



CSR REPORT

2020



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 於日本註冊成立的有限公司)

Stock Code 股份代號: 1245

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Introduction

NIRAKU GC HOLDINGS, INC. (“NGCH” or the “Company”) is a leader in the pachinko hall management industry in Japan’s Fukushima Prefecture. From more than 60 years’ experience in pachinko hall management, NGCH (together with its subsidiaries, the “Group” or “NIRAKU Group”) believes that focusing on ESG, including contributing to our local and regional community, is crucial for management with our origin from management philosophy. CSR Report 2020 reports on the Group’s activities for enhancing corporate values over the longer term.

We would be pleased if this report offers all of our stakeholders the opportunity to understand NIRAKU Group’s initiatives.

About this report

This CSR report discloses information related to the environmental, social and governance (the “ESG”) aspects of NIRAKU GC HOLDINGS, INC. in conformity with the Appendix 27 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “ESG Guidelines”).

*For information on governance, please refer to the Corporate Governance Report of Annual Report 2020.

Since our Group’s main activity is the management of pachinko halls operated by our subsidiary, NIRAKU Corporation (the “NIRAKU”), the contents of this report will focus primarily on NIRAKU’s ESG initiatives.

Except where specifically noted, this report covers the period from 1 April 2019 through 31 March 2020, the same period covered by the Annual Report.

The executive officer responsible for risk management (“CRMO”) has compiled this report and the Board of Directors has approved it.



Message from our CEO

We are committed to work with the entire community in contributing to development in order to make the world more “happy, enjoyable, and fun.”

Ever since our founding in 1950, we have cherished our connections with local communities. This attitude has been passed down through the NIRAKU management philosophy of being “happy, enjoyable, and fun.” As time change and societies continue to diversify, social expectations and roles of corporations are changing on a global scale, and the responsibilities that we are required to fulfill will only continue to expand. In order to meet these demands, we always return to our management philosophy and strive to take action, both internally and externally. Ever since our founding, we have operated under the principle that “the company is a public institution of our society.”

We carry out our business activities in good faith, premised on strengthening corporate governance and ensuring thorough compliance, as well as delivering “happy, enjoyable, and fun” to countless local residents through our products and services, aiming to help achieve a society enabling people to lead vibrant, enjoyable lives in harmony with a diversity of others. This is the responsibility to society that we need to fulfill, and in the process of achieving this, we believe our CSR activities can provide a genuine response to issues facing local communities.

Hisanori TANIGUCHI, President and Chief Executive Officer, NIRAKU GC HOLDINGS, INC.



Management Philosophy

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

Corporate Guidelines, Policy to Realize our Management Philosophy



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CSR Initiatives and Stakeholder Engagement

The board (the “Board”) of directors (the “Directors”) of the Company has responsibility for CSR-related strategies, including determining the risk evaluation related to CSR for NIRAKU Group, engaging in appropriate and effective CSR risk management, and keeping internal control system in place.

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

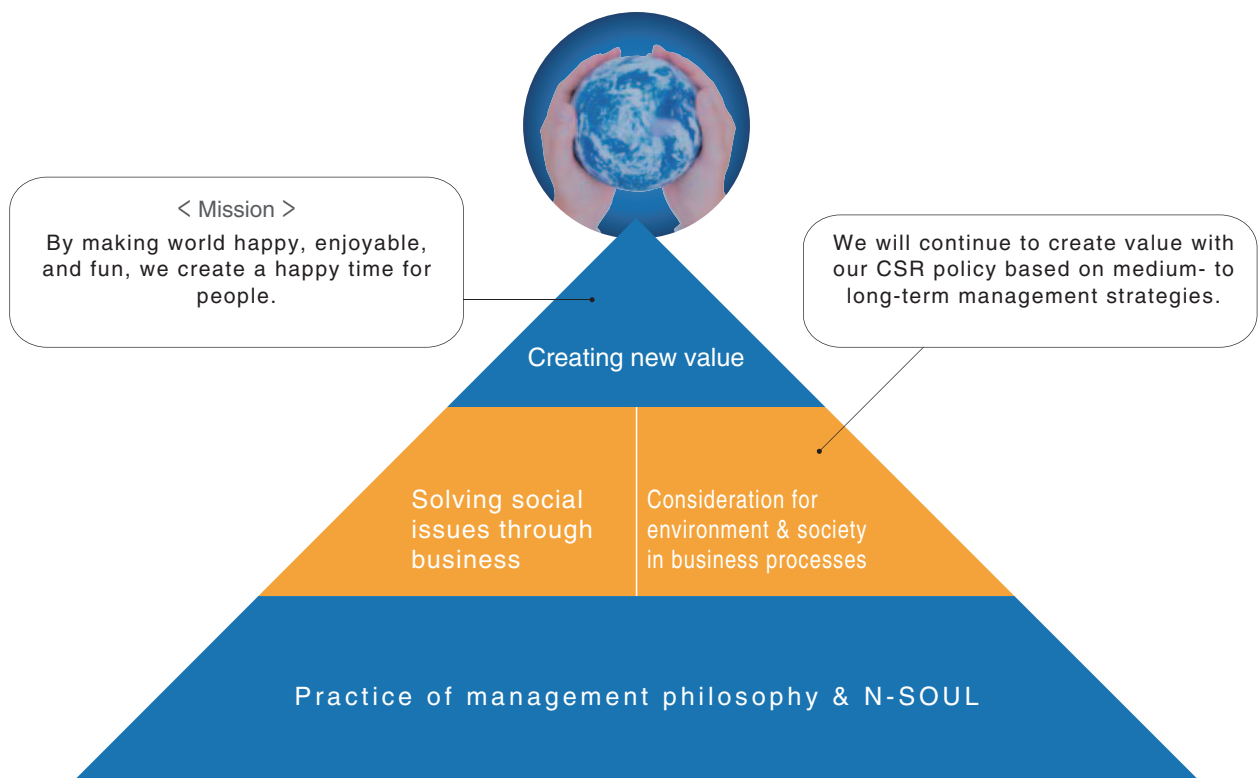
During the reporting period, NIRAKU Group was not aware of any non-compliance with laws and regulations that have significant impact on the NIRAKU Group relating to areas of material issues.

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 Form” at the end of this report.

Basic CSR Policy

At NIRAKU, under our management philosophy—"By making world happy, enjoyable, and fun, we provide a happy time for people"—the Company itself, our halls, and all our employees are committed as good corporate citizens contributing to sustainable development, both in our relations with society as a whole and with local communities.

CSR Mechanisms



Action
01

For communities



For the Community and Business Partners



CSR REPORT 2020



What is Active Local Engine?

"Active Local Engine" is a collective term for CSR activities based on our fundamental CSR policy of creating connections with local communities through various activities.

At NIRAKU, our local halls play a major role in addressing the issues of how to thrive in harmony with local communities. One of these activities is the "Active Local Engine."

Specifically, we bring together some minor fun and enjoyable things in each hall's local business area, create common talking points with our customers and local residents, we share things that are fun and enjoyable. In addition, our regular CSR activities among local communities and charitable donation activities are pursued under this unified concept.

ACTIVE LOCAL ENGINE

Charitable & volunteer activities

We carry out support activities through donations and charitable activities for local governments and charities in areas close to our halls.

Activities at halls

- Donations of candy and pencils

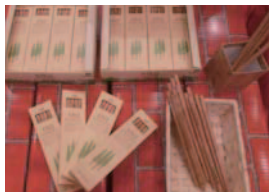
At NIRAKU halls, candy and pencil prizes donated through the kindness of our customers are collected and donated to community events, children's facilities, the Council of Social Welfare, elementary schools in the prefecture, etc.

- We take part in activities to collect pull-tabs and aluminum cans to turn these into wheelchairs

Since 2009, we have been participating in an initiative by a volunteer group, the Environmental Pollution Control Liaison Association (Nara Prefecture), to collect pull-tabs and aluminum cans and turn them into wheelchairs. This work is mainly done by employees of NIRAKU MERRIST Corporation, a special subsidiary company deploys people with disabilities, who are active in NIRAKU halls.

- Other initiatives

We donate a portion of profits to affiliated organizations through the Okashi Project, featuring PB prizes including donations, which is underway at all NIRAKU halls, as well as through the Fukushima Firebonds Support Project, which is underway at some halls in Fukushima Prefecture. Our initiatives also include donating pachinko machines and slot machines no longer in use at halls to nearby social welfare organizations.



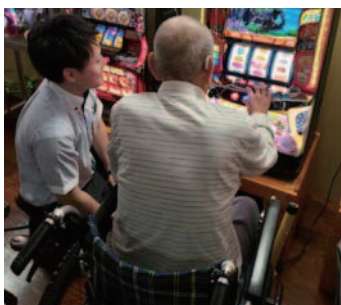
Company-wide activities

- Participation in various volunteer activities

Since the Great East Japan Earthquake on 11 March 2011, we have participated in various volunteer activities undertaken by the Tohoku Branch of the Pachinko Industry Association (Nichiyukyo).

- Sponsorship and cooperation for blood donation activities

We support and cooperate with blood donation activities organized by the Heartful Saturday Blood Donation Promotion Executive Committee.



ACTIVE LOCAL ENGINE

Social contribution activities

As part of our social contribution activities, we principally provide support in the fields of culture and environment, education, employment, and so on.

Support for sports promotions

- Sponsorship agreement with Fukushima Firebonds

At NIRAKU, we support the development of basketball, which offers dreams and hope. To demonstrate our commitment to their vision, we have entered a sponsorship agreement with the local Fukushima Firebonds professional basketball team, which was established in the wake of the Great East Japan Earthquake of 11 March 2011, as a gesture of hope for the children who will go on to form the next generation. For each home match, 30 people are invited free of charge to the NIRAKU seats for wheelchair users and others with disabilities.



Participation in and sponsorship of festivals and events

- Sukagawa City's Shakadogawa Fireworks Display

During the Shakadogawa Fireworks Display held in Sukagawa City (Fukushima Prefecture) every August, NIRAKU opens up its entire Sukagawa hall free of charge, pro-actively interacting with the local community by conducting 24-hour charity fundraising activities, donating proceeds from stall sales, and hosting and managing events on our premises.



- "Brightening up Koriyama—fun with tree illuminations!"

Every November, NIRAKU sponsors a workshop entitled "Brightening up Koriyama—fun with tree illuminations!", which is held at local vocational schools, NIRAKU hall lounges, etc.; and is aimed at local residents, elementary school students, and NIRAKU hall patrons. For about 2 months in winter, the Big Tree Pageant Festa in Koriyama light-up event is decorated with colorful lampshades depicting people's feelings on the theme of "When things are fun and happy"—this brighten up the winter months around Koriyama Station.



- Community clean-up activities around our halls

We regularly perform clean-ups in the areas around our hall locations. Every year, all our halls take part in National Clean Day, an activity organized by the Pachinko Industry Association (Nichiyukyo).



Measures against addiction

We consider measures against gambling and other dependency and fixation issues to be the corporate social responsibility (CSR) of pachinko hall companies, and we are proactively working on anti-dependency measures under our basic policy of "responsible gaming". Focusing on the four basic cornerstones of (1) educating employees; (2) encouraging prevention; (3) maintaining a safety net; and (4) harmony with local communities, we will continue to implement measures to prevent excessive fixation and prevent expansion of problems.

- The 1st "Seminar on Awareness for Dependency Measures: Knowing about Pachinko Dependency and Thinking About Dependency Countermeasures"

On Wednesday, 15 May 2019, as part of an awareness week held in recognition of Japan's Basic Law for Countermeasures against Gambling Dependencies, we held a free seminar for 49 people who involved or interested in dependency issues. This seminar was conducted in two parts with the aim of deepening understanding of the nature of gambling dependency and the problems and background of pachinko dependency, as well as providing a forum for local residents to discuss the state of future countermeasures.



- The 2nd "Pachinko Dependency Study Session in Koriyama"

On Friday, 8 November 2019, a free seminar was held for about 80 people involved with pachinko and local community support. This seminar was held with the aim of providing a place for mutual sharing of countermeasures implemented by pachinko providers to address dependency and discuss local support and initiatives.



Action
02

For customers



For the benefit of everyone who uses NIRAKU





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Ensuring players can enjoy safe and secure play

The NIRAKU Group is working to further improve the gaming environment and customer service from customers perspective, based on our “customer-oriented” action guidelines. Our goal is to create halls where local residents can unwind and enjoy some relaxing moments in the spirit of friendship, so that even visitors who don’t play pachinko or slot machines will feel at ease when stopping by.

Measures against addiction

Responsible gaming

Basic policy

Niraku is furthering advanced research into dependency countermeasures, against the background of the approval of the IR promotion Law in December 2016. In May 2018, we formulated and declared our basic policy, based on the concept of “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

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 customers' 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 stage.

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 safe 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.



Other specific efforts

Preventing incidents by patrolling the parking lots

Measures to prevent children being left in vehicles

NIRAKU is committed to preventing incidents stemming from children from being left in cars. In all halls that have parking lots, hall employees patrol the parking lots once every hour from May to October and once every two hours from November to April, inspecting vehicles for any children left inside. During the fiscal year ended 31 March 2020, nothing abnormal was discovered during these inspections and no incidents occurred.



Creating relaxing spaces where both smokers and non-smokers can feel at ease

Measures to prevent passive smoking

Following amendment of the Health Promotion Act, from April 2020, pachinko halls have been non-smoking, as a general rule, all NIRAKU halls have been completely separated into smoking and non-smoking areas. With this revision of the law, NIRAKU will continue to improve the gaming environment in order to provide relaxing spaces where smokers and non-smokers alike can feel at ease, and where patrons can play in a safe, secure environment every day.



Other specific efforts

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 we completed AED installation in all halls and sales offices by January 2011. Additionally, all employees undergo training 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.

- 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

Evacuation drill & evacuation guidance in the event of disaster, based on our BCP



Countless customers visit our pachinko halls every day. NIRAKU works to ensure our customers' safety by complying with the Fire Service Act, offering disaster preventive education for our employees as well as conducting firefighting training (twice annually), firefighting equipment inspection (twice annually), and fire prevention target inspection (once annually) at all our halls. Based on our experiences of disaster in the wake of the Great East Japan Earthquake, we formulated our BCP (Business Continuity Plan) in 2017 and commenced periodic training in the event of natural disasters. Through these efforts, we aim to further raise every single employee's awareness of disaster readiness and ensure we are as prepared as possible for disasters.

- Drills

Fire drills 2 x per year

Firefighting equipment
inspection 2 x per year

Fire prevention inspections
1x per year



Creating an environment where
diverse patrons can feel at ease

Installation of "All Gender" restrooms



"All Gender" restrooms are installed in halls so that customers can use them with peace of mind, regardless of disability and without gender restrictions.



Action
03

For employees



For all those who work at NIRAKU





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Our approach to human resources

At NIRAKU, we believe that all our workers represent valuable assets, and we view them as human capital whose value increases as we invest in them. Based on this notion, we constantly invest in education and training, and strive to cultivate a corporate culture that makes the most of the abilities of each and every employee. We will continue to build a better corporate culture. Meanwhile, we take a proactive stance to provide an equal room to grow for all employees and promote the organizational activation by developing human capital with capabilities to make innovation happens.

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.



Creating a corporate culture in which diverse human resources can play an active role

NIRAKU strives to create a corporate culture in which diverse human resources can play an active role, and is committed to creating a work environment in which all employees of diverse values and lifestyles can display their own abilities and individuality.



Creating a corporate culture in which diverse human resources can play an active role

Promoting a pleasant work environment for all employees

Promotion of Women's Participation

We are working to provide a comfortable working environment to help all employees not only find employment opportunities, but to improve their abilities and develop their careers. Through these initiatives, we are working to support the achievement of the ideal work-life balance while striving to promote success for women.



Eruboshi Mark Obtained

In March 2017, NIRAKU was granted Level 3* Eruboshi certification by the Minister of Health, Labour and Welfare, based on the Act on Promotion of Women's Participation and Advancement in the Workplace, for excellent implementation of initiatives to promote the success of women.

Five criteria

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

• Number of managers/Proportion of female employees

Year	2017	2018	2019
Total	160	114	120
Number of male managers	147	109	115
Number of female managers	13	5	5
Proportion of female managers	8.1%	4.4%	4.2%

※ For change in the executive division by personnel institutional change in fiscal year 2018, it decreases overall.

Platinum Kurumin Mark Obtained



NIRAKU had already been granted the Kurumin Mark by the Minister of Health, Labour and Welfare as a "company that supports child care" based on the Act on Advancement of Measures to Support Raising Next-Generation Children, but in recognition of efforts at an even higher level, NIRAKU was awarded the Platinum Kurumin Mark in September 2019.

Achieved Initiative 1

By encouraging male employees to take leave for the purpose of child care taking, we have increased the rate of male employees who take paternity leave after a child's birth or who take special leave when their wives give birth to 50% or more.

Achieved Initiative 2

As an initiative enabling women raising children to continue working and play active roles, we hold seminars for employees who are raising children, aimed to encourage career development among seminar participants.

Creating a corporate culture in which diverse human resources can play an active role

Iku-Boss Declaration

Iku-Boss Declaration is recommended by local governments all over Japan. NIRAKU Corporation, in agreement with the activities of the Iku-Boss Declaration as pursued by Fukushima Prefecture, issued an Iku-Boss Declaration in March 2017.



Support for each prospective female employee

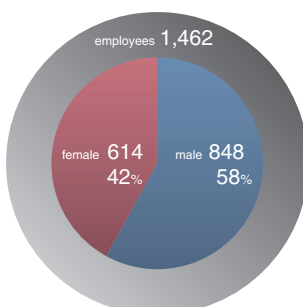
Regarding work-life balance, we try to match prospective female employees with senior female employees with extensive experience, so they can discuss specifics about systems and well-being and deepen their understanding of work-life balance.



Participation in study sessions for women

Through their participation in various study sessions, we are working to improve women's skills and create a pleasant working environment.

- Number of group's employees
2020.3.31



Creating a corporate culture in which diverse human resources can play an active role

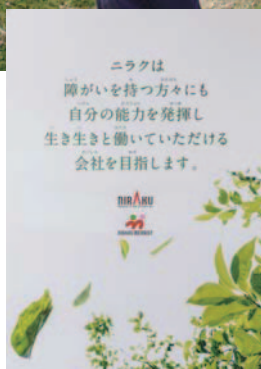
A special subsidiary company expanding the scope of deploying people with disabilities

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 Corporation, to promote employment of persons with disabilities.

At NIRAKU MERRIST Corporation, we are working to create an environment where people with disabilities can actively work and expand the scope of their employment, such as cleaning and weeding of halls and premises, and cleaning and management of company housing and training centers.

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
2020	43	3.4%	2.2%
2019	45	3.3%	2.0%
2018	42	3.3%	2.0%
2017	47	3.4%	2.0%

Developing human resources and revitalizing the organization

Implementation of training at various levels

Focusing on leadership development, we encourage the fostering of a positive corporate culture, as well as working to develop leaders at the management level through our unique training program in order to discover human resources who will lead the future.

Education and training system

• Training system

Grade		I	II		III	IV	V	VI	
Position		New employees	Crew	Assistant Manager	Store Manager	Area Manager	General Manager	Director	
			Staff					Executive Officer	
Job		General personnel			Junior management		Mid-level management	Senior management	Top management
Core training		Compliance Harassment							External lectures for management leaders
Training by department/ by level	Sales Department	Basic training (NIRAKU history, pachinko basics, amusement industry law basics)	Practical business training (basics of managing figures)	Practical business training (Sales/Labour Management)	Practical business training (Marketing/Sales/Labour Management)				
	Staff	Seminars in various specialist areas(External)							
			Business Skills (intermediate)			Business Skills (advanced)			
OJT		On-the-job training from superiors & trainers							

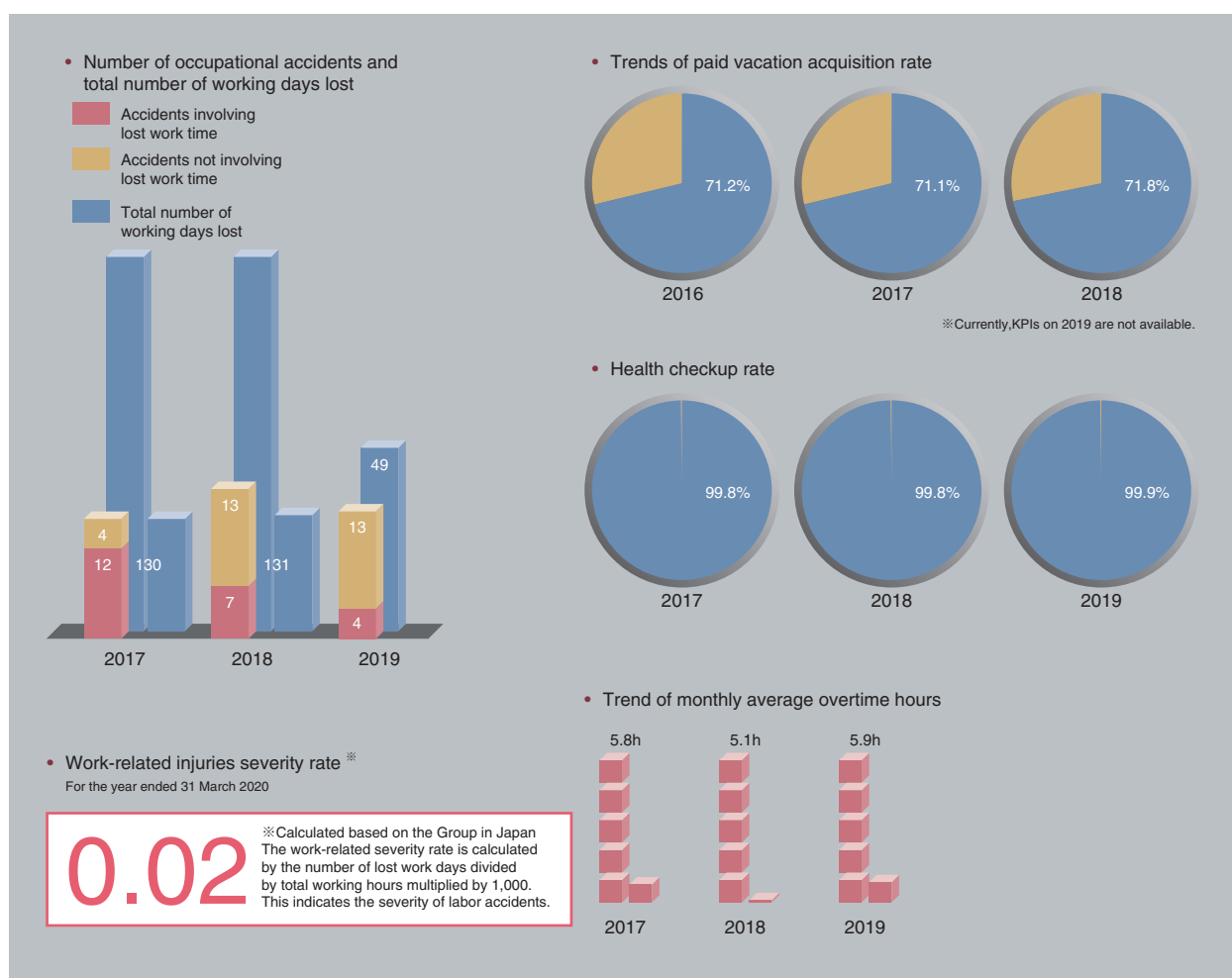


Creating a pleasant work environment

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

Developing the work environment

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.



Creating a pleasant work environment

Supporting future asset
formation of our
employees

Main employee support systems

We have introduced a defined contribution system (having introduced a matching contribution system in 2016), a property savings system, and an employee shareholder system to support asset formation of employees in the mid- to long-term, as well as a welfare loan system ensuring employees are able to meet financial needs in the event of a disaster or unexpected accident in the family. We have also established systems for childcare leave, family care leave, shortened working hours for childcare, support for returning to work, etc. As a company, we devote great effort helping to achieve work-life balance, enabling employees to choose a variety of work styles and lifestyles that meet their needs at each stage of life.



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 then, 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 resolving issues based on employee opinions for improving working environment and working conditions. Through mutual good communication, we work to establish and maintain sound and positive labor-management relations.



Action
04

For environment



In purpose of irreplaceable global environment





CSR REPORT

2020

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.

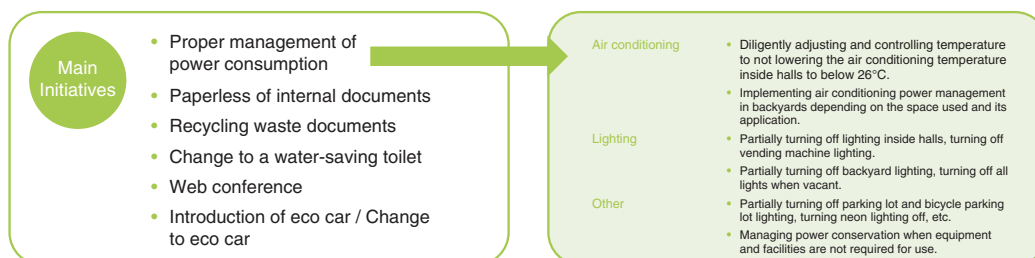
Our corporate activities complied with Japanese laws and regulations relating to the environment, including but not limited to air greenhouse gas emissions discharges into water and land, and generation of hazardous and non-hazardous waste. We have not experienced any legal violations.



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 business aspects, for instance, reducing consumption of electricity for air conditioning and lighting 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.

Handing down lessons learned from major disasters to the next generation



Reducing electricity use and electricity costs

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%.

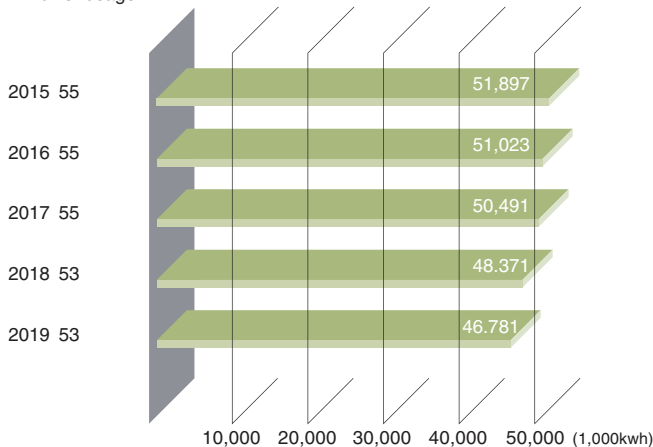


Working to reduce contracted power of air-conditioning equipment

Reducing power consumption at halls

Air-conditioning equipment represents about 50% of total electricity use 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 2018 we also introduced air conditioning power reduction systems in 18 halls. As a result, contracted power was reduced by 15% compared to pre-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



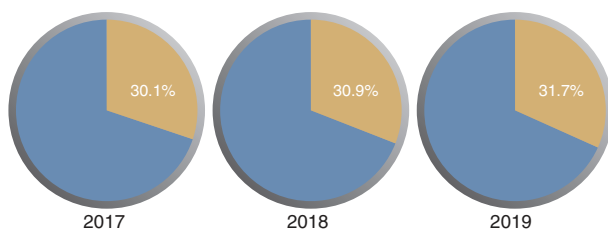
Proactive use of clean energy

Solar power generation at Business Center

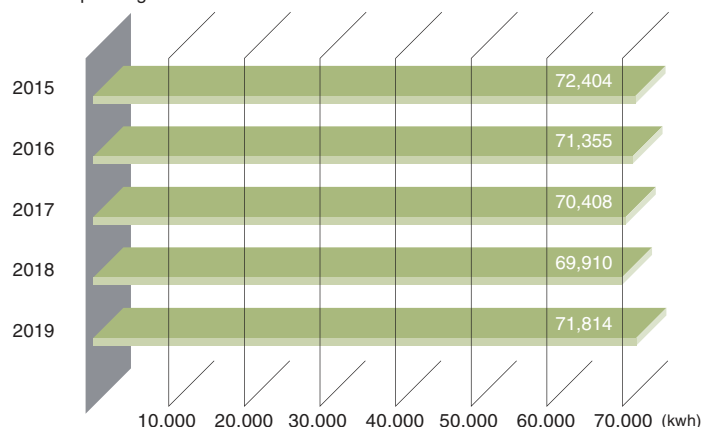
In June 2012, we started solar power generation—a form of green energy that does not emit CO₂—at our business center. About 31.7% of the electricity used in the business center has been supplied by solar power since we commenced operations. In 2019, the amount of electricity so generated was 71,814 kWh.



• Percentage of solar power generation



• Solar power generation at the Business Center



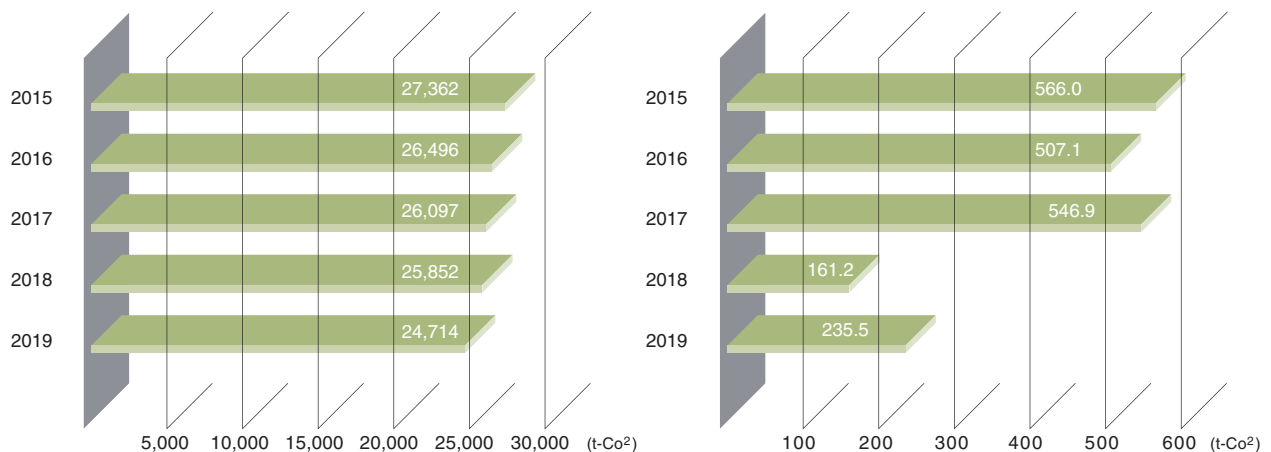
Preserve the environment

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

Initiatives to conserve resources

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.

In addition, we are actively undertaking environmental protection initiatives such as installing water-saving toilets and introducing eco-friendly cars.



Action
05

For trust



For trust and being responsible as a corporate body





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Policy on compliance

In its own ethical charter, NIRAKU Group declares corporate social responsibility to be the creation of new value in the world through ethical and legally fair management. Following various laws and social norms as a matter of course, we will earn the trust of our customers and of wider society by expressing high ethical standards and morals, thereby fulfilling our corporate social responsibility and continuously striving to contribute to social development.



Code of conduct and compliance system

Double check system for full compliance with Entertainment business law

Industry-Leading Compliance System for Entertainment Business Law

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 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 pachinko halls managed by NIRAKU, in order to prevent illegal remodeling of gaming machines, regardless whether internal or external, all store managers are qualified as gaming machine handlers by the Japan Gaming Business Association (Nichiyukyo), 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.



Code of conduct and compliance system

Intensive external monitoring
by third-party institutions

Prevention of fraud and 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 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.

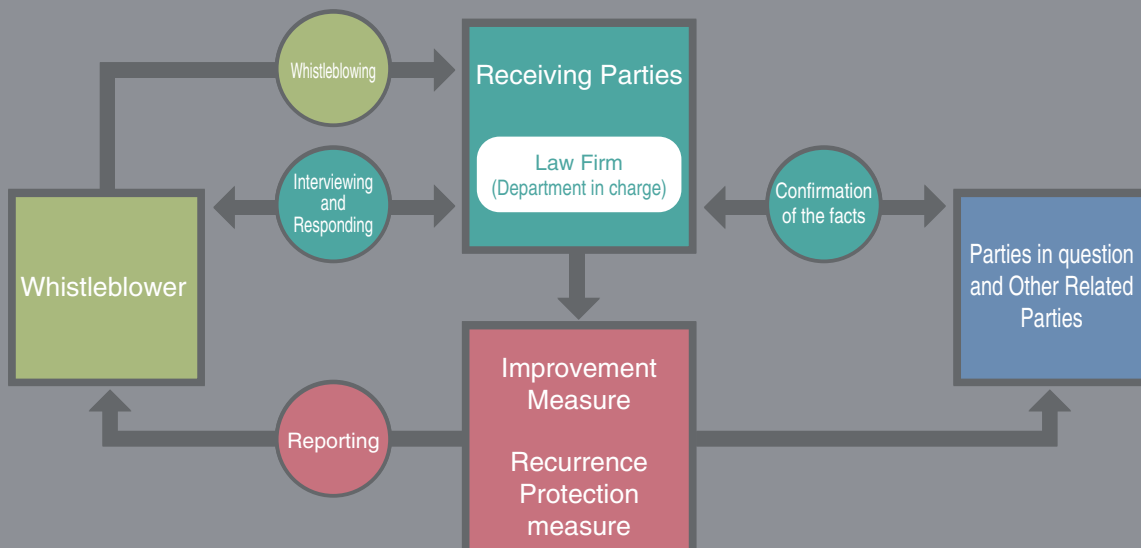
External reporting line

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 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 responsible director of the Company, 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





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Risk management policy

Aiming for continuous and stable development of business, and to provide a higher certainty, NIRAKU Group has a Crisis Management Committee that meets regularly. This Committee assesses disasters, accidents, crimes, information security, and other significant risks and determines appropriate countermeasures, while also ensuring the effectiveness of these measures by continuously carrying out monitoring and internal awareness-raising activities through its own Risk Management Sub-committee.

Risk management regulations

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 and undergo inspection, investigation, and evaluation before being reported to the Corporate Risk Management Officer (CRMO) and the Audit Committee.



※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 Succession 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 emergency. In order to minimize damage to business assets and enable early restoration and continuation of projects under unexpected crisis situation, we will continue to operate our BCP, thoroughly conduct regular education and training, and continuously review and update our planning.

This plan enabled swift resumption of business in areas severely damaged during the 2019 East Japan Typhoon.



Report Disclosure Indexes

The Stock Exchange of Hong Kong

Environmental, Social and Governance Reporting Guide

Core Issues	General disclosure / Index			Page
A. Environmental				
A1. Emissions	General disclosure		Policies relating to air and greenhouse gas emissions discharges into water and land, and generation of hazardous and non-hazardous waste.	26-29
			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.	26
	Index	KPI A1.1	The types of emissions and respective emissions data.	29
		KPI A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	29
		KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Note 2
		KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Note 2
		KPI A1.5	Description of measures to mitigate emissions and results achieved.	26-29
		KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	26-29
A2. Use of resources	General disclosure		Policies on the efficient use of resources, including energy, water and other raw materials.	26-29
	Index	KPI 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).	28-29
		KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Note 2
		KPI A2.3	Description of energy use efficiency initiatives and results achieved.	27
		KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	27
		KPI 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.	26-29
	Index	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	26-29
B. Social				
B1. Employment	General disclosure		Policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	17-24
			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.	17-24
	Index	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	19-20
		KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Note 2
B2. Health and Safety	General disclosure		Policies relating to a safe working environment and protecting employees from occupational hazards.	23
			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.	17
	Index	KPI B2.1	Number and rate of work-related fatalities.	23
		KPI B2.2	Lost days due to work injury.	23
		KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	17-24

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.	22
	index	KPI B3.1	The percentage of employees trained by gender, employee category (e.g. senior management, middle management, etc.).	Note 2
		KPI B3.2	The average training hours completed per gender, employee by employee category.	Note 2
B4. Labour Standards	General disclosure		Policies relating to preventing child and forced labour.	Note 1
			Compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Note 1
	index	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Note 1
		KPI 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.	33
	index	KPI B5.1	Number of suppliers by geographical region.	Note 2
		KPI 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		Policies relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	33-35
			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.	33-35
	index	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
		KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Note 2
		KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Note 2
		KPI B6.4	Description of quality assurance process and recall procedures.	N/A
		KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Note 2
B7. Anti-corruption	General disclosure		Policies relating to bribery, extortion, fraud and money laundering.	35
			Compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	31-35
	index	KPI 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
		KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	31-33
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.	8-10
	index	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs,health, culture, sport).	8-10
		KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	8-10

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 with 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 on 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 this report?

Thank you for your cooperation.

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2020



NIRAKU GC HOLDINGS, INC.