

The logo for Niraku GC Holdings, featuring the word "NIRAKU" in blue, "GC" in orange, and "HOLDINGS" in blue, all in a bold, sans-serif font.

NIRAKU GC HOLDINGS

株式会社ニラク・ジー・シー・ホールディングス
NIRAKU GC HOLDINGS, INC.*

(Incorporated in Japan with limited liability 於日本註冊成立的有限公司)

Stock Code 股份代號 : 1245

2022/2023

INTERIM REPORT
中期報告

* For identification purpose only
僅供識別

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Corporate Profile

株式会社ニラク・ジー・シー・ホールディングス NIRAKU GC HOLDINGS, INC.* (“NIRAKU” or the “Company”, Hong Kong stock code: 1245, together with its subsidiaries, the “Group”) is a leading pachinko hall operator in Fukushima Prefecture in Japan with over 60 years of pachinko hall operation experience. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 April 2015.

Since the opening of the first pachinko hall in 1950, NIRAKU has been aiming in bringing enjoyable experience to customers, which forms our slogan of “Happy Time, Creation”.

NIRAKU has a strong pachinko hall network with 49 halls at present, stretching from Tokyo Metropolitan Area to Northeast Honshu, equipped with over 28,400 pachinko and pachislot machines serving customers in ten prefectures in Japan.

* For identification purpose only

Corporation Information and Information for Investors

CORPORATE INFORMATION

Executive Directors

Mr. Hisanori TANIGUCHI (*Chairman*)
Mr. Akinori OHISHI
Mr. Masataka WATANABE

Non-Executive Director

Mr. Hiroshi BANNAI

Independent Non-Executive Directors

Mr. Michio MINAKATA
Mr. Yoshihiro KOIZUMI
Mr. Kuraji KUTSUWATA
Mr. Akihito TANAKA

Audit Committee

Mr. Michio MINAKATA (*Committee Chairman*)
Mr. Hiroshi BANNAI
Mr. Yoshihiro KOIZUMI

Remuneration Committee

Mr. Yoshihiro KOIZUMI (*Committee Chairman*)
Mr. Hisanori TANIGUCHI
Mr. Michio MINAKATA

Nomination Committee

Mr. Hisanori TANIGUCHI (*Committee Chairman*)
Mr. Kuraji KUTSUWATA
Mr. Akihito TANAKA

INFORMATION FOR INVESTORS

Principal Bankers

Mizuho Bank, Ltd.
Sumitomo Mitsui Bank Corporation
The Toho Bank, Ltd.

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Adviser

Deacons

Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Principal Place of Business in Hong Kong

805B, 8/F, Tsim Sha Tsui Centre
66 Mody Road, Tsim Sha Tsui
Kowloon, Hong Kong

Headquarters in Japan and Registered Office

1-1-39 Hohaccho
Koriyama-shi, Fukushima
Japan 963-8811

Stock Code

1245

Investor and Media Relations Consultant

Strategic Financial Relations Limited

Website

www.ngch.co.jp

Investor Relation Inquiry

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Financial and Operational Highlights

The following table summarises the results of the Group for the financial periods ended 30 September 2022 and 2021.

	For the six months ended 30 September			
	2022		2021	
	¥ million	HK\$ million	¥ million	HK\$ million
Gross pay-ins	59,179	3,210	53,181	3,698
Gross pay-outs	(48,286)	(2,619)	(42,781)	(2,975)
Revenue from pachinko and pachislot business	10,893	591	10,400	723
Revenue from amusement arcade business	887	48	97	7
Other revenue	583	32	298	21
Revenue	12,363	671	10,795	751
Hall operating expenses	(9,257)	(502)	(8,523)	(593)
Administrative and other operating expenses	(1,760)	(95)	(1,786)	(124)
Profit before income tax	1,626	88	1,625	113
Profit attributable to the owners of the Company	1,063	58	1,209	84
Profit per share (expressed in Japanese Yen or Hong Kong dollar)	0.89	0.05	1.01	0.07
Overall revenue margin	18.4%	18.4%	19.6%	19.6%
Net profit margin	8.1%	8.1%	11.1%	11.1%

	As at 30 September 2022		As at 31 March 2022	
	¥ million	HK\$ million	¥ million	HK\$ million
Current assets	12,939	702	12,815	891
Current liabilities	11,797	640	11,132	774
Net current assets	1,142	62	1,683	117
Total assets	67,170	3,643	71,036	4,940
Total assets less current liabilities	55,373	3,003	59,904	4,166
Gearing ratio	1.54	1.54	1.49	1.49

Financial and Operational Highlights

CURRENCY TRANSLATIONS

For the purpose of illustration only and unless otherwise specified in this interim report, certain amounts denominated in Japanese Yen (“¥”) are translated into Hong Kong dollar (“HK\$”) at the rates (as the case may be) described below:

1. ¥18.44 to HK\$1.00, the exchange rate prevailing on 30 September 2022 (i.e. the last business day in September 2022);
2. ¥14.38 to HK\$1.00, the exchange rate prevailing on 30 September 2021 (i.e. the last business day in September 2021);
and
3. ¥15.64 to HK\$1.00, the exchange rate prevailing on 31 March 2022 (i.e. the last business day in March 2022).

No representation is made that the amounts in Japanese Yen could have been, or could be, converted into Hong Kong dollar or vice versa, at such rates or at any other rates on such date or on any other dates.

Management Discussion and Analysis

BUSINESS OVERVIEW

Howbeit the continuous evolution and dissemination of Coronavirus Disease 2019 (“COVID-19”) variant, with high vaccination level and waning of the disease, many local governments have shifted their strategy from “suppressing any community transmission of COVID-19” to “living with COVID-19” in order to restore social activities and stimulate regional economies. With the ease of restrictive measures and benefit from the pent-up demand, the Group’s domestic business in Japan, as well as its overseas investment in Southeast Asian countries have recorded a considerable improvement on its revenue amid the continuous severity of the business environment. Oppositely, the business in China remained to be challenging as their “zero-covid” policy has led to a pullback in consumer spending. For the six months ended 30 September 2022, revenue of the Group amounted to ¥12,363 million, recording an increase of ¥1,568 million, as compared to ¥10,795 million for the six months ended 30 September 2021. Profit before tax remains stable at ¥1,626 million for the six months ended 30 September 2022 as compared to ¥1,625 million for the same period last year, with the net profit attributable to the owners of the Company amounted to ¥1,063 million, a decrease of 12.0%. Tapping new resources and economizing on expense remain the Group’s key measures in achieving a stable return.

BUSINESS SEGMENT ANALYSIS

Pachinko business

Pachinko revenue recorded a hike of ¥5,998 million for the six months ended 30 September 2022 from ¥53,181 million in prior period to ¥59,179 million in current period. Following the lifting of quasi-emergency state measures and reopening of cross boarder activities, the pachinko business has noted a steady pickup.

Nevertheless, the prolonged decline in pachinko business and the global political instability along with the high inflation rate have affected consumers’ purchasing power and hindered the pace of business recovery. Opening new pachinko halls and frequent replacement of game machines are the Group’s main focus on broadening its revenue and boosting the hall traffic. Approaching the end of financial year 2022, two new pachinko halls were opened in Kanto area, generating an additional revenue of over ¥2,200 million in current period. For the six months ended 30 September 2022, spending placed on machine replacement amounted to ¥3,046 million, an increase of ¥211 million as compared to the same period in prior year, giving parlor visitors the full enjoyment as new model machines are featured with popular animations, which in turn driving higher customer turnover rate. The Group stresses to minimize its spending through streamlining operating structure and bargain for rental concession in order to maintain a stable return.

Amusement arcades business

Further to the loosening of COVID-19 restrictions and lifting of lockdowns and social distancing measures as announced by the local governments in Southeast Asia, recovery has seen on consumer sentiment towards leisure spending. For the six months ended 30 September 2022, revenue from this business segment was drastically increased by ¥790 million, which is eight times higher as compared to the same period in 2021. The management is optimistic and expects the business will soon return to pre-pandemic level.

Management Discussion and Analysis

Restaurant business

The Group's franchised food and beverage business comprises 3 Spanish restaurants named "LIZARRAN", 2 cafés named "KOMEDA" as well as 2 Taiwanese bubble tea cafés called "Gong Cha", which are all located in Japan. Subsequent to the cancelation of the order for shorter business hours, the Group's restaurants and cafés were reopened in full capacity. Revenue from this sector surged from ¥92 million for the six months ended 30 September 2021 to ¥237 million in current period. With regard to the "YOKOCHO" business in China, although an increase in revenue by ¥58 million was noted for the six months ended 30 September 2022, the business is still facing its greatest challenge over the uncertainty of when the government's zero-COVID approach will be tweaked.

PROSPECT AND FUTURE DEVELOPMENT

In spite of the macro- and micro-economic headwinds, the Group is resilient and stays resolute in maximising its returns and increasing its market share through new technology introduction, effective cost control and search for possible business buyout.

Providing a pleasant and safe environment to visitors is essential in gaining customer satisfaction and boosting revenue. The Group has planned to start the installation of Smart Slots machines by the end of the third quarter of 2022, and Smart Pachinko machines will be introduced from April 2023. These new machines eliminate the need for deploying physical balls, enhance measures against infectious diseases and improve level of enjoyment. During the current period, a self-serviced prize-exchange system named "Self-POS" was launched at 10 of the Group's pachinko halls, allowing customers to exchange their prizes any time at their will, and on the other hand, reducing the manpower at halls. Feedbacks were positive, more halls will be implemented with the system during the rest of the financial year.

Although the dining habit has changed due to the effect of pandemic, the Group has seen an uptrend of food and beverage business after the reopening of all restaurants and cafés. The Group schedules to open a "LIZARRAN" restaurant in Tokyo and a "KOMEDA" café in an Aeon Mall by the end of 2023. The Group persists in seeking new opportunities for its hospitality business expansion.

Partnering with Aeon, a reputable Japanese shopping mall developer, remains the key strategic approach of the Group in its Southeast Asian investment. Tying in with Aeon's business plan on mall development, a new amusement arcade will come into operation in an Aeon Mall that is scheduled to open in Cambodia by the end of 2022.

In the aftermath of the pandemic, governments around the world have begun to formulate strategies to resurrect their economies. Although the path to economic recovery may take longer than expected and the economic environment remains severe, the Group sees every challenge as an opportunity to grow and learn, and to strengthen up. The Group embraces its motto of "Happy Time, Creation"; brings joy to players; establishes a rapport and long-term relationship with customers and business partners; and strives for sustainable returns to shareholders.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue from Pachinko and Pachislot Business

Revenue from pachinko and pachislot business is derived from gross pay-ins netted with gross pay-outs.

Revenue from pachinko and pachislot business recorded an increase of ¥493 million, or 4.7%, from ¥10,400 million for the six months ended 30 September 2021 to ¥10,893 million for the same period in 2022. The rise in revenue was attributable to the continuous relaxation of COVID-19 restrictions which allow halls to operate in their full capacity; and an additional revenue was generated from two pachinko halls which were newly opened close to the financial year end of 2022.

Gross pay-ins

Gross pay-ins recorded a considerable increase of ¥5,998 million, or 11.3%, from ¥53,181 million for the six months ended 30 September 2021 to ¥59,179 million for the same period in current year which was resulted from the factors as explained above.

Gross pay-outs

Gross pay-outs, being the aggregate cost of G-prizes and general prizes exchanged by customers, increased by ¥5,505 million, or 12.9%, from ¥42,781 million for the six months ended 30 September 2021 to ¥48,286 million for the same period in 2022 which corresponded with the rise in gross pay-ins.

Revenue margin

The revenue margin dropped by 1.2% from 19.6% for the six months ended 30 September 2021 to 18.4% for the same period in current year which was caused by the adjustment of pay-out ratio to stimulate customers' visit leading to slight decrease in revenue margin in the short run.

Revenue from amusement arcade business

Revenue from amusement arcade business surged from ¥97 million for the six months ended 30 September 2021 to ¥887 million for the same period in 2022. The amount comprised revenue derived from Vietnam and Cambodia amounting to ¥721 million and ¥166 million, respectively (30 September 2021: ¥93 million and ¥4 million, respectively). The hike was attributable to the lifting of COVID-19 restrictions as announced by the local governments, allowing all game arcades in both Vietnam and Cambodia to resume their businesses.

Other revenue

Other revenue represents incomes from vending machines, hotel and restaurant operations.

Vending machine income amounted to ¥191 million for the six months ended 30 September 2022. The increase of ¥11 million, or 6.1%, as compared to ¥180 million for the six months ended 30 September 2021 was attributable to the full resumption of operations of all pachinko halls after ending all quasi state-emergency curbs in March 2022.

Income from hotel operation amounted to ¥74 million for the six months ended 30 September 2022, recording a notable increase of ¥71 million as compared to the six months ended 30 September 2021 of ¥3 million. The increase in hotel income was resulted from the re-opening of hotel premises in November 2021 after a six months' closure for hotel retrofit.

Management Discussion and Analysis

Revenue from restaurant operations amounted to ¥318 million for the six months ended 30 September 2022. The rise of ¥203 million, or 176.5% as compared to ¥115 million for the six months ended 30 September 2021 was attributable to the full operation of restaurants in Japan following the cancelation of “shorten operating hours” requirement in late 2021, and the re-opening of YOKOCHO business in August 2021, which in turn generated additional revenue of ¥145 million and ¥58 million, respectively.

Hall operating expenses

Hall operating expenses increased by ¥734 million, or 8.6%, from ¥8,523 million for the six months ended 30 September 2021 to ¥9,257 million for the same period in current year. Major components of hall operating expenses are pachinko and pachislot machine expenses, staff cost for hall staff and depreciation expenses, amounting to ¥3,046 million, ¥2,259 million and ¥1,806 million, respectively, for the six months ended 30 September 2022 (30 September 2021: ¥2,835 million, ¥2,280 million and ¥1,894 million, respectively).

The rise in hall operating expenses was mainly resulted from impairment loss of ¥242 million which was recognised in current period; more frequent replacement of new pachinko and pachislot machines which was made during the current period; and increase in salaries paid to staff.

Administrative and other operating expenses

Administrative and other operating expenses amounted to ¥1,760 million for the six months ended 30 September 2022, recorded a decrease of ¥26 million, or 1.5%, as compared to the same period in prior year of ¥1,786 million. The drop in administrative expense was mainly due to continuous implementation of effective cost control as it was one of the major measures of the Group in maintaining a stable net return.

Finance costs

Finance costs, net amounted to ¥473 million for the six months ended 30 September 2022, recorded a drop of ¥95 million, or 16.7%, as compared to ¥568 million for the same period in 2021 as less bank borrowings were made during the current period.

Profit attributable to owners of the Company, basic earnings per share and dividend

Profit attributable to owners of the Company of ¥1,063 million was recorded for the six months ended 30 September 2022, as compared to ¥1,209 million for the six months ended 30 September 2021. The decrease in profit was mainly due to the significant decrease in other gains as lease concessions granted by landlords for the six months ended 30 September 2022 were much lower than the same period last year; offset with the increase in revenue during the six months ended 30 September 2022.

Basic earnings per share for the six months ended 30 September 2022 was ¥0.89 (30 September 2021: ¥1.01). The board of directors (the “Board”) has declared an interim dividend of ¥0.17 per common share for the six months ended 30 September 2022 (30 September 2021: nil).

CAPITAL STRUCTURE

The Group principally meets its working capital and other liquidity requirements through a combination of capital contributions, including cash flow from operations and bank borrowings. The Group’s daily operation is mainly financed by operating cash flows, and relied on short-term and long-term borrowings for financing working capital, future expansion plans and unexpected needs. The Group’s treasury objective is mainly to ensure there is sufficient cash flow to meet the payment of expenses, loans and to fund any capital expenditure and commitment that the Group may have from time to time. The Group’s cash surpluses are placed in short-term and long-term fixed deposits to maintain liquidity. The Group has not experienced any difficulty in repaying its borrowings.

Management Discussion and Analysis

The Group's principal business activities are carried out in Japan, with income, expenditure, assets and liabilities mainly denominated in Japanese Yen, as such, the Group does not have any material foreign exchange exposure.

The table below sets forth the information regarding the cash and bank balances, borrowings, lease liabilities, working capital, total equity and gearing ratio of the Group as at 30 September 2022 and 31 March 2022, and operating cash flows before movements in working capital of the Group for the six months ended 30 September 2022 and 2021, respectively:

	As at 30 September 2022 ¥ million	As at 31 March 2022 ¥ million
Cash and cash equivalents	11,162	11,451
Bank deposits with maturity over 3 months	271	242
	11,433	11,693
Bank loans	5,879	5,715
Syndicated loans	4,759	5,926
Lease liabilities	30,258	30,689
	40,896	42,330
Working capital (Note 1)	1,142	1,015
Total equity	19,366	19,021
Gearing ratio (Note 2)	1.5	1.6

Note 1: Working capital being current assets less current liabilities.

Note 2: Gearing ratio is calculated as total borrowings less cash and cash equivalents divided by equity.

	For the six months ended 30 September 2022 ¥ million	
	2022	2021 ¥ million
Operating cash flows before movements in working capital	4,314	3,245

As at 30 September 2022, net current assets of the Group totalled ¥1,142 million (31 March 2022: ¥1,015 million), and current ratio was 1.10 as at 30 September 2022 (31 March 2022: 1.08). As at 30 September 2022, there were cash and cash equivalents of ¥11,162 million (31 March 2022: ¥11,451 million), in which ¥9,718 million was denominated in Japanese Yen, ¥911 million was denominated in United States dollar, ¥341 million was denominated in Hong Kong dollar and ¥192 million was denominated in other currencies. As at 30 September 2022, the Group had total borrowings and lease liabilities of ¥40,896 million (31 March 2022: ¥42,330 million). Current portion of bank borrowings and current portion of lease liabilities amounted to ¥7,127 million as at 30 September 2022 (31 March 2022: ¥7,301 million).

Management Discussion and Analysis

The Group's bank borrowings during the current period comprised bank loans and syndicated loans. As at 30 September 2022, the total bank borrowings amounted to ¥10,638 million (31 March 2022: ¥11,641 million), with average effective interest rates on bank borrowings ranged from 0.99% to 1.41% (31 March 2022: 0.93% to 1.62%) per annum. Approximately 7.5% of bank borrowings as at 30 September 2022 were fixed rate borrowings.

HEDGING OF FLOATING RATE BORROWINGS AND FOREIGN EXCHANGE

As at 30 September 2022, the Group had three floating to fixed interest rate swap contracts with banks in Japan (i.e. the Group pays fixed interest rates and receives interests at floating rate). These interest rate swap contracts were entered into as a measure to manage interest rate risk in relation to loans of the Group. As interest rates of some of the Group's loans are on a floating rate basis, the floating to fixed interest rate swap contracts enabled the Group to reduce the volatility in the amount of interest being paid. For the six months ended 30 September 2022, gain on fair value for interest rate swap contracts amounted to ¥5 million (For the six months ended 30 September 2021: ¥3 million).

The Group did not carry out significant foreign currency investment and its debts were all denominated in Japanese Yen as at 30 September 2022. As the functional currency of certain subsidiaries are different from the Company, the Group will be exposed to foreign exchange risk arising from such exposure, namely in Singapore Dollar, Vietnamese Dong, Cambodian Riel and Renminbi against Japanese Yen. The management is assessing the significance of the foreign currency exposures faced by the Group and will consider adopting appropriate measures to mitigate the risk, including but not limited to entering into currency hedges.

GEARING RATIO

The gearing ratio, defined as the aggregate of interest-bearing loans and lease liabilities less cash and cash equivalents, divided by total equity, was 1.5 as at 30 September 2022 (31 March 2022: 1.6).

CAPITAL EXPENDITURE

Capital expenditure mainly comprised of expenditure for (i) the purchase of property, plant and equipment mainly used for construction of buildings, and (ii) the purchase of equipment and tools for the maintenance of our pachinko and pachislot hall and amusement arcade operations. The table below shows a breakdown of the capital expenditure for the indicated periods:

	As at 30 September 2022 ¥ million	As at 31 March 2022 ¥ million
Property, plant and equipment	215	927
Right-of-use assets	716	3,402
Investment properties	–	–
Intangible assets	3	2
	934	4,331

Management Discussion and Analysis

CHARGES ON ASSETS

As at 30 September 2022 and 31 March 2022, the carrying values of charged assets were as below:

	As at 30 September 2022 ¥ million	As at 31 March 2022 ¥ million
Property, plant and equipment	9,306	9,542
Investment properties	584	592
Deposits and other receivables	198	166
	10,088	10,300

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2022 and 31 March 2022.

CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 30 September 2022 and 31 March 2022 are set out in Note 22 to the condensed consolidated interim financial information.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the six months ended 30 September 2022, the Group did not conduct any significant investments, material acquisitions or disposals. Save for those disclosed in this interim report, the Group had no plan authorised by the Board for other material investments or additions of capital assets as at the date of this interim report.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2022, the Group had 1,677 employees. The remuneration policy of the Group (including those for directors (the "Directors") and employees) is determined by the Remuneration Committee under the Board as per the performance, qualifications and competence of the employees. Details of the key management remuneration of the Company are set forth in Note 23(b) to the condensed consolidated interim financial information.

FINANCIAL KEY PERFORMANCE INDICATORS

Certain financial key performance indicators which complement and supplement the financial disclosures are set out in "Management Discussion and Analysis" on pages 6 to 12 and the "Condensed Consolidated Financial Statements" on pages 19 to 44 of this interim report.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

During the six months ended 30 September 2022, the Company has adopted and complied with all the applicable principles and code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), with the exception for code provision C.2.1, which requires the roles of chairman and chief executive to be separated and should be performed by different individuals.

Code Provision C.2.1

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Our Chairman currently holds both positions. Since April 2010, our Chairman has been the key leadership figure of our Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group’s operations as he directly supervises our executive officers (other than himself) and members of our senior management. Taking into account the continuation of the implementation of our business plans, the Directors (including our independent non-executive Directors) consider our Chairman is the best candidate for both positions and the present arrangements are beneficial to and in the interests of our Company and the shareholders as a whole.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company’s code of conduct during the six months ended 30 September 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the six months ended 30 September 2022. Neither the Company nor any of its subsidiaries purchased or sold any of the Company’s listed securities during the six months ended 30 September 2022.

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 30 September 2022, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register as required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

Name	Capacity/Nature of interest	Total	Approximate % of shareholding
Hisanori TANIGUCHI (谷口久徳)	Beneficial owner	85,624,184 common shares	7.16%
Hiroshi BANNAI (坂内弘)	Beneficial Owner	216,000 common shares	0.02%

Notes:

(1) All interests stated are long positions.

(2) There were 1,195,850,460 shares in issue as at 30 September 2022.

Save as disclosed above, as at 30 September 2022, none of the Directors and chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2022, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Total	Approximate % of shareholding
Yoshihiro TANIGUCHI (谷口佳浩)	Beneficial owner; interest of controlled corporation; custodian ⁽¹⁾	98,440,000 common shares	8.23%
Seiai TANIGUCHI (谷口正愛)	Interest of a spouse ⁽²⁾	85,624,184 common shares	7.16%
Yurie TANIGUCHI (谷口祐莉恵)	Interest of a spouse ⁽³⁾	98,440,000 common shares	8.23%
Okada Holdings Limited	Beneficial owner ⁽⁴⁾	80,500,000 common shares	6.73%
Universal Entertainment Corporation	Beneficial owner ⁽⁴⁾	80,500,000 common shares	6.73%
Tiger Resort Asia Limited	Beneficial owner ⁽⁴⁾	80,500,000 common shares	6.73%
Densho Limited	Beneficial owner	225,560,460 common shares	18.86%
Jukki Limited	Beneficial owner	181,010,000 common shares	15.14%

Notes:

- (1) The interests held by Mr. Yoshihiro TANIGUCHI (谷口佳浩) shown above include: (i) 33,580,000 shares held in his own name for his own benefit; (ii) 11,500,000 shares held by Daiki Limited* (有限会社大喜), a company collectively wholly-owned by his children, the voting rights of which are exercisable by Mr. Yoshihiro TANIGUCHI (谷口佳浩); and (iii) 53,360,000 shares held by the YT Family Trust for the benefit of his children, namely Mr. Akinori TANIGUCHI (谷口晃紀) and Mr. Masahide TANIGUCHI (谷口昌英). SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行) is the trustee and assignee* (受託者) of the YT Family Trust and Mr. Yoshihiro TANIGUCHI (谷口佳浩) is entitled to exercise the voting rights attached to the shares under the YT Family Trust. The interests under the YT Family Trust are equally distributed among the two beneficiaries under the YT Family Trust.
- (2) Ms. Seiai TANIGUCHI (谷口正愛) is the spouse of our Chairman and is therefore deemed to be interested in the shares that our Chairman is interested in under the SFO.
- (3) Ms. Yurie TANIGUCHI (谷口祐莉恵) is the spouse of Mr. Yoshihiro TANIGUCHI (谷口佳浩) and is therefore deemed to be interested in the shares that Mr. Yoshihiro TANIGUCHI (谷口佳浩) is interested in under the SFO.

Corporate Governance and Other Information

- (4) Okada Holdings Limited indirectly holds 70.28% interest in Universal Entertainment Corporation, which directly holds Tiger Resort Asia Limited. Accordingly, each of the Universal Entertainment Corporation and Okada Holdings Limited is deemed to be interested in such 80,500,000 shares held by Tiger Resort Asia Limited.
- (5) All interests stated are long positions.
- (6) There were 1,195,850,460 shares in issue as at 30 September 2022.

Save as disclosed above, and as at 30 September 2022, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

CHANGE TO INFORMATION IN RESPECT OF DIRECTORS

There is no change in information of the Directors since the date of the Company's Annual Report 2022 which required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board has declared an interim dividend of ¥0.17 per common share for the six months ended 30 September 2022 (30 September 2021: nil).

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information and the Interim Report for the six months ended 30 September 2022 and discussed the financial related matters with the management. The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2022 has been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

* For identification purpose only

Report on Review of Interim Financial Information



TO THE BOARD OF DIRECTORS OF 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)

INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 44, which comprises the interim condensed consolidated statement of financial position of 株式会社ニラク・ジー・シー・ホールディングス NIRAKU GC HOLDINGS, INC.* (the “Company”) and its subsidiaries (together, the “Group”) as at 30 September 2022 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Report on Review of Interim Financial Information

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 November 2022

* *For identification purpose only*

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2022

		Six months ended 30 September	
	Note	2022 ¥ million (Unaudited)	2021 ¥ million (Unaudited)
Revenue	6	12,363	10,795
Other income	7	253	331
Other gains, net	7	500	1,376
Hall operating expenses	8	(9,257)	(8,523)
Administrative and other operating expenses	8	(1,760)	(1,786)
Operating profit		2,099	2,193
Finance income		39	39
Finance costs		(512)	(607)
Finance costs, net	9	(473)	(568)
Profit before income tax		1,626	1,625
Income tax expense	10	(621)	(422)
Profit for the period		1,005	1,203
Profit for the period attributable to:			
Owners of the Company		1,063	1,209
Non-controlling interest		(58)	(6)
		1,005	1,203
Earnings per share for profit attributable to owners of the Company			
— Basic and diluted (expressed in ¥ per share)	11	0.89	1.01

Interim Condensed Consolidated Statement of Comprehensive Income (CONTINUED)

For the six months ended 30 September 2022

		Six months ended	
		30 September	
	Note	2022	2021
		¥ million	¥ million
		(Unaudited)	(Unaudited)
Profit for the period		1,005	1,203
Other comprehensive loss			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Change in value of financial assets through other comprehensive income		(4)	(10)
<i>Items that have been or may be subsequently reclassified to profit or loss</i>			
Currency translation differences		(178)	(8)
Total comprehensive income for the period		823	1,185
Total comprehensive income attributable to:			
Owners of the Company		933	1,205
Non-controlling interest		(110)	(20)
		823	1,185

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Financial Position

As at 30 September 2022

	Note	30 September 2022 ¥ million (Unaudited)	31 March 2022 ¥ million (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	17,082	17,754
Right-of-use assets	14	25,785	26,193
Investment properties	13	703	714
Intangible assets	13	366	361
Prepayments, deposits and other receivables		4,261	4,319
Interest in an associate	20	–	–
Financial assets at fair value through other comprehensive income		598	605
Deferred income tax assets		5,436	5,342
		54,231	55,288
Current assets			
Inventories		39	44
Trade receivables	15	107	74
Prepayments, deposits and other receivables		1,264	1,096
Financial assets at fair value through profit or loss		96	105
Bank deposits with maturity over 3 months		271	242
Cash and cash equivalents		11,162	11,451
		12,939	13,012
Total assets		67,170	68,300
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	3,000	3,000
Reserves	17	17,085	16,630
		20,085	19,630
Non-controlling interest		(719)	(609)
Total equity		19,366	19,021

Interim Condensed Consolidated Statement of Financial Position (CONTINUED)

As at 30 September 2022

	Note	30 September 2022 ¥ million (Unaudited)	31 March 2022 ¥ million (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	19	6,328	6,939
Lease liabilities	14	27,441	28,090
Provisions and other payables		2,233	2,244
Derivative financial instruments		5	9
		36,007	37,282
Current liabilities			
Trade payables	18	111	108
Borrowings	19	4,310	4,702
Lease liabilities	14	2,817	2,599
Accruals, provisions and other payables		3,952	4,244
Derivative financial instruments		1	2
Current income tax liabilities		606	342
		11,797	11,997
Total liabilities		47,804	49,279
Total equity and liabilities		67,170	68,300

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

	Attributable to owners of the Company									
	Share capital ¥ million	Capital surplus (Note 17(a)) ¥ million	Capital reserve (Note 17(b)) ¥ million	Legal reserve (Note 17(c)) ¥ million	Investment revaluation reserve (Note 17(d)) ¥ million	Retained earnings ¥ million	Exchange reserves ¥ million	Sub-total ¥ million	Non-controlling interest ¥ million	Total ¥ million
Balance at 1 April 2021	3,000	13,954	(16,028)	107	(160)	19,922	(33)	20,762	(556)	20,206
Comprehensive income										
Profit for the period	-	-	-	-	-	1,209	-	1,209	(6)	1,203
Other comprehensive (loss)/income										
Financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	(10)	-	-	(10)	-	(10)
Currency translation difference	-	-	-	-	-	-	6	6	(14)	(8)
Total comprehensive (loss)/income for the period	-	-	-	-	(10)	1,209	6	1,205	(20)	1,185
Balance at 30 September 2021 (Unaudited)	3,000	13,954	(16,028)	107	(170)	21,131	(27)	21,967	(576)	21,391
Balance at 1 April 2022	3,000	13,954	(16,028)	107	(152)	18,741	8	19,630	(609)	19,021
Comprehensive income										
Profit for the period	-	-	-	-	-	1,063	-	1,063	(58)	1,005
Other comprehensive loss										
Financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	(4)	-	-	(4)	-	(4)
Currency translation difference	-	-	-	-	-	-	(126)	(126)	(52)	(178)
Total comprehensive (loss)/income for the period	-	-	-	-	(4)	1,063	(126)	933	(110)	823
Final dividend relating to 2022 (Note 12)	-	-	-	-	-	(478)	-	(478)	-	(478)
Total transactions with owners	-	-	-	-	-	(478)	-	(478)	-	(478)
Balance at 30 September 2022 (Unaudited)	3,000	13,954	(16,028)	107	(156)	19,326	(118)	20,085	(719)	19,366

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022	2021
	¥ million	¥ million
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	4,207	3,498
Interest paid	(71)	(51)
Income tax paid	(428)	(645)
	<hr/>	<hr/>
Net cash generated from operating activities	3,708	2,802
Cash flows from investing activities		
Purchase of property, plant and equipment	(77)	(385)
Purchase of intangible assets	(3)	(2)
Proceeds from disposal of property, plant and equipment	25	36
Placement of bank deposits with maturity over 3 months	(29)	(29)
Interest received	1	1
Dividend received	13	9
	<hr/>	<hr/>
Net cash used in investing activities	(70)	(370)
Cash flows from financing activities		
Proceeds from borrowings	2,798	2,183
Repayment of borrowings	(3,801)	(7,220)
Dividends paid	(478)	–
Principal elements of lease payments	(2,019)	(1,661)
Interest elements of lease payments	(374)	(431)
	<hr/>	<hr/>
Net cash used in financing activities	(3,874)	(7,129)
Net decrease in cash and cash equivalents	(236)	(4,697)
Cash and cash equivalents at beginning of the period	11,451	15,903
Effect of exchange rate changes on cash and cash equivalents	(53)	(14)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	11,162	11,192

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

株式会社ニラク・ジー・シー・ホールディングス NIRAKU GC HOLDINGS, INC.* (the “Company”) was incorporated in Japan under the Japan Companies Act with limited liability on 10 January 2013. The address of its registered office is 1-39 Hohaccho 1-chome, Koriyama-shi, Fukushima, Japan.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in pachinko and pachislot hall operations, hotel and restaurant operations in Japan, amusement arcade operations in Southeast Asian countries, and restaurant operations in China. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in millions of Japanese Yen (“¥”), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue on 25 November 2022.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2022 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” issued by the International Accounting Standards Board. The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2022, as described in the annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 April 2022:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous contracts — Cost of Fulfilling a Contract
Annual Improvement to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

The adoption of the amendments did not have any material impact on the Group’s accounting policies.

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

3 ACCOUNTING POLICIES (CONTINUED)

(b) New and amended standards, improvements and practice statement to existing standards (collectively, the “Amendments”) not yet adopted by the Group

IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 17	Amendments to IFRS 17	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The related impacts of the adoption of these Amendments to the Group are currently under assessment and the Group is not yet in a position to state whether any substantial changes to the Group’s significant policies and presentation of the financial information will result.

4 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2022.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2022.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

There was no material change in the contractual undiscounted cash flows for financial liabilities since 31 March 2022.

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total ¥ million
As at 30 September 2022 (Unaudited)				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted securities	–	96	–	96
Financial assets at fair value through other comprehensive income				
— Listed securities	598	–	–	598
	598	96	–	694
Liabilities				
Derivative financial liabilities				
— Interest rate swaps	–	6	–	6
As at 31 March 2022 (Audited)				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted securities	–	105	–	105
Financial assets at fair value through other comprehensive income				
— Listed securities	605	–	–	605
	605	105	–	710
Liabilities				
Derivative financial liabilities				
— Interest rate swaps	–	11	–	11

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value estimation (Continued)

(i) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 represent Tokyo Stock Exchange and The Stock Exchange of Hong Kong equity investments classified as fair value through other comprehensive income which were not held for trading purpose.

(ii) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at 30 September 2022, instruments included in level 2 comprise trust funds and interest rate swaps issued by financial institutions in Japan and which were classified as financial assets/liabilities at fair value through profit or loss.

There were no transfers between levels 1, 2 and 3 during the six months ended 30 September 2022.

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 September	
	2022	2021
	¥ million	¥ million
	(Unaudited)	(Unaudited)
Revenue		
Gross pay-ins	59,179	53,181
Less: gross pay-outs	(48,286)	(42,781)
	<hr/>	<hr/>
Revenue from pachinko and pachislot hall business	10,893	10,400
Revenue from amusement arcades	887	97
Vending machine income	191	180
Revenue from hotel operation	74	3
Revenue from restaurant operations	318	115
	<hr/>	<hr/>
	12,363	10,795

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (“CODM”) that are used for making strategic decisions. The CODM is identified as the executive directors of the Company. The executive directors consider the business from a service perspective and assess the performance of the operating segments based on a measure of adjusted loss before income tax and unallocated corporate expenses for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as this condensed consolidated interim financial information.

Management has identified four reportable segments based on the types of services, namely (i) pachinko and pachislot hall operations, (ii) amusement arcade operations, (iii) restaurant operation in China and (iv) others, representing hotel and restaurant operations in Japan.

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, intangible assets, inventories, trade receivables, prepayments, deposits and other receivables, bank deposits and cash and cash equivalents. They exclude deferred income tax assets and assets used for corporate functions including financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets, investment properties and intangible assets. Unallocated amounts and income tax expenses are not included in segment results.

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment information provided to the executive directors for the six months ended 30 September 2022 and 2021 are as follows:

	Six months ended 30 September 2022				Total ¥ million
	Pachinko and pachislot hall operations Japan ¥ million	Amusement arcade operations Southeast Asia ¥ million	Restaurant operation China ¥ million	Others Japan ¥ million	
Segment revenue from external customers					
Over time	11,083	887	–	75	12,045
At a point in time	–	–	81	237	318
Segment revenue from external customers	11,083	887	81	312	12,363
Segment results	1,334	153	(94)	10	1,403
Unallocated amounts					223
Profit before income tax					1,626
Income tax expense					(621)
Profit for the period					1,005
Other segment items					
Depreciation and amortisation expenses	(1,801)	(105)	(40)	(16)	(1,962)
Impairment loss on right-of-use assets	(41)	–	–	(52)	(93)
Impairment loss on property, plant and equipment	(111)	–	–	(38)	(149)
Impairment loss on irrecoverable prepayments	–	–	–	(1)	(1)
Finance income	33	6	–	–	39
Finance costs	(474)	(36)	(2)	–	(512)

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

	Six months ended 30 September 2021				Total ¥ million
	Pachinko and pachislot hall operations Japan ¥ million	Amusement arcade operations Southeast Asia ¥ million	Restaurant operation China ¥ million	Others Japan ¥ million	
Segment revenue from external customers					
Over time	10,580	97	–	3	10,680
At a point in time	–	–	23	92	115
Segment revenue from external customers	10,580	97	23	95	10,795
Segment results					
Unallocated amounts	2,207	(244)	(295)	(35)	1,633 (8)
Profit before income tax					1,625
Income tax credit					(422)
Profit for the period					1,203
Other segment items					
Depreciation and amortisation expenses	(1,737)	(193)	(49)	(9)	(1,988)
Impairment loss on right-of-use assets	(21)	–	(274)	–	(295)
Impairment loss on property, plant and equipment	(42)	–	(1)	–	(43)
Impairment loss on intangible assets	–	–	(9)	–	(9)
Impairment loss on irrecoverable prepayments	–	–	(56)	–	(56)
Finance income	36	3	–	–	39
Finance costs	(576)	(31)	–	–	(607)

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets as at 30 September 2022 and 31 March 2022 are as follows:

	Pachinko and pachislot hall operations Japan ¥ million	Amusement arcade operations Southeast Asia ¥ million	Restaurant operation China ¥ million	Others Japan ¥ million	Total ¥ million
As at 30 September 2022					
Segment assets	53,432	1,646	212	808	56,098
Unallocated assets					5,636
Deferred income tax assets					5,436
Total assets					67,170

Addition to non-current assets other than
financial instruments and
deferred tax assets

	862	65	–	7	934
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	Pachinko and pachislot hall operations Japan ¥ million	Amusement arcade operations Southeast Asia ¥ million	Restaurant operation China ¥ million	Others Japan ¥ million	Total ¥ million
As at 31 March 2022					
Segment assets	54,675	1,212	174	833	56,894
Unallocated assets					6,064
Deferred income tax assets					5,342
Total assets					68,300

Addition to non-current assets other than
financial instruments and
deferred tax assets

	4,050	184	–	97	4,331
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Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The total non-current assets other than financial instruments and deferred tax assets, analysed by location of the assets, are as follows:

	As at 30 September 2022 ¥ million (Unaudited)	As at 31 March 2022 ¥ million (Audited)
Japan	43,643	44,783
Southeast Asia	601	576
China	-	-
	44,244	45,359

No single external customer contributed more than 10% revenue to the Group's revenue for the six months ended 30 September 2022 and 2021.

7 OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 September	
	2022 ¥ million (Unaudited)	2021 ¥ million (Unaudited)
Other income		
Rental income	110	105
Income from expired IC and membership cards	12	11
Dividend income	13	9
Compensation and subsidies	15	84
Income from scrap sales of used pachinko and pachislot machines	87	77
Others	16	45
	253	331
Other gains, net		
Gain on release of lease liabilities	20	1,349
(Loss)/gain on fair value of financial assets through profit or loss	(9)	2
Gain on fair value of derivative financial instruments	5	3
Gain on disposal of property, plant and equipment, net	10	25
Loss on disposal of intangible assets	-	(32)
Net exchange gain	474	29
	500	1,376

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

8 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 September	
	2022	2021
	¥ million	¥ million
	(Unaudited)	(Unaudited)
Employee benefits expenses		
— Hall operations	2,259	2,280
— Administrative and others	704	618
Short-term operating lease rental expense in respect of land and buildings	124	65
Depreciation of property, plant and equipment	746	814
Depreciation of right-of-use assets	1,169	1,131
Depreciation of investment properties	11	11
Amortisation of intangible assets	36	32
Impairment loss on property, plant and equipment	149	43
Impairment loss on right-of-use assets	93	295
Impairment loss on intangible assets	—	9
Impairment loss on irrecoverable prepayments	1	56
Pachinko and pachislot machines expenses (Note)	3,046	2,835

Note:

Pachinko and pachislot machines are expensed off in the interim condensed consolidated statement of comprehensive income upon installation. The expected useful lives of these machines are less than one year.

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

9 FINANCE COSTS, NET

	Six months ended 30 September	
	2022 ¥ million (Unaudited)	2021 ¥ million (Unaudited)
Finance income		
Bank interest income	1	1
Interest income on lease receivables	17	18
Other interest income	21	20
	39	39
Finance costs		
Bank borrowings	(71)	(51)
Lease liabilities	(374)	(431)
Provision for unwinding discount	(67)	(125)
	(512)	(607)
Finance costs, net	(473)	(568)

10 INCOME TAX EXPENSE

	Six months ended 30 September	
	2022 ¥ million (Unaudited)	2021 ¥ million (Unaudited)
Current tax		
— Japan	726	408
— Other Asian countries	(35)	(3)
	691	405
Deferred income tax	(70)	17
	621	422

Taxation has been provided at the appropriate rates prevailing in the countries in which the Group operates. The Group is subject to national corporate income tax, inhabitant tax and enterprise tax in Japan, which, in aggregate, resulted in effective statutory income tax rates of approximately 29.9% for the six months ended 30 September 2022 (For the six months ended 30 September 2021: Same).

Taxation on other Asian countries profits has been calculated on the estimated assessable profit for the year at the rate of taxation prevailing in the countries in which the Group operates. These rates range from 17.0% to 20.0% for the six months ended 30 September 2022 (For the six months ended 30 September 2021: Same).

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2022 and 2021.

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (¥ million)	1,063	1,209
Weighted average number of shares for the purpose of calculating basic earnings per share (thousands)	1,195,850	1,195,850
Basic and diluted profit per share (¥)	0.89	1.01

Diluted earnings per share is the same as basic earnings per share as there was no potential dilutive shares during the six months ended 30 September 2022 and 2021.

12 DIVIDENDS

For the six months ended 30 September 2022, the Company paid dividend of ¥478 million (¥0.4 per ordinary share) to their shareholders in respect of the year ended 31 March 2022. No dividend was paid during the six months ended 30 September 2021.

The Board has declared an interim dividend of ¥0.17 per ordinary share totalling ¥203 million in respect of the six months ended 30 September 2022 (For the six months ended 30 September 2021: Nil). These consolidated interim financial information do not reflect this dividend payable.

13 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

During the six months ended 30 September 2022, the Group incurred capital expenditures of approximately ¥215 million and ¥3 million for property, plant and equipment and intangible assets, respectively (For the six months ended 30 September 2021: ¥388 million and ¥2 million, respectively).

During the six months ended 30 September 2022, the net book amounts of disposal of property, plant and equipment and intangible assets amounted to approximately ¥15 million and ¥nil million, respectively (For the six months ended 30 September 2021: ¥11 million and ¥32 million, respectively).

As at 30 September 2022, property, plant and equipment and investment properties of ¥9,306 million and ¥584 million, respectively, (31 March 2022: ¥9,542 million and ¥592 million, respectively) were pledged to secure bank borrowings.

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS (CONTINUED)

The Group carried out reviews of the recoverable amounts whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The reviews were performed at cash-generating unit (“CGU”) level, which is determined as each individual pachinko and pachislot hall in Japan, a pachinko and pachislot hall with hotel business in Japan, each restaurant in Japan and each amusement arcade in Southeast Asia and the restaurant operation in China.

For the six months ended 30 September 2022, the management regards CGUs that were operating loss for current period and performed below management’s expectation, defined as not fulfilling the projected operating cashflow after overhead allocation, as having impairment indicator. The management has reviewed the recoverability of the relevant carrying amounts of these CGUs.

The recoverable amount of a CGU is determined based on the fair value less cost of disposal or value-in-use, whichever is higher.

The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The key assumptions used in the value-in-use calculations for the six months ended 30 September 2022 and 2021 are as follows:

	Six months ended 30 September			
	2022		2021	
	Revenue growth rate	Pre-tax discount rate	Revenue growth rate	Pre-tax discount rate
Pachinko and pachislot hall operations	0%	9%	0%	9%
Amusement arcade operations	5%	20%	0%	20%
Restaurant operations	N/A	N/A	0%	17%
Other operation	0%	9%	0%	9%

The discount rates applied by the Group are rates that reflect current market assessment of the time value of money and the risk specific to the CGUs. Revenue growth rate is based on past practices and expectations on market and operational development.

The fair value less cost of disposal is calculated for CGU with significant self-owned property, and is based on valuation carried out by an independent professionally qualified valuer, who holds recognised relevant professional qualifications and has recent experiences in the locations and segments of the property valued. No CGU subject to impairment review for the six months ended 30 September 2022 had significant self-owned property. For the six months ended 30 September 2021, the valuation was determined using the market approach, which largely used observable and unobservable inputs, including unit price per square meter of sales comparable for land. The fair values of the CGU subject to fair value less cost of disposal calculation is within level 3 of the fair value hierarchy.

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS (CONTINUED)

The key assumptions used for fair value less costs of disposal calculation for the six months ended 30 September 2021 are as follows:

	Six months ended 30 September	
	2022	2021
Sales comparison approach		
Land — unit price square meter	N/A	¥97,200

The Group's finance department includes a team that reviews the valuation performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussions of valuation processes and results are held between the valuation team and valuer at least annually.

For the six months ended 30 September 2022, as a result of the impairment review, impairment loss of approximately ¥149 million (For the six months ended 30 September 2021: ¥43 million), ¥93 million (For the six months ended 30 September 2021: ¥295 million) and ¥1 million (For the six months ended 30 September 2021: ¥56 million) has been recognised on property, plant and equipment, right-of-use assets (Note 14) and irrecoverable prepayments, respectively. There was no impairment loss recognised for intangible assets for the six months ended 30 September 2022 (For the six months ended 30 September 2021: ¥9 million).

For pachinko and pachislot hall operations, impairment loss of approximately ¥152 million was recognised for current period (For the six months ended 30 September 2021: ¥63 million).

For amusement arcade operations, no impairment loss was recognised for current period (For the six months ended 30 September 2021: Nil).

For restaurant operations, no impairment loss was recognised in current period as all underlying non-current assets had been fully impaired (For the six months ended 30 September 2021: ¥340 million).

For other operations, impairment loss of approximately ¥91 million was recognised in current period (For the six months ended 30 September 2021: Nil).

For pachinko and pachislot operations, if the revenue growth rate in the value-in-use calculations decreased by 2% with other assumptions remain constant, addition in impairment loss of ¥33 million (For the six months ended 30 September 2021: addition in impairment loss of ¥168 million) would be recorded. If the discount rate in the value-in-use calculations increased by 1% with other assumptions remain constant, addition in impairment loss of ¥24 million (For the six months ended 30 September 2021: addition in impairment loss of ¥184 million) would be recorded. If the unit price per square meter in the fair value less cost of disposal calculation for the six months ended 30 September 2021 decreased by 1%, with other assumptions remain constant, addition in impairment loss would be immaterial.

For amusement arcade operations, if the revenue growth rate in the value-in-use calculations decreased by 2%, or the discount rate increased by 2%, with other assumptions remain constant, no additional impairment loss would be recorded (For the six months ended 30 September 2021: addition in impairment loss of ¥11 million and ¥10 million would be recorded respectively).

For restaurant operations and other operations, if the revenue growth rate decreased by 2%, or the discount rate increased by 1%, with other assumptions remain constant, addition in impairment loss would be immaterial (For the six months ended 30 September 2021: Same).

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

14 LEASES

During the six months ended 30 September 2022, the Group entered into a number of lease agreements for the use of equipment, staff quarters and vehicles, and therefore recognised the additions of right-of-use assets of ¥716 million (For the six months ended 30 September 2021: ¥1,975 million).

During the six months ended 30 September 2021, the Group received COVID-19-related rent concessions in the form of waiver or reduction on fixed monthly rental and has accounted such rent concessions as lease modifications. No COVID-19-related rent concession was received by the Group during the six months ended 30 September 2022.

Amounts recognised in the interim condensed consolidated statement of financial position are as follows:

	30 September 2022 ¥ million (Unaudited)	31 March 2022 ¥ million (Audited)
Right-of-use assets		
Buildings	22,480	21,959
Leasehold improvement	3,039	3,963
Equipment and tools	240	243
Vehicles	26	28
	25,785	26,193
Lease liabilities		
Current	2,817	2,599
Non-current	27,441	28,090
	30,258	30,689

For the six months ended 30 September 2022, as a result of the impairment review, impairment loss of approximately ¥93 million (For the six months ended 30 September 2021: ¥295 million) has been recognised on right-of-use assets. Refer to Note 13 for details of the impairment review.

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

15 TRADE RECEIVABLES

	30 September 2022 ¥ million (Unaudited)	31 March 2022 ¥ million (Audited)
Trade receivables	107	74

Trade receivables represent commission income receivable from vending machines and income receivables from hotel and restaurant operations. The credit terms granted by the Group generally ranged from 0 to 30 days.

The ageing analysis of the trade receivables, based on invoice date, is as follows:

	30 September 2022 ¥ million (Unaudited)	31 March 2022 ¥ million (Audited)
Less than 30 days	69	46
Over 30 days	38	28
	107	74

16 SHARE CAPITAL

	Number of shares (thousands)	Share capital ¥ million
Ordinary shares, issued and fully paid:		
At 30 September 2021, 1 April 2022 and 30 September 2022	1,195,850	3,000

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

17 RESERVES

(a) Capital surplus

Under the Japan Companies Act, certain portion of the consideration from the issuance of share capital shall be credited to the share capital and the remaining of the consideration shall be credited to capital surplus.

(b) Capital reserve

Capital reserve represents the difference between the value of net assets of the subsidiary acquired by the Company and the share capitals in acquired subsidiaries under common control.

(c) Legal reserve

The Japan Companies Act provides that a 10% dividend paid during the year shall be appropriated as legal reserve (a component of either capital surplus or retained earnings) until an aggregate amount of legal capital reserve and legal retained earnings equals 25% of share capital. The legal reserve may be used to reduce a deficit or transfer to share capital upon approval of the general meeting of shareholders.

(d) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of financial assets through other comprehensive income held at the end of the reporting period.

18 TRADE PAYABLES

The ageing analysis of the trade payables, based on invoice dates, is as follows:

	30 September 2022 ¥ million (Unaudited)	31 March 2022 ¥ million (Audited)
Less than 30 days	111	15
31–90 days	–	93
	111	108

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

19 BORROWINGS

	30 September 2022 ¥ million (Unaudited)	31 March 2022 ¥ million (Audited)
Non-current portion		
Bank loans	3,134	3,158
Syndicated loans	3,194	3,781
	6,328	6,939
Current portion		
Bank loans	2,745	2,557
Syndicated loans	1,565	2,145
	4,310	4,702
Total borrowings	10,638	11,641

20 INTEREST IN AN ASSOCIATE

	30 September 2022 ¥ million (Unaudited)	31 March 2022 ¥ million (Audited)
Investment in unlisted shares, at cost	5	5
Share of results:		
At 1 April	(5)	(5)
Share of loss	–	–
Interest in an associate	–	–

Details of the associate as at 30 September 2022 and 31 March 2022 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held	
				30 September 2022	31 March 2022
Yes! E-Sports Asia Holdings Limited	Hong Kong, limited liability company	Provision for e-sports events services	50,000 shares with paid up capital of USD100,000	40%	40%

There is no contingent liability relating to the Group's interest in the associate.

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

21 CONTINGENCIES

As at 30 September 2022, the Group did not have any significant contingent liabilities (31 March 2022: same).

22 COMMITMENTS

Capital commitments

The outstanding capital commitments not provided or in the condensed consolidated interim financial information are as follows:

	30 September 2022 ¥ million (Unaudited)	31 March 2022 ¥ million (Audited)
Contracted but not provided for		
Purchase of property, plant and equipment	1	2

23 RELATED PARTY TRANSACTIONS

For the purposes of this condensed consolidated interim financial information, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

(a) Transactions with related parties

Other than those transactions and balances disclosed elsewhere in the condensed consolidated interim financial information, the following transactions were carried out with related parties:

	Six months ended 30 September 2022 ¥ million (Unaudited)	2021 ¥ million (Unaudited)
Service fee expenses		
Niraku USA, Inc.	15	12

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) **Transactions with related parties** (Continued)

The service fee paid was related to provision of gaming research services carried out by Niraku USA, Inc. and provision of training to employees of the Group in USA. Niraku USA, Inc. is a firm controlled by certain parties among the controlling shareholders of the Company.

The transactions with related parties were conducted in the ordinary course of the business based on terms mutually agreed between the relevant parties.

(b) **Key management compensation**

Key management includes directors (executive, non-executive and external directors) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 September	
	2022	2021
	¥ million	¥ million
	(Unaudited)	(Unaudited)
Directors' fees	150	136
Basic salaries, allowances and other benefits in kind	29	3
Employee's contribution to pension scheme	3	3
	182	142

NIRAKU GC HOLDINGS



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