKU is there.

Offering prizes that are "Happy, Enjoyable, and Fun"



PB (private brand) prizes

NIRAKU is working on enhancing its range of prizes to take into consideration richness of life, seasonality, and sense of event in order to realize its philosophy of "Happy, Enjoyable, and Fun." As part of this, we have been developing PB (private brand) prizes since 2005, which have received endorsements from many customers. Since it started, we have been collaborating on developing and updating this range with our partner manufacturers, based on customer needs, always seeking to provide more valuable prizes. In 2017, there were 17 items in our PB prize range.



Striving to return to our origin and face our ideals



Thank you Movement

Based on the notion that the basis of a company's permanent growth and development is creating joy for local customers and happiness for each employee, we have started the "Thank you Movement" for all employees. By collecting episodes featuring employees and customers, which had been tacitly known to this point, and sharing them throughout the Company, we are striving to return every employee to the Group's philosophy since its founding and to maintain a constant level of emotion, which is so difficult to achieve through an employee manual. In 2017, we collected around 18,000 Thank You episodes throughout the year.



Action
03

for the environment





Our approach to the Environment

Based on our corporate philosophy of “Being grateful to the Earth, reducing the environmental burden caused by our corporate activities, and supporting individual environmental conservation activities as much as possible”, the Group is committed to effective use of resources to help achieve a low-carbon society and is moving ahead with efforts to prevent environmental pollution.

Our corporate activities are in compliance with Japanese laws and regulations related to the environment, including but not limited to air greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. We have not experienced any legal violations.



Handing down lessons learned from major disasters to the next generation



Environmental Management

We are actively undertaking environmental conservation activities aimed at preventing global warming, which has come under increased scrutiny for its environmental impact. In addition to complying with environmental laws and regulations, we will address this in all aspects of business—for instance, reducing consumption of electricity for air conditioning, lighting, etc. in all halls and buildings, introducing paperless internal communications, waste recycling, reducing use of water resources, and more. We are committed to reducing the burden on the environment and continuously improving our business activities to be more considerate of the global environment.

Main Initiatives

- Proper management of power consumption
- Paperless of internal documents
- Recycling waste documents
- Change to a water-saving toilet
- Web conference, introduction of eco car and change to eco car

Air conditioning

- Diligently adjusting and controlling temperature, and not lowering the air conditioning temperature inside halls to below 26°C.
- Implementing air conditioning power management in back yards depending on the space used and its application.

Lighting

- Partially turning off lighting inside halls, turning off vending machine lighting.
- Partially turning off backyard lighting, turning off all lights when vacant.

Other

- Partially turning off parking lot and bicycle parking lot lighting, turning neon lighting off, etc.
- Managing power conservation when equipment and facilities are not required for use.

Initiatives to reduce electricity use and electricity costs



Introducing LED lighting

As part of our initiative to reduce electric power consumption, NIRAKU switched over lighting fixtures in its business center to LED lighting in 2012, the year after the Great East Japan Earthquake. Furthermore, during the 6 years from 2012 to 2017, we switched over all interior and exterior lighting at our halls to LED lighting in order to improve the gaming environment for customers and reduce electricity costs, thereby reducing the amount of electricity consumed by lighting by 66%.



Working to reduce contracted power by air-conditioning equipment

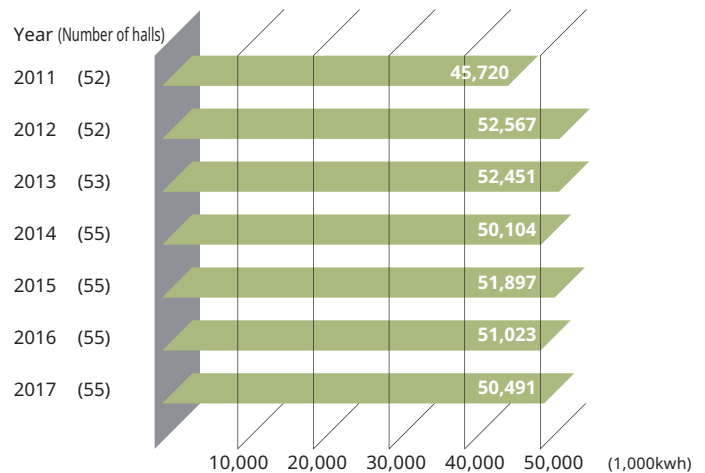


Introducing a system to reduce air-conditioning equipment power use



Air-conditioning equipment represents about 50% of total electricity used in our halls, and cutting the amount of electricity used by air conditioning has a powerful effect in reducing electricity consumption. For this reason, in addition to manual temperature management conducted by our hall staff, from 2014 to 2015, we also introduced air conditioning power reduction systems in 17 halls. As a result, contracted power was reduced by 15% compared to that before installation. In the future, we are planning to introduce this in other halls and newly opened stores while continuing to verify its effect.

Power usage



2011 Great East Japan Earthquake

2013-16 Introduction of LED lighting

2014-15 Introduction of air conditioning power use reduction system

Proactive use of clean energy

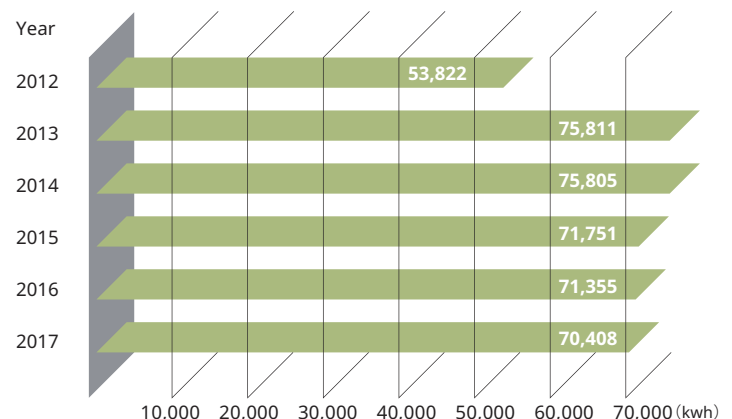


Solar power generation at Business Center

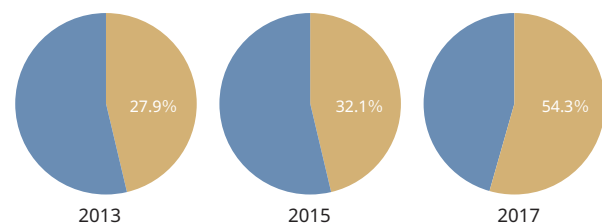


In June 2012, we started solar power generation—a form of green energy that does not emit CO₂—at our business center. About 30% of the electricity used in the business center has been supplied by solar power since we commenced operations. In 2017, the amount of electricity so generated was 70.408 kWh.

Solar power generation at the Business Center



Percentage of solar power generation



Aiming to better achieve a low-carbon society

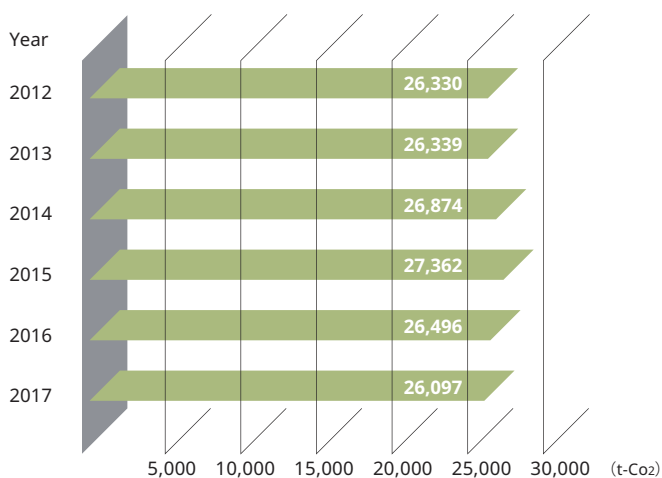


Effort to reduce greenhouse gas emissions

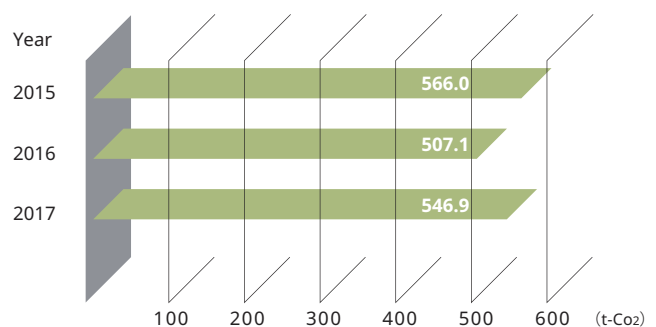
Initiatives to reduce emissions such as greenhouse gases NIRAKU has been designated as a specified business operator under Japan's Energy Saving Act. To make effective use of fuel resources, we are promoting rational use of energy as well as working to reduce greenhouse gas emissions by managing air-conditioning equipment in accordance with Japan's chlorofluorocarbon (CFC) gas emission control law.



● Greenhouse gas emissions calculated under Japan's Energy Saving Act



● Fluorocarbons emissions



Effectively utilizing limited resources



Preserve the environment

In order to scale back the burden on environmental resources, we are promoting paperless distribution of documents for internal meetings. Especially within our sales department, which conduct meetings frequently, we have implemented thorough digitization of materials for distribution via cloud. For our monthly sales policy decision meetings, we have introduced web conferencing with remote areas, which reduces greenhouse gas emissions generated by using transportation as well as saving the cost involved in travel. In addition, the Group collects about 24.4 tons of document waste annually, which is recycled into paper.





for local communities



For the Community and Business Partners





ACTIVE LOCAL ENGINE

“Active Local Engine” is an approach comprising various forms of social contribution that are closely tied to local communities, aimed at harmonious coexistence with local communities. As good corporate citizens with an outstanding ethical perspective, each of our employees hopes to build a relationship of trust with the local community for the sake of our business partners and the local community.



Creating enjoyment with local residents as members of the community



Sponsoring regional events

At the halls operated by NIRAKU, we sponsor and take part in events held by each local community. In 2017, all our employees took part as members of their local communities in a wide range of events, co-sponsorships, volunteer participation, cooperative operations, etc., such as the free opening of the parking lot for the Shakadogawa fireworks displayed in Sukagawa City, Fukushima Prefecture and 24-hour charity donations. This resulted in positive active interactions with local residents.



Great hopes and dreams for children in Fukushima



Regional promotion through sports

As a member of the local community, we have signed a sponsorship agreement with a professional basketball team, the FUKUSHIMA Firebonds, to help revitalize Fukushima and deliver hopes and dreams to the children who will play a major role in the next generation. In addition to inviting local children and people with disabilities to home games, we also offer Firebonds merchandise in the prizes section at some halls.

The Group is devoting its energies to promoting stimulation and interaction in local communities through sports.



FUKUSHIMA Firebonds [B.LEAGUE]

Corporate Name | Fukushima Sports Entertainment Co., Ltd.

Address | 1-2 Domae-cho, Koriyama-shi, Fukushima-ken, Ishii Building 1F

CEO | Eiji Miyata

Home Arena | Koriyama City General Gymnasium

Website | <https://firebonds.jp/>



Supporting tourism PR at 59 local municipalities within Fukushima



Co-sponsor of KazeToRock CARAVAN



KazeToRock CARAVAN is an event with close ties to local communities launched with the cooperation of creative director Michihiko Yanai (from the city of Koriyama, Fukushima) and venue representatives in Fukushima (local leaders, members of commercial/tourism associations), seeking to promote interaction and exchange in local communities. Since the Great East Japan Earthquake of 2011, NIRAKU has offered its cooperation and sponsorship in support of the aims of this event. Each event features talk shows, live performances, PR corners for the local area, and more. At the NIRAKU booth, we distribute candy raised by the generosity of our customers to attendees, while also offering management support and taking part in clean-up activities after the event finishes.

What we can do as a good corporate citizen



Cleaning up the local area

At NIRAKU, all our employees regularly conduct clean-up activities around our business center and our sales locations as good citizens with outstanding ethics. All 56 halls participate each year in the Clean Day activities held by the Japan Gaming Business Association (Nichiyukyo). On June 30, 2017, in accordance with the "I Love Roads" roadway beautification project implemented by Koriyama City every month, employees of the NIRAKU Bijutsukan-dori hall conducted a clean-up activity together with the players of the Fukushima Firebonds professional basketball team, collecting 18 kg of garbage waste.



Helping Koriyama shine brightly!



Big Tree Pageant Festa

To help make a success of the “Big Tree Pageant Festa” winter illumination event held in Koriyama City on October 31, 2017, we held a workshop entitled “Fun Tree Illumination: Let Koriyama Shine Brightly!” in order to produce some of the lights used at the event. The workshop was attended by approximately 120 people including employees of the Group, local children, users of disability facilities, vocational school students, and FUKUSHIMA Firebonds athletes, who created unique, one-of-a-kind lampshades. They lit up the streets of Koriyama with light.



Enriching the region with a little positivity



Donation

We are active in donating to local communities, such as donating revenues from events as well as part of the proceeds from our Fukushima Firebonds merchandise to basketballs for children's practice through the Firebonds. In 2017, we started a new initiative to develop PB prizes with accompanying donations (pencil calpas, big dorayaki, soft beef jerky) at all stores, with 1% of proceeds donated to the Victim Support Center of Fukushima. Additionally, since its opening in 2016, the NIRAKU Fukushima Taiheiji hall has donated pencils gathered through the generosity of its customers to educational committees in Fukushima Prefecture and Fukushima City.



Action
05

for trust



Intensive external monitoring by third-party institutions



Prevention of corruption

The Group has established numerous provisions including employment regulations, internal approval regulations, supplier regulations, entertainment policy, and other regulations, including a group ethics charter. This helps to eliminate arbitrary decisions by employees in all transactions, leading to prevention of corruption and illegality. We have also established a business partner selection committee at our headquarters, which conducts appropriate review of corporations and individuals with whom NIRAKU seeks to start new transactions and also determines valid transaction start dates.

Corporations and individuals with whom we have already conducting transactions are screened once annually, with ongoing transactions, etc. coming under review.

We have set up internal and external reporting lines to prevent employees from abusing their positions and established a system to hear the opinions of all stakeholders to prevent any misconduct.

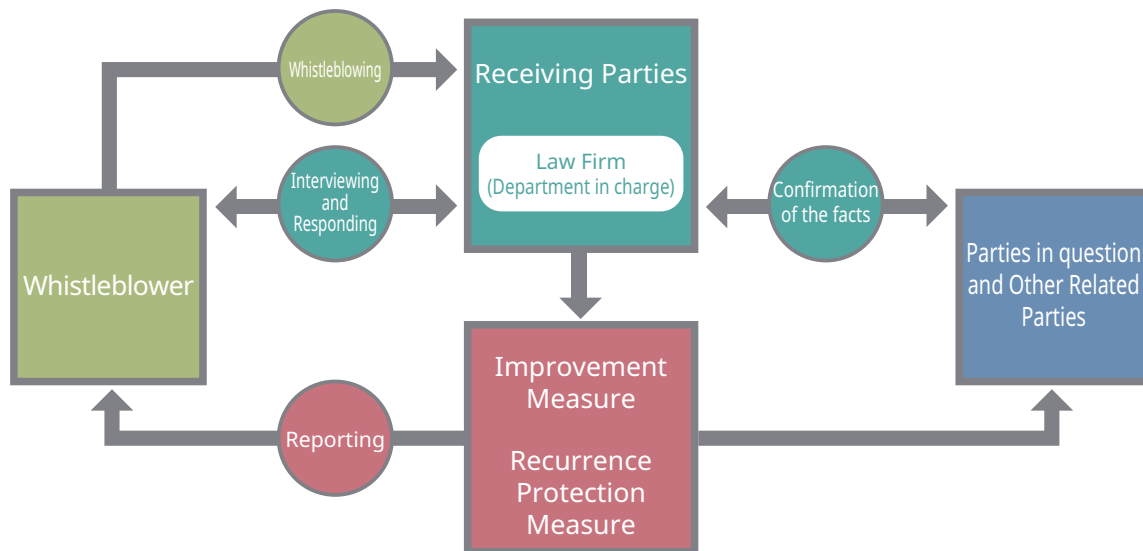
External reporting line

On the external reporting line, an external consultant (law firm) acts as a buffer between the primary report-taker and the reporting person, accurately communicating the content of all reports to the Company's director with responsibility and monitoring the situation until corrective action and handling.

Internal reporting line

As a reporting system for harassment and misconduct, we outsource services to an external law firm. These matters are conveyed accurately to the Company's director with responsibility, while maintaining the strict confidentiality of all personal information contained in the reports. This leads to corrective action or handling.

• Flow of Handling of the Group Hotline



Double check system for full compliance with Entertainment business law



Industry-Leading Compliance System for Act on Control and Improvement of Amusement and Entertainment Business

In order to fully comply with the Law Controlling Business Affecting Public Morals (a law which regulates the entertainment and amusement business and mandates appropriate business operations), which is one of the most important laws in the management of pachinko halls, NIRAKU CORPORATION operates a double-check system. In our halls, checks are conducted monthly in accordance with legal requirements, and reports are sent to the internal audit team of the sales department. Furthermore, as a backup system, a dedicated team at the business center carries out audits of every store every two months and reports these to the internal audit team.



Appointing personnel qualified to handle pachinko & pachislot machines at all stores



Preventing Unfair Competition

At the pachinko halls managed by Group company NIRAKU CORPORATION in order to prevent illegal remodeling, etc. of gaming machines, regardless whether internal or external, all store managers are qualified as gaming machine handlers by the Japan Gaming Business Association (Nichiuyukyo), and are subject to regulation as persons responsible for management of installed gaming machines. In addition to obliging store managers to perform full-scale inspections at least once every three months, we constantly collect up-to-date information on illegal behavior both inside and outside the industry, and make use of this to implement specific countermeasures.



Strengthen discovery of AML risks and working to reduce these



Anti-Money Laundering

We are sparing no efforts in promoting the discovery and reduction of anti-money laundering (AML) risks in pachinko hall management, which is the main business of our Group. All incidents relating to AML are collected by the secretariat under the jurisdiction of the Risk Management Committee to undergo inspection, investigation, and evaluation before being reported to the Corporate Risk Management Officer (CRMO) and the Audit Committee of the Company.



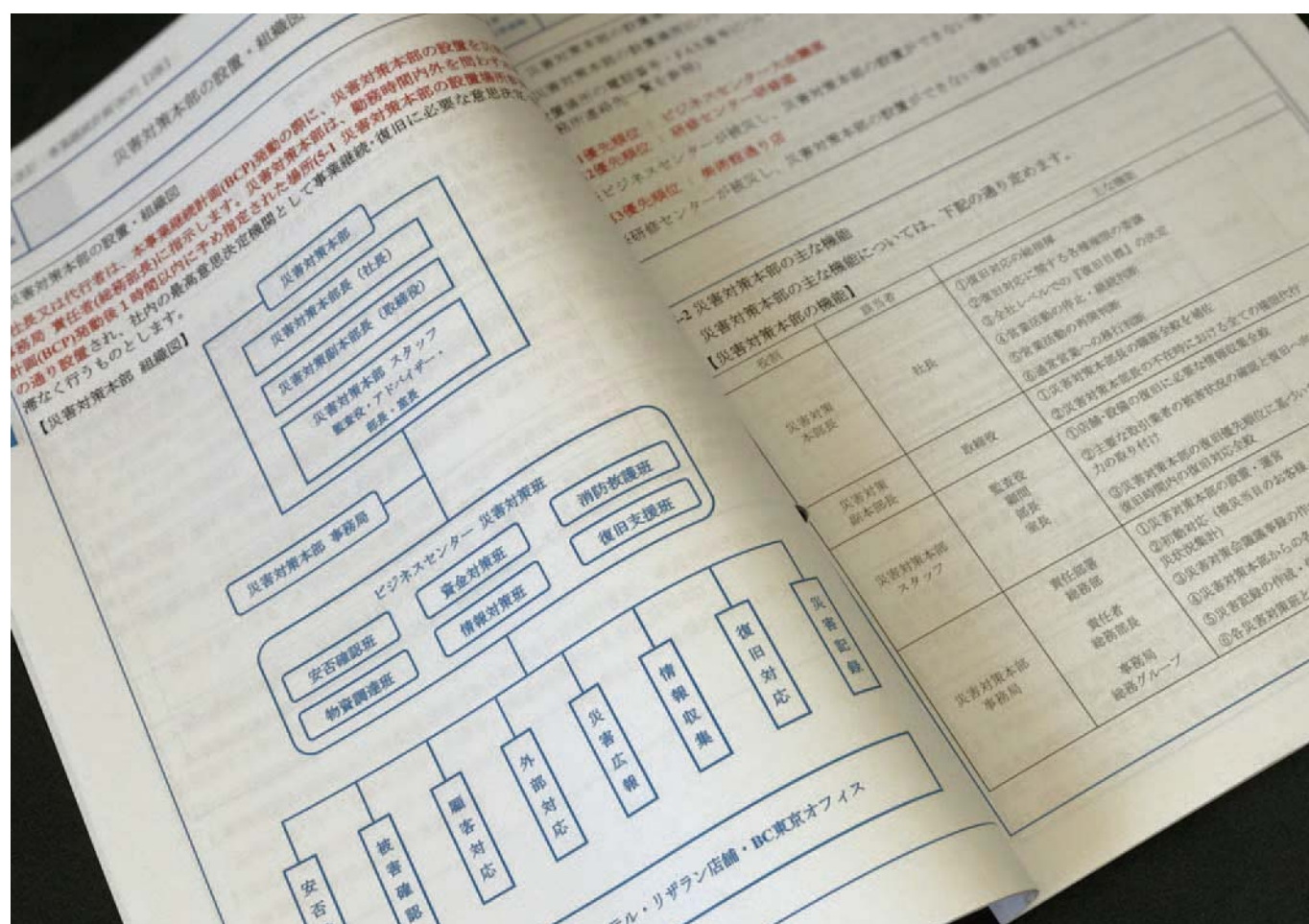
※Please refer to [www.ngch.co.jp/pdf/AMLPolicy.pdf/]

Prompt response in case of emergency



BCP (Business Continuity Plan)

NIRAKU formulated its BCP (Business Continuity Plan) in 2017. As a result, we established systems to rapidly build a crisis management system enabling immediate decision-making and information transmission to minimize risks in the event of an emergency. In order to minimize damage to business assets and enable early restoration and continuation of projects in an unexpected crisis situation, we will continue to operate our BCP, thoroughly conduct regular education and training, and continuously review and update our planning.



Hong Kong Stock Exchange

Environmental, Social and Governance Reporting Guide

Core Issues		General disclosure / Index		Page
A. Environmental				
A1. Emissions	General disclosure	a	Policies relating to air and greenhouse gas emissions discharges into water and land, and generation of hazardous and non-hazardous waste.	20-24
		b	Compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions discharges into water and land, and generation of hazardous and non-hazardous waste.	20
	Index	A1.1	The types of emissions and respective emissions data.	23
		A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	23
		A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Note 2
		A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Note 2
		A1.5	Description of measures to mitigate emissions and results achieved.	20-24
		A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	20-24
A2. Use of resources	General disclosure		Policies on the efficient use of resources, including energy, water and other raw materials.	20-24
	Index	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	20-24
		A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Note 2
		A2.3	Description of energy use efficiency initiatives and results achieved.	21
		A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	21
		A2.5	Total packaging material used for finished products (in tonnes), and if applicable,with reference to per unit produced.	N/A
A3. The environment and natural resources	General disclosure		Policies on minimising the issuer's significant impact on the environment and natural resources.	20-24
	Index	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	20-24
B. Social				
B1. Employment	General disclosure	a	Policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	7-12
		b	Compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	7-12
	Index	B1.1	Total workforce by gender, employment type, age group and geographical region.	7-8
		B1.2	Employee turnover rate by gender, age group and geographical region.	Note 2
B2. Health and Safety	General disclosure	a	Policies relating to a safe working environment and protecting employees from occupational hazards.	11
		b	Compliance with relevant laws and regulations that have a significant impact on the issuer relating to a safe working environment and protecting employees from occupational hazards.	7
	Index	B2.1	Number and rate of work-related fatalities.	11
		B2.2	Lost days due to work injury.	11
		B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	7-12

Report Disclosure Indexes

Core Issues	General disclosure / Index			Page
B3. Development and Training	General disclosure		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	10
	Index	B3.1	The percentage of employees trained by gender, employee category (e.g. senior management, middle management, etc.).	Note 2
		B3.2	The average training hours completed per gender, employee by employee category.	Note 2
B4. Labour Standards	General disclosure	a	Policies relating to preventing child and forced labour.	Note 1
		b	Compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Note 1
	Index	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Note 1
		B4.2	Description of steps taken to eliminate such practices when discovered.	Note 1
B5. Supply Chain Management	General disclosure		Policies on managing environmental and social risks of the supply chain.	18
	Index	B5.1	Number of suppliers by geographical region.	Note 2
		B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Note 2
B6. Product Responsibility	General disclosure	a	Policies relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	32-35
		b	Compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	32-35
	Index	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
		B6.2	Number of products and service related complaints received and how they are dealt with.	Note 2
		B6.3	Description of practices relating to observing and protecting intellectual property rights.	Note 2
		B6.4	Description of quality assurance process and recall procedures.	N/A
		B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Note 2
B7. Anti-corruption	General disclosure	a	Policies relating to bribery, extortion, fraud and money laundering.	34
		b	Compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	32-34
	Index	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	NULL
		B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	32-33
B8. Community Investment	General disclosure		Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	26-30
	Index	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	26-30
		B8.2	Resources contributed (e.g. money or time) to the focus area.	26-30

Notes:

1. We consider upgrading disclosure of information and statistics for this item as necessary in light of materiality of its impact on environment, society and our business.
2. From an international standpoint, the Group is expected to address social issues including regional environmental pollution and the inhumane treatment of labor, such as coerced and child labor. The Group is fully aware of these international expectations and actions prohibited by law in Japan, and will never engage in a transaction that violates corporate ethics. We have not encountered any violations of the law, including our business partners in Japan.

Feedback form

Dear readers:

Thank you for reading the report. The Group welcomes your feedback on the report so that the Group can better shape the future CSR strategy and improve CSR reporting.

Please send the filled feedback form to us via mail, fax, or post. Your feedback provided in this form will only be used for the purpose above and your personal data will not be transferred to any third party.

The Group will make efforts to create happiness of people commencing the business philosophy "Happy, Enjoyable, Fun".

Q1. Which of the following best describes you and your relationship to us?

- | | | |
|---|--|---|
| <input type="checkbox"/> Customer | <input type="checkbox"/> Shareholder and Investor | <input type="checkbox"/> Local community |
| <input type="checkbox"/> Employee | <input type="checkbox"/> Supplier and Partner | <input type="checkbox"/> Industry peer |
| <input type="checkbox"/> Media | <input type="checkbox"/> Industry association | <input type="checkbox"/> Government, Regulatory Authority |
| <input type="checkbox"/> Academic, Research institution | <input type="checkbox"/> Others () | |

Q2. What is your overall rating on this Report?

1. Very Good 2. Quite Good 3. General 4. Poor 5. Very Poor

Q3. What is your rating about the following points about readability of this report?

1	Structure of report	1. Good	2. General	3. Poor
2	Design, layout	1. Good	2. General	3. Poor
3	Length	1. Short	2. Appropriate	3. Long

Q4. Which topics in this report are you most interested in?

Q5. In addition to the contents that have been disclosed, what kind of topics do you wish to read?

Q6. Do you have any other suggestions for the report?

Thank you for your cooperation.

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