

CSR REPORT

2021



Making life happy, enjoyable, and fun



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

CSR REPORT

2021

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 70 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 2021 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 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 2021.

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 2020 through 31 March 2021, the same period covered by the Annual Report 2021.

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

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CSR Initiatives and Stakeholders 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.



Top Message

Beyond 100 Years with the Community

The Group has been carrying on our philosophy of “Providing happy times for people by making the world cheerful, fun and entertaining” in our history.

The history of the Group’s business is over 70 years. The reason we have been able to continue our business for more than 70 years is that we always place emphasis on our relationship with the community and have always been aware of harmonious coexistence with the community. Entities cannot continue their businesses on their own, and there is a greater need than ever for them to not only pursue profits for themselves, but also develop together with society.

Last year, the Group resolved the ESG Management Declaration, which is the basic concept for conducting sustainable business, “NIRAKU Group prioritizes the public interest and considers its employees, customers, business partners, local communities, and the planet as a whole to be stakeholders. We aim for management that can achieve sustainable growth together with all.” The concept of ESG, which is the benchmark for sustainable growth, is becoming increasingly important in business, as it serves as an index for selecting investment targets worldwide. In addition, Sustainable Development Goals (“SDGs”) established for the purpose of achieving a sustainable world is having a positive impact on corporate management.





The ESG Management Declaration sets out the following three specific points to be focused.

1. Properly appropriate the profits generated to employees, customers, local communities, environment, the entire earth, vendors and shareholders.
2. Manage the business with a sustainable growth that can contribute to society from a medium- to long-term perspective, rather than from a short-term perspective.
3. Audaciously invest in new areas and manage our business with an entrepreneurial spirit for the sustainable development of the Company.

These three objectives will also be important in shaping a new corporate culture for the next era of the Group.

The Group continues to take on the challenges and resilience to social changes, aiming to be a company that will continue for more than 100 years ahead of us.

Under the ESG Management Declaration, we will continue to strive to become a company that is indispensable to society and can meet the expectations of all stakeholders, considering the development and ideal form of our business.

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

Management Philosophy

Making life happy, enjoyable, and fun

Happy Time Creation

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

Corporate Guidelines

Customers

For the benefit of everyone who uses NIRAKU

- We provide familiar, comfortable spaces, like being with a friend who understands and knows you.
- We provide relaxing pleasure to help you live in a vibrant, healthy life every day.
- We continue to act sensible, using this as the foundation of a relationship of trust.

Employees

For those who work at NIRAKU

- We promise to provide every opportunity to our employees as we believe that the growth of individuals with infinite potential is linked to the growth of the Company.
- Through mutual communication, we create a culture in which we encourage and motivate one another.
- United by bonds as strong as family, we continue to be a forward-looking group that rises to meet new challenges.
- We maintain a healthy and safe work environment that delivers peace of mind.

Regional Communities

For the Community and Business Partners

- As a good corporate citizen with outstanding ethical standards, we contribute to the development of local communities through our corporate activities.
- We are grateful to the earth, we are committed to reducing the environmental burden generated by our corporate activities, and we support individual environmental conservation activities wherever we can.
- We respect all like-minded business partners, and we build appropriate relationships grounded in equality.









ESG Management Declaration

“NIRAKU Group prioritizes the public interest and considers its employees, customers, business partners, local communities, and the planet as a whole to be stakeholders. We aim for management that can achieve sustainable growth together with all.”

1. Properly appropriate the profits generated to employees, customers, local communities, environment, the entire earth, vendors and shareholders.
2. Manage the business with a sustainable growth that can contribute to society from a medium-to long-term perspective, rather than from a short-term perspective.
3. Audaciously invest in new areas boldly and manage our business with an entrepreneurial spirit for the sustainable development of the Company.

This declaration represents our fundamental approach to running a sustainable business, and moving forward, underpins the management policy of the Group, centered on ESG/SDGs (CSV 2.0) concepts.

•Setting ESG themes

ESG	7 core CSR themes	ESG priority issues	International community goals	
E	Environment	Climate change		
		Prevention of air pollution		
		Promotion of energy conservation		
		Conserving biodiversity		
		Water management		
		Waste and recycling		
S	Fair business practices	Compliance with fair trading		
		Supply chain management		
	Human rights	Respect for human rights		
	Labor practices	Personnel & benefits		
		Employee health & safety		
		Human resource development		
		Diversity		
	Consumer issues	Product quality & safety		
		Value of health (health & nutrition)		
		Product packaging information disclosure		
		Product availability		
		Fair marketing and advertising		
	Participation to communities Community development	Protection of personal information		
		Community and human rights issues		
		Community and local activities		
Community and industry development				
Community and environment/culture				
Community support in disaster recovery				
G	Organizational governance	Corporate governance		
		Risk management		
		Compliance		

Reference: Global Strategy in the New Era of Sustainability—Creating New Value by Utilizing SDGs (by Hidemitsu Sasaya)





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 the 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.

Environment



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.

Reducing 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%.

- Performing rigorous temperature control to maintain air conditioning inside halls at not higher than 26°C.
- Implementing air conditioning power supply management in backyards according to the space and purpose of usage.



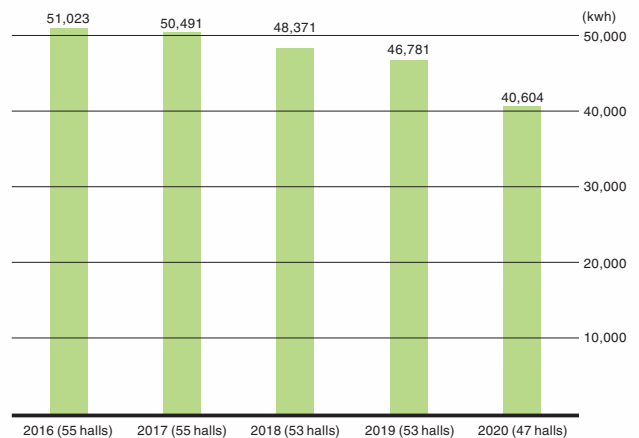
Reducing power consumption by air-conditioning equipment

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 before pre-installation. In the future, we are planning to introduce this in other halls and newly opened stores while continuing to verify its effect.

- Partially turn off lighting inside halls and vending machines lighting
- Partially turn off backyard lighting and turn off all lighting when the premises is not in use
- Partially turn off parking lot and bicycle parking and turn off neon lighting
- Managing power conservation when equipment and machine are not in use



● Power usage

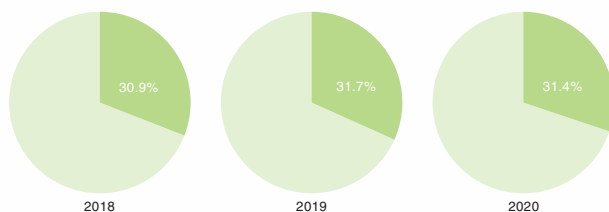


Utilization of solar power generation

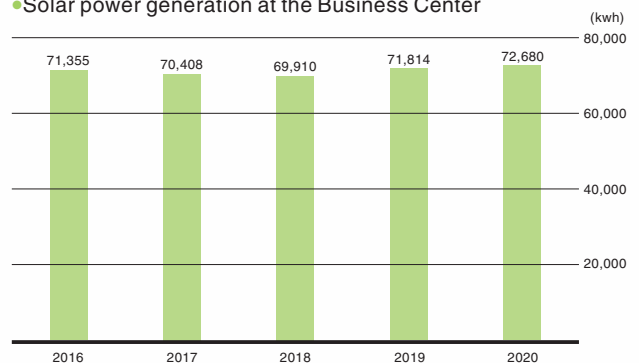
In June 2012, we started solar power generation — a form of green energy that does not emit CO₂ — at our business center. About 31.7% of the electricity used in the business center has been supplied by solar power since we commenced operations. In addition, we have plans to sequentially install solar power generation equipment on the rooftop of 20 halls, starting from April 2021. We are moving ahead with decarbonization of electricity used in our halls, seeking to avoid cost increase due to future carbon tax burdens, and we contribute to local communities by being environmentally considerate.



● Percentage of solar power generation



● Solar power generation at the Business Center

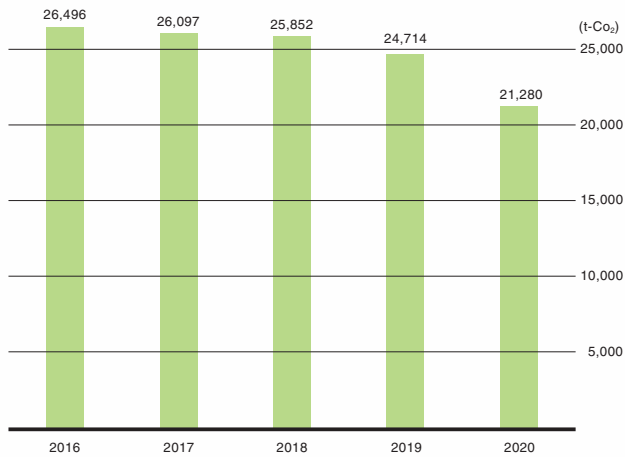


Preserve the environment

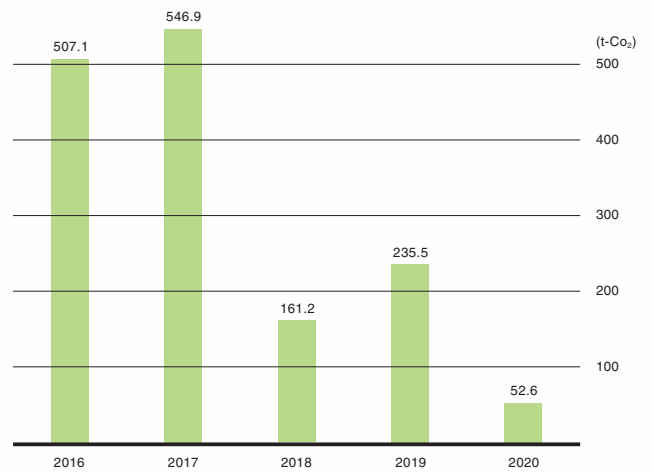
Effort to reduce greenhouse gas emissions

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



Initiatives to conserve resources and change to eco car

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 conducts 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.



S

Customers



Customers

Employees

Regional Communities



Customers

For the benefit of everyone who uses NIRAKU

- We provide familiar and comfortable spaces, like being with a friend who understands and knows you.
- We provide relaxing pleasure to help you live in a vibrant and healthy life every day.
- We continue to act sensible, using this as the foundation of a relationship of trust.



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 do not play pachinko or slot machines also feel at ease when stopping by.



Measures against addiction

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

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.

- ① Educating employees
- ② Encouraging prevention
- ③ Maintaining a safety net
- ④ Harmonise with local communities

① Educating employees Human resources development

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

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 customer's feelings.

② Encouraging prevention Environmental initiatives

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.

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.

③ Maintaining a safety net As a member of society

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 Harmonise with local communities Regional and social contribution activities

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 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.

のめり込みに注意しましょう。

当店には『安心パチンコ・パチスロアドバイザー』がいます。

It's a promise

「私たちアドバイザーが、楽しく安全に遊んでいただけるようサポートいたします。」

「依存かもしれない〜と不安のある方には、専門の相談機関などをご紹介いたします。」

パチンコ・パチスロ業界はパチンコ・パチスロ依存症の予防に取り組んでいます。

自己申告・家族申告プログラム

のめり込みを抑制したいお客様をサポートします!

自己申告プログラム

1日の遊技回数 1ヶ月の来店回数 1日の遊技時間

申込書を提出 → 利用上限に到達 → 店舗スタッフからお知らせ

入店制限

家族申告プログラム(入店制限)

パチンコ・パチスロは健康と楽しむ遊びです。

パチンコは、適度に楽しむ遊びです。

お電話ください。

050-3541-6420

http://rsn-sakura.jp/

認定特定非営利活動法人リカバリーサポート・ネットワーク



Specific efforts

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.

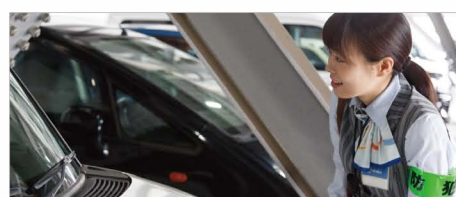


●Drills

Fire drills 2 x per year/Firefighting equipment inspection 2 x per year/
Fire prevention inspections 1x per year

Measures to prevent children being left in vehicles

NIRAKU is committed to preventing incidents stemming from children 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 2021, nothing abnormal was discovered during these inspections and no incidents occurred.



Emergency measures (installation of AEDs)

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.

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.



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.



Employees

For those who work at NIRAKU

- We promise to provide every opportunity to our employees as we believe that the growth of individuals with infinite potential is linked to the growth of the Company.
- Through mutual communication, we create a culture in which we encourage and motivate one another.
- United by bonds as strong as family, we continue to be a forward-looking group that rises to meet new challenges.
- We maintain a healthy and safe work environment that delivers peace of mind.



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.



Creating a culture of personal growth and organizational revitalization through development of human resources

At NIRAKU, we believe that the growth of individuals with infinite potential is linked to the growth of the Company. By actively providing all employees with opportunities for growth and developing human resources capable of sparking innovation, we are working to revitalize our organization.

Three frameworks for educational programs

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.



● Training system

Grade		I		II		III	IV	V	VI
Position	New employees	Crew	Assistant Manager		Store Manager	Area Manager	General Manager	Director	
		Manager/Staff							Executive Director
Job	General personnel			Junior management		Mid-level management	Senior management	Top management	
Core training	New Employees' Compliance Harassment Training								
Training by department/ by level	Sales Department	NIRAKU New Comers (NCN)			Assistant Manager Training /Store Manager Training/ Area Manager Training				External lectures for management leaders
		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)			
On job training	On-the-job training from superiors & trainers								



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

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.

•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.

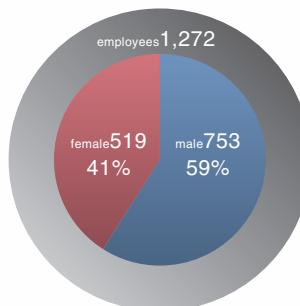


•Exchange of information

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 (2021.3.31)



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

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

●Number of managers/Proportion of female employees

Year.	2018	2019	2020
Total	114	120	105
Number of male managers	109	115	100
Number of female managers	5	5	5
Proportion of female managers	4.4%	4.2%	4.8%

Promoting employment of people with disabilities

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 people 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
2021	40	3.4%	2.2%
2020	43	3.4%	2.2%
2019	45	3.3%	2.0%
2018	42	3.3%	2.0%

Creating a pleasant work environment

Our aim is to create a healthy, safe, and secure work environment.

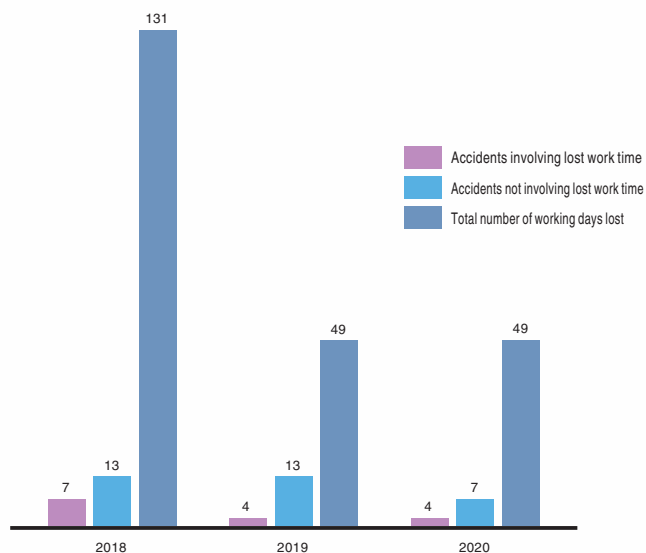
We have put in place various systems and work environments with the aim of gender-inclusively balancing work with life events at home, including marriage, childbirth, childcare, and nursing care.

Safe working environment

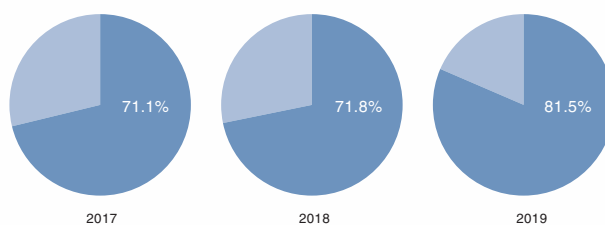
In order to prevent occupational accidents and occupational illness in the workplace, we have instituted a company-wide safety and health management system by appointing a comprehensive safety and health manager to our business center (headquarters), as well as hygiene managers and industrial health 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 encourage our employees to take annual paid leave.



● Number of occupational accidents and total number of working days lost

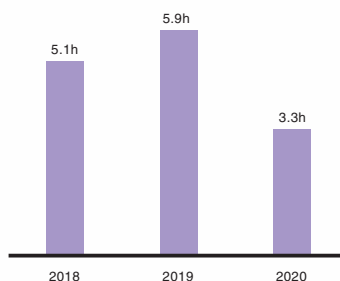


● Trends of paid vacation acquisition rate



※Currently, KPIs for 2020 are not available.

● Health checkup rate



● Work-related injuries severity rate

For the year ended 31 March 2021



※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.

Health management initiatives

We encourage regular medical checkups for all employees. In the fiscal year ended 2021, the medical checkup rate was 99.8% and the secondary medical checkup rate was 85.7%. We continue to implement initiatives aimed at achieving a 100% checkup rate. We have also established an EAP counseling room for mental and physical counseling, which provides mental health care with privacy.

● Health checkup rate



Diverse support systems

- Childcare leave system
- Nursing care leave system
- Shorter working hours system for childcare
- Return to work support system

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.

Iku-Boss Declarations are 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.

Defined contribution pension plan

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. Our welfare loan system ensures employees are able to meet financial needs in the event of a disaster or unexpected accident in the family.



Labor relations

The UA Zensen NIRAKU 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.



Regional Communities

For the Community and Business Partners

- As a good corporate citizen with outstanding ethical standards, we contribute to the development of local communities through our corporate activities.
- We are grateful to the earth, we are committed to reducing the environmental burden generated by our corporate activities, and we support individual environmental conservation activities wherever we can.
- We respect all like-minded business partners, and we build appropriate relationships grounded in equality.

Basic CSR Policy

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



Active Local Engine



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

Charitable & volunteer activities

Donations of candies to local children

Candies and pencils left by patrons after exchanging for prizes at NIRAKU halls are donated to community events, children's facilities, welfare facilities, elementary schools, kindergartens, etc.



Donations of prize items

We donate 1% of the profits from each of the three most popular Private Brand prizes to the Victim Support Center of Fukushima. Over the period from 2017 to 2020, we had donated 281,471 yen.



Donations of gaming machines

We donate pachinko machines and slot machines no longer in use at halls to nearby welfare facilities for the elderly, homes for the elderly, nursing care facilities, etc. We have received positive feedbacks from those with actual experience of these games, stating that they help with "brain rehabilitation and finger movement."



Volunteer activities supporting reconstruction in disaster-affected areas

Since the Great East Japan Earthquake on 11 March 2011, we have taken part in the "Midori no Kizuna Regeneration Project" organized by the Tohoku Branch of the Pachinko Industry Association (Nichiyukyo). This initiative is undertaken by the Forestry Agency of Japan to regenerate coastal disaster prevention forests damaged by the Great East Japan Earthquake, and is carried out every year near Arahama Ipponsugi, Wakabayashi, Sendai City and Miyagi Prefecture.



Donations to healthcare professionals

Amid ongoing concern about the spread of viral infection, we express our gratitude to all medical professionals on the front lines of medical treatment and infection prevention. As a company committed to community development, we have donated 2 million yen to Koriyama.



Sponsorship/cooperation with blood donation campaign

In accordance with the ideals of the Heartful Saturday blood donation campaign organized by the Heartful Saturday Blood Donation Promotion Executive Committee, we support and cooperate with this campaign as an ongoing local initiative.



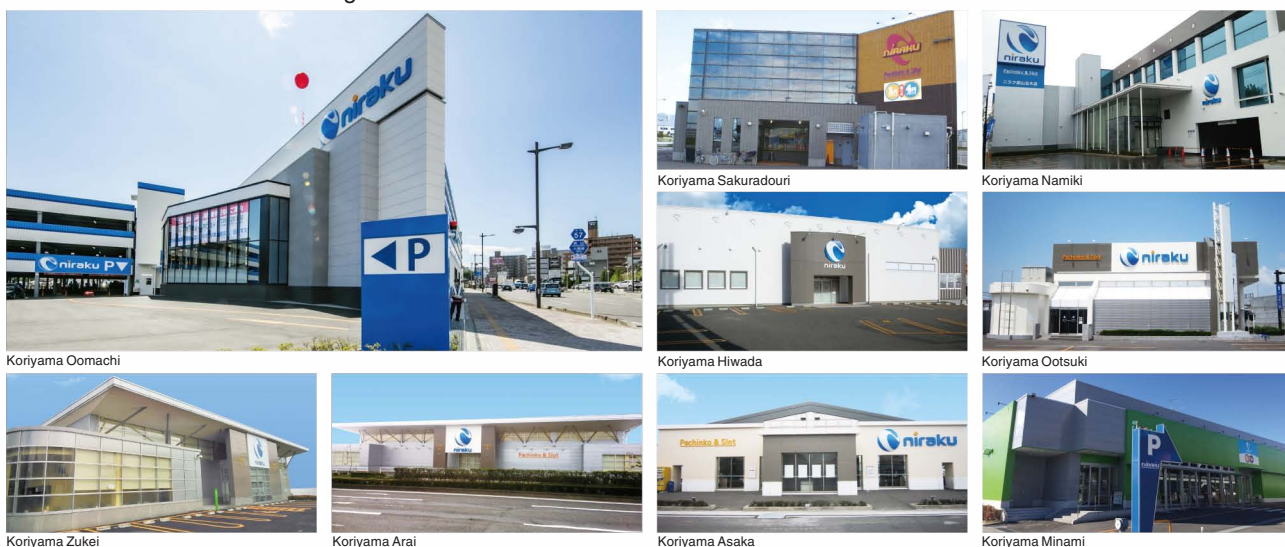
ACTIVE LOCAL ENGINE

Charitable & volunteer activities

Entered a disaster agreement with Koriyama City

In light of the damage caused by large-scale natural disasters such as unexpected heavy rainfalls and typhoons in recent years, and as a way to give back to the community that has supported us since our founding, as well as promoting a safe and secure local community, on 7 August 2020, nine NIRAKU halls located in the city of Koriyama entered into a “Cooperation to Provide Vehicle Evacuation Sites, etc. during Natural Disasters Agreement” with the Koriyama city.

● 9 NIRAKU halls entered the agreement



● Details of agreement



Provision of temporary vehicle evacuation sites, such as parking lots



Provision of tap water, toilet facilities, etc. to evacuees



Provision of various disaster information to evacuees



Social contribution activities

Support for sports promotions

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.



福島ファイヤーボンズ[B.LEAGUE]

チーム名「ファイヤーボンズ」は、燃え上がる闘志「ファイヤー」と、「絆」「結束」を意味する英単語「Bonds」「ボンズ」に由来する。

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, proactively 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.



Koriyama Station East Exit light-up event

To coincide with the Big Tree Pageant Festa in Koriyama light-up event hosted by the Koriyama Chamber of Commerce and Industry, and with the cooperation of the residents' association, we collect lampshades from local children depicting various feelings on the theme of "When things are fun and happy," with which we decorate the east exit of Koriyama Station.



Free seminar addressing dependency and fixation issues

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 either involved or interested in dependency issues.

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 or with local community support.



We can do it, Koriyama!!

To support restaurants in Koriyama City that have had difficulties operating recently due to the COVID-19 pandemic, as well as enhancing services for local residents and customers, we have launched an initiative to attract local food trucks by loaning out a part of the parking lot of our Koriyama Omachi hall, free of charge. Many local city restaurants have opened pop-up stalls, selling lunch boxes, baked goods, yakitori, takoyaki, and more, and the lineup changes weekly.





Governance



Compliance Risk Management



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.

Industry-Leading Compliance System for Entertainment Business Law

In order to fully comply with the Law Controlling Business Affecting Public Morals (the 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.



Preventing Unfair Competition (Obtaining related qualifications)

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.



Risk management policy

Our Basic Regulations on Crisis Management explain our policy of striving to eliminate or mitigate the impact of various risks on NIRAKU stakeholders. In our crisis management efforts, we have classified categories of crises to be considered and we implement efforts aimed at ensuring business continuity and stable development through management of these respective crises.

Establishment of Crisis Management Committee

The NIRAKU Group aims for continuity of business and stability of development, and the Crisis Management Committee meets regularly to ensure these aims can be reliably achieved. The Committee assesses disasters, accidents, crimes, information security, and other significant risks and determines countermeasures, while ensuring the effectiveness of these through its own Risk Management Subcommittee, which carries out continuous monitoring and in-house educational activities.



Crisis management

NIRAKU has built a system to minimize impacts on its business and society by promptly and appropriately responding to crises arising due to various risks and by disclosing information based on its fundamental rules for crisis management. As part of crisis management, we maintain records and we devise and formulate appropriate measures to prevent recurrence.



BCP (business continuity plan) initiatives

In 2017, NIRAKU formulated a BCP (business continuity plan) to minimize damage to its business assets and achieve rapid business recovery in the event of an unexpected crisis such as a large-scale natural disaster. Led by its Crisis Management Committee, NIRAKU is committed to reducing the risk of natural disasters through regular review of its BCP (business continuity plan), preparing manuals, and conducting education and training. In addition, operating our BCP (business continuity plan) enabled us to promptly resume our business activities after being struck by various natural disasters such as earthquakes and Typhoon No. 19 in 2019.



Anti Money Laundering (AML)

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.

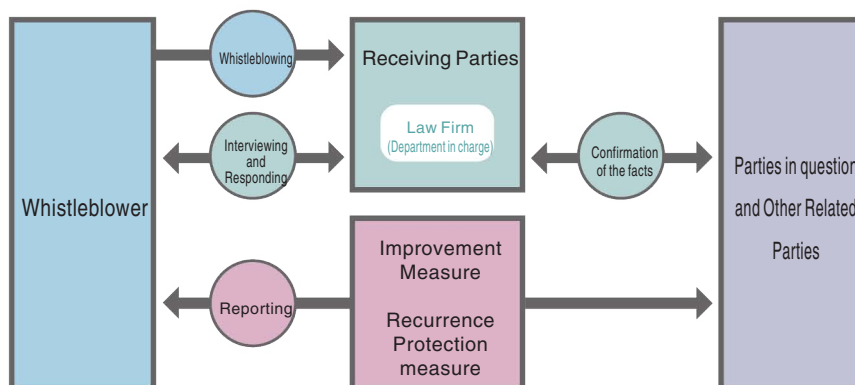


Internal & external reporting systems

The NIRAKU Group has set up a whistleblower hotline that can be used by all employees as a shared point of contact across the Group when confronting acts that violate laws or ethical codes of conduct. In our response, we guarantee anonymity and thoroughly enforce the rules to protect whistleblowers.

With our external reporting service, an outside consultant (legal office) receives any reports, conveys the content of reports to the responsible company director, and monitors corrective actions and handling of the matter. With our internal reporting service, which is a system for reporting harassment and fraudulent activities, in order to strengthen compliance we commission an external law firm to handle these operations.

●Flow of Handling of the Group Hotline



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

Ensuring transparency in business activities

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.



Report Disclosure Indexes

The Stock Exchange of Hong Kong Limited

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.	7–9
			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.	7
	Index	KPI A1.1	The types of emissions and respective emissions data.	9
		KPI A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	9
		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.	7–9
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	7–9		
A2.Use of resources	General disclosure		Policies on the efficient use of resources, including energy, water and other raw materials.	7–9
	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).	7–9
		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.	8
		KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	8
		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.	7–9
	Index	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7–9
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.	14–18
			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.	14–18
	Index	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	16
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.	17
			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.	14
	Index	KPI B2.1	Number and rate of work-related fatalities.	17
		KPI B2.2	Lost days due to work injury.	17
		KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	14–18

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.	15
	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.	26
	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.	24–26
			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.	24–26
	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.	26
			Compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	24–26
	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.	24–26
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.	19–22
	index	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	19–22
		KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	19–22

- 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 email, 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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CSR REPORT

2021



NIRAKU GC HOLDINGS, INC.

