

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in 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”), you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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## **ANNUAL GENERAL MEETING**

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Resolutions will be proposed at the Annual General Meeting of the Company to be held at 2-1-24, Hohaccho, Koriyama-shi, Fukushima, 963-8811, Japan on Thursday, 29 June 2023 at 10:00 a.m. (Japan time)/9:00 a.m. (Hong Kong time) to approve the matters set out in this circular.

A notice convening the Annual General Meeting together with a form of proxy for use at the Annual General Meeting are enclosed with this circular. Shareholders who are unable to attend the Annual General Meeting in person should complete and return the accompanying form of proxy in accordance with the instructions printed thereon and set out on pages 9 to 10 of this circular.

\* for identification purpose only

7 June 2023

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Annual General Meeting”	the annual general meeting of the Company to be held at 2-1-24, Hohaccho, Koriyama-shi, Fukushima, 963-8811, Japan on Thursday, 29 June 2023 at 10:00 a.m. (Japan time)/9:00 a.m. (Hong Kong time)
“Articles”	the articles of incorporation* (定款) of the Company that were adopted on 16 March 2015 and became effective on 8 April 2015
“associate(s)”	have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Beneficial Owner(s)”	beneficial owners of the Shares who hold pecuniary interests and voting rights in the Company attached to the Shares deposited into CCASS and held in the name of HKSCC Nominees
“Chief Executive Officer”	the chief executive officer* (代表執行役) of the Company
“close associate(s)”	have the meaning ascribed to it under the Listing Rules
“Company”	NIRAKU GC HOLDINGS, INC.* (株式会社ニラク・ジー・シー・ホールディングス) (formerly known as Niraku Global Community Holdings Inc.* (株式会社ニラク・グローバル・コミュニティ・ホールディングス) from 10 January 2013 to 20 October 2014), which is a stock company* (株式会社) incorporated in Japan with limited liability on 10 January 2013 (registration number (3800-01-022352)
“connected person(s)”	have the meaning ascribed to it under the Listing Rules
“core connected person(s)”	have the meaning ascribed to it under the Listing Rules
“Director(s)”	director*(s) (取締役) of the Company, who are designated as a Director* (取締役) or an external Director* (社外取締役) in accordance with the requirements under the Japan Companies Act, or an Executive Director or an Independent Non-executive Director in accordance with the criteria under the Listing Rules

## DEFINITIONS

“Executive Director(s)”	the executive director(s) of the Company
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Dollars” or “HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“IFRS”	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
“Independent Non-executive Director(s)”	the independent non-executive director(s) of the Company
“Issuing Mandate”	the general unconditional mandate proposed to be renewed and granted to the Board by the Shareholders relating to the issue, allotment and dealings of the Shares, as detailed in paragraph 4 of the Letter from the Board in this circular
“JGAAP”	Japanese Generally Accepted Accounting Principles
“Japan Companies Act”	the Companies Act* (会社法) of Japan (Act No. 86 of 2005), as amended, supplemented or otherwise modified from time to time
“Japanese Yen”, “¥” or “Yen”	Japanese Yen, the lawful currency of Japan
“Latest Practicable Date”	1 June 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

## DEFINITIONS

“Merrist”	Niraku Merrist Corporation* (株式会社ニラク・メリスト), a stock company* (株式会社) incorporated in Japan with limited liability on 24 February 2010 (registration number 3800-01-019392). Merrist is an indirectly wholly-owned subsidiary of the Company
“Mr. Taniguchi”	Mr. Hisanori TANIGUCHI (谷口久徳), a controlling Shareholder, an Executive Director, the Chief Executive Officer and the chairman of the Board
“Niraku Corporation”	Niraku Corporation* (株式会社ニラク) (formerly known as 二楽商事株式会社 from 27 August 1969 to 9 August 1998), a stock company* (株式会社) incorporated in Japan with limited liability on 27 August 1969 (registration number 3800-01-006170). Niraku Corporation is a directly wholly-owned subsidiary of the Company
“Non-executive Director(s)”	the non-executive director(s) of the Company
“Relevant Period”	<p>the period from the passing of these resolutions until whichever is the earliest of:</p> <ul style="list-style-type: none"><li>(a) the conclusion of the next annual general meeting of the Company unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;</li><li>(b) the expiration of the period within which the next annual general meeting of the Company is required to be held under any applicable Japan law or the Articles; and</li><li>(c) when varied, revoked or renewed by a resolution of the Shareholders in a general meeting</li></ul>
“Repurchase Mandate”	the general unconditional mandate proposed to be renewed and granted to the Board by the Shareholders relating to the repurchase of the Shares, as detailed in paragraph 5 of the Letter from the Board in this circular

## DEFINITIONS

“Rights Issue”	means an offer of Shares or issue of options, warrants or other securities giving the right to subscribe the Shares, open for a period fixed by the Board, to holders of Shares whose names appear on the register of members of the Company (and where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangement as the Board may deem necessary or expedient (but in compliance with the relevant provisions of the Listing Rules) in relation to fractional entitlements or with regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)
“SAR(s)”	share acquisition right(s)* (新株予約権), which entitle the holder(s) to acquire share(s) in a company by exercising such rights against such company under the Japan Companies Act
“Securities and Futures Ordinance”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	common share(s)* (普通株式) in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) and, for the purpose of this circular, excludes the CCASS Beneficial Owners
“Share Register”	the share register* (株主名簿) of the Company maintained by the Hong Kong Share Registrar in Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	have the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time

## DEFINITIONS

“Taniguchi Consortium”

Mr. Taniguchi and a group of (1) natural persons, namely Mr. Tatsuo TANIGUCHI (谷口龍雄), Mr. Masataka TANIGUCHI (谷口晶貴), Mr. Yoshihiro TANIGUCHI (谷口佳浩), Mr. Mitsuhiro TEI (鄭允碩), Mr. Motohiro TEI (鄭元碩), Ms. Eijun TEI (鄭盈順), Ms. Rika TEI (鄭理香) and Ms. Noriko KANESHIRO (金城徳子), each being a family member of Mr. Taniguchi; and (2) corporate entities, namely Jukki Limited\* (有限会社十起), Densho Limited\* (有限会社伝承), Echo Limited\* (有限会社エコー), Daiki Limited\* (有限会社大喜), Hokuyo Kanko Limited\* (有限会社北陽観光) and KAWASHIMA Co., Ltd.\* (株式会社KAWASHIMA), each being an entity controlled by the family members of Mr. Taniguchi. Each member of the Taniguchi Consortium is an associate (as defined under the Listing Rules) of, and a person acting in concert (as defined under the Takeovers Code) with, Mr. Taniguchi and is a controlling Shareholder under the Listing Rules

\* *for identification purpose only*

## NOTICE OF ANNUAL GENERAL MEETING

# NIRAKU GC HOLDINGS

株式会社ニラク・ジー・シー・ホールディングス

**NIRAKU GC HOLDINGS, INC.\***

*(Incorporated in Japan with limited liability)*

**(Stock Code: 1245)**

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of the Company will be held at 2-1-24, Hohaccho, Koriyama-shi, Fukushima, 963-8811, Japan on Thursday, 29 June 2023 at 10:00 a.m. (Japan time)/9:00 a.m. (Hong Kong time) for the following purposes:

- To report on the business report\* (事業報告) and audited financial report (prepared in accordance with JGAAP) of the Company for the year ended 31 March 2023.
- To report on the non-consolidated financial statements (prepared in accordance with JGAAP) of the Company for the year ended 31 March 2023.
- To report on the audited financial statements (prepared in accordance with IFRS) of the Company and the reports of the Directors and the auditor for the year ended 31 March 2023.
- To consider, and if thought fit, pass the following resolutions as ordinary resolutions, with or without amendments:

### ORDINARY RESOLUTIONS

1. To re-elect Mr. Hisanori TANIGUCHI as an Executive Director.
2. To re-elect Mr. Akinori OHISHI as an Executive Director.
3. To re-elect Mr. Masataka WATANABE as an Executive Director.
4. To re-elect Mr. Hiroshi BANNAL as a Non-executive Director.
5. To re-elect Mr. Michio MINAKATA as an Independent Non-executive Director/ external Director\* (社外取締役).
6. To re-elect Mr. Yoshihiro KOIZUMI as an Independent Non-executive Director/ external Director\* (社外取締役).
7. To re-elect Mr. Kuraji KUTSUWATA as an Independent Non-executive Director/ external Director\* (社外取締役).
8. To re-elect Mr. Akihito TANAKA as an Independent Non-executive Director/ external Director\* (社外取締役).



## NOTICE OF ANNUAL GENERAL MEETING

9. To re-appoint PricewaterhouseCoopers Aarata LLC as the accounting auditor of the Company pursuant to the Japan Companies Act.
10. To re-appoint PricewaterhouseCoopers as the auditor of the Company pursuant to the Listing Rules.

11A. THAT:

- (a) subject to paragraph (c) below and the requirements under the Articles, the Listing Rules and all applicable laws and regulations in Hong Kong and Japan, the Issuing Mandate, which is a general unconditional mandate be and is hereby given to the Board during the Relevant Period to exercise all the powers of the Company to allot, issue and deal with any Shares which would or might require the exercise of such power;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers or agreements which would or might require the Shares to be allotted and issued during the Relevant Period;
- (c) the aggregate number of the Shares allotted or issued or agreed conditionally or unconditionally to be allotted and issued by the Board pursuant to the approval in paragraph (a) above, other than pursuant to (i) a Rights Issue; or (ii) any specific authority granted by the Shareholders in general meeting(s), shall not exceed 20 percent of the total number of Shares issued by the Company as at the date of passing of this Resolution; and
- (d) the allottees under the Issuing Mandate shall pay a minimal per Share subscription price of no less than 90% of the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange prior to the issue and allotments of Shares thereunder.

## NOTICE OF ANNUAL GENERAL MEETING

11B. THAT:

- (a) subject to paragraph (b) below, the Repurchase Mandate, which is a general unconditional mandate be and is hereby given to the Board authorising it to exercise during the Relevant Period all powers for and on behalf of the Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the Shares may be listed and is recognised by the SFC or the Stock Exchange for this purpose, subject to and in accordance with the Articles, all applicable laws and regulations in Hong Kong and Japan, and the requirements of the Listing Rules and any other stock exchange on which the securities of the Company may be listed, as amended from time to time, be and is hereby unconditionally approved; and
- (b) the aggregate number of the Shares that could be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 percent of the total number of Shares issued by the Company as at the date of passing of this Resolution, and the authority granted pursuant to paragraph (a) above shall be limited accordingly.

11C. THAT:

conditional upon Resolutions 11A and 11B above being passed, during the Relevant Period the general mandate granted to the Board for the time being in force to exercise the powers of the Company to allot, issue and deal in any unissued Shares pursuant to Resolution 11A above be and is hereby extended by the addition of the aggregate number of Shares repurchased by the Company under the authority granted pursuant to Resolution 11B above to the aggregate number of the Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Board under such general mandate.

On behalf of the Board of  
**株式会社ニラク・ジー・シー・ホールディングス**  
**NIRAKU GC HOLDINGS, INC.\***  
**Hisanori TANIGUCHI**

*Chairman, Executive Director and Chief Executive Officer*

Fukushima, Japan, 7 June 2023

\* for identification purpose only

## NOTICE OF ANNUAL GENERAL MEETING

As at the date of this notice, the Directors are as follows:

*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

*Headquarters in Japan and registered office:* 1-1-39, Hohaccho  
Koriyama-shi  
Fukushima, Japan 963-8811

*Principal place of business in Hong Kong:* Room 805B, 8th Floor  
Tsim Sha Tsui Centre  
66 Mody Road, Tsim Sha Tsui  
Kowloon, Hong Kong

*Notes:*

### **1. ATTENDANCE IN PERSON**

Shareholders who intend to attend the Annual General Meeting in person must bring along an acceptable identification document such as passport, Hong Kong identity card or driver's license. Their signatures will also be verified against the specimen signatures kept by the Hong Kong Share Registrar.

#### **Appointing a proxy**

Every Shareholder who is entitled to attend and vote in the Annual General Meeting may appoint another person as his/her proxy to attend and vote on his/her behalf. Corporate Shareholders may appoint corporate representatives to attend or vote on its behalf. A Shareholder (including nominee companies) who is the holder of two or more Shares may appoint multiple proxies or corporate representatives to represent him/her and vote on his/her behalf in the Annual General Meeting. A proxy or corporate representative needs not to be a Shareholder and there is no limitation or restriction over the qualification and identity of the proxies and/or corporate representatives appointed. A proxy or corporate representative is entitled to the same powers as if he/she was the Shareholder himself/herself providing that he/she can provide a duly signed form of proxy.

To be valid, the accompanying form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of that power or authority), must be completed in accordance with the instructions printed thereon and returned to the Company's Hong Kong Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting (i.e. before 10:00 a.m. (Japan time)/9:00 a.m. (Hong Kong time) on Tuesday, 27 June 2023). Completion and return of the form of proxy will not preclude a Shareholder from attending the Annual General Meeting and voting in person if he/she so wishes.

Shareholders may also appoint the chairman of the Annual General Meeting as their proxy. To do so, follow the instructions printed on the accompanying form of proxy.

## NOTICE OF ANNUAL GENERAL MEETING

2. Where there are joint holders of any Share, any one of such persons may vote at the Annual General Meeting, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the Annual General Meeting personally or by proxy, that one of the said persons so present whose name stands first on the Share Register in respect of such Share will alone be entitled to vote in respect thereof.
3. All resolutions at the Annual General Meeting will be decided by poll.
4. The right to attend and vote at the Annual General Meeting will be granted to the Shareholders whose names appear on the Share Register at the close of business on Friday, 23 June 2023. In order to be eligible to attend and vote at the Annual General Meeting, all properly completed, duly stamped and executed transfer documents accompanied by the relevant share certificates should be lodged with the Hong Kong Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 5:30 p.m. (Japan time)/4:30 p.m. (Hong Kong time) on Friday, 23 June 2023.
5. CCASS Beneficial Owners who hold pecuniary interests and voting rights in the Company with respect to the Shares deposited into CCASS and registered in the name of HKSCC Nominees are not recognised as Shareholders under the Japan Companies Act. HKSCC Nominees will exercise the entitled voting rights of the CCASS Beneficial Owners in accordance with the individual arrangements between HKSCC Nominees and the CCASS Beneficial Owners or their respective brokers and the operational rules of CCASS.
6. A Shareholder who holds the Shares as a nominee on behalf of others may elect to cast his/her votes in different ways, casting his/her votes partly for and partly against a resolution by completing a notification form in accordance with the instructions printed thereon. Such notification form is available on the Company's website at [www.ngch.co.jp](http://www.ngch.co.jp) and the Stock Exchange's website at [www.hkexnews.com](http://www.hkexnews.com) and must be returned to the Company's Hong Kong Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 72 hours before the time appointed for holding the Annual General Meeting. Shareholders have the option to make a permanent election to cast their votes in different ways at all forthcoming general meetings, which may be withdrawn in by writing to the Hong Kong Share Registrar.

# NIRAKU GC HOLDINGS

株式会社ニラク・ジー・シー・ホールディングス

**NIRAKU GC HOLDINGS, INC.\***

*(Incorporated in Japan with limited liability)*

**(Stock Code: 1245)**

*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

*Headquarters in Japan and  
registered office:*

1-1-39, Hohaccho

Koriyama-shi

Fukushima, Japan 963-8811

*Principal place of business in  
Hong Kong:*

Room 805B, 8th Floor

Tsim Sha Tsui Centre

66 Mody Road, Tsim Sha Tsui

Kowloon, Hong Kong

7 June 2023

*To the Shareholders*

Dear Sir or Madam,

## **ANNUAL GENERAL MEETING**

### **1. INTRODUCTION**

The purpose of this circular is to (i) provide you with information in respect of the resolutions to be proposed at the Annual General Meeting relating to, amongst others, the proposed renewal of the Issuing Mandate and the Repurchase Mandate and the re-election of Directors; and (ii) give you the notice of the Annual General Meeting.

### **2. BUSINESS REPORT\* (事業報告) AND AUDITED FINANCIAL REPORT**

The business report\* (事業報告) and audited financial report (prepared in accordance with JGAAP) of the Company for the year ended 31 March 2023, which have been prepared pursuant to the Japan Companies Act, are set out in Appendices III and IV to this circular. The audited financial report (prepared in accordance with JGAAP) has been reviewed by the audit committee of the Company.

## LETTER FROM THE BOARD

### **3. THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND THE REPORTS OF THE DIRECTORS AND THE AUDITOR**

The annual report 2023 incorporating the audited consolidated financial statements of the Company and the reports of the Directors and the auditor for the year ended 31 March 2023 have been sent together with this circular to the Shareholders. The audited consolidated financial statements have been reviewed by the audit committee of the Company.

### **4. ISSUING MANDATE**

In order to ensure flexibility and give discretion to the Directors, in the event that it becomes desirable for the Company to issue any new Shares, a resolution to renew the Issuing Mandate to the Board to allot, issue and deal with additional Shares not exceeding 20% of the number of issued Shares as at the date of passing of the relevant resolution will be proposed at the Annual General Meeting.

As at the Latest Practicable Date, the total number of issued Shares was 1,195,850,460 Shares. If there is no allotment or repurchase of Shares between the Latest Practicable Date and the date of the Annual General Meeting, the Issuing Mandate shall not exceed 239,170,092 Shares.

Under the Articles and the Japan Companies Act, the Issuing Mandate is only enforceable when:

- i. the total number of issued Shares will not exceed 2,000,000,000 Shares, which is the total number of Shares authorised to be issued by the Company, as a result of the issue and allotment made under the Issuing Mandate; and
- ii. the allotments under the Issuing Mandate are not made at a price or term especially favourable to the allottees, in which case a special resolution in a general meeting is required.

For the avoidance of doubt, the Issuing Mandate grants power to the Board to issue, allot and deal with Shares only and does not grant authority to issue SARs and dispose of treasury stock\* (自己株式). The Directors have undertaken to the Stock Exchange that they will not exercise the Issuing Mandate if any of conditions (i) to (ii) set out above has not been fulfilled, in which case they will seek specific approval from the Shareholders in order to issue and allot new Shares.

As to the term “especially favourable” referred to in (ii) above, the Directors have been advised that there is no clear definition under Japan law as to the circumstances where the terms of an allotment may be deemed as especially favourable to the proposed allottees. Under the internal rules of The Japan Securities Dealers Association, an allotment may be taken as especially favourable to the proposed allottees when less than 90% of the market value of the Shares so allotted is set as consideration from the proposed allottees. The Board may from time to time appoint an independent expert to determine whether an allotment is especially favourable.

## LETTER FROM THE BOARD

### 5. REPURCHASE MANDATE

A resolution will be proposed at the Annual General Meeting to approve the renewal of the Repurchase Mandate to the Board to exercise the powers of the Company to repurchase Shares representing up to 10% of the number of issued Shares as at the date of passing of the relevant resolution in relation to the Repurchase Mandate. The Repurchase Mandate will continue in force until the conclusion of the next annual general meeting of the Company or any earlier date as referred to in Resolution 11B of the notice of the Annual General Meeting.

An explanatory statement required under the Listing Rules to be sent to the Shareholders in connection with the proposed Repurchase Mandate is set out in Appendix I to this circular. The explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolution at the Annual General Meeting.

Under the Articles and the Japan Companies Act, repurchases under the Repurchase Mandate must be market transactions etc.\* (市場取引等) as defined under the Japan Companies Act. There is no judicial precedent or interpretation confirming that a repurchase through the Stock Exchange, which is not a securities exchange in Japan, is a market transaction etc.\* (市場取引等). Given the lack of judicial precedent, the Directors have undertaken to the Stock Exchange that they will not exercise the Repurchase Mandate to repurchase the Shares on the Stock Exchange unless there is clear judicial authority allowing the Company to make repurchases on the Stock Exchange thereunder.

### 6. EXTENSION OF THE GENERAL MANDATE

A resolution will be proposed at the Annual General Meeting that any Shares of the Company repurchased under the Repurchase Mandate (up to a maximum of 10% of the number of issued Shares as at the date of passing of the relevant resolution) will be added to the total number of Shares which may be allotted and issued under the Issuing Mandate.

### 7. RE-ELECTION OF DIRECTORS

Under the Articles and the Japan Companies Act, the term of office of all Directors will expire at the conclusion of the Annual General Meeting. A separate resolution will be proposed at the Annual General Meeting for the re-election of each of Mr. Hisanori TANIGUCHI, Mr. Akinori OHISHI, Mr. Masataka WATANABE, Mr. Hiroshi BANNAI, Mr. Michio MINAKATA, Mr. Yoshihiro KOIZUMI, Mr. Kuraji KUTSUWATA and Mr. Akihito TANAKA as Directors under the recommendation of the nomination committee of the Company.

Details of the above Directors who are subject to re-election at the Annual General Meeting are set out in Appendix II to this circular in accordance with the relevant requirements under the Listing Rule.

## LETTER FROM THE BOARD

### **8. RE-APPOINTMENT OF ACCOUNTING AUDITOR**

The Board (which agreed with the recommendation of the audit committee of the Company) recommended that, subject to the approval of the Shareholders at the Annual General Meeting, PricewaterhouseCoopers Aarata LLC be re-appointed as the accounting auditor of the Company for the year ending 31 March 2024 pursuant to the requirements under the Japan Companies Act.

### **9. RE-APPOINTMENT OF AUDITOR**

The Board (which agreed with the recommendation of the audit committee of the Company) recommended that, subject to the approval of the Shareholders at the Annual General Meeting, PricewaterhouseCoopers be re-appointed as the auditor of the Company for the year ending 31 March 2024 pursuant to the requirements under the Listing Rules.

### **10. VOTING BY POLL**

All the resolutions set out in the notice of the Annual General Meeting would be decided by poll in accordance with the Listing Rules and the Articles. The chairman of the Annual General Meeting would explain the detailed procedures for conducting a poll at the commencement of the Annual General Meeting.

The poll results will be published on the Company's website at [www.ngch.co.jp](http://www.ngch.co.jp) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) after the conclusion of the Annual General Meeting.

### **11. ANNUAL GENERAL MEETING**

A notice convening the Annual General Meeting together with a form of proxy for use at the Annual General Meeting are enclosed with this circular. Shareholders who are unable to attend the Annual General Meeting in person should complete and return the accompanying form of proxy in accordance with the instructions printed thereon and set out on pages 9 to 10 of this circular.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, (i) no Shareholder is required to abstain from voting on the resolutions to be proposed at the Annual General Meeting; and (ii) as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his/her Shares to a third part, either generally or on a case-by-case basis.



## LETTER FROM THE BOARD

### 12. RECOMMENDATION

The Directors believe that the proposed passing of the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions set out in the notice of the Annual General Meeting.

### 13. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

On behalf of the Board of  
**株式会社ニラク・ジー・シー・ホールディングス**  
**NIRAKU GC HOLDINGS, INC.\***

**Hisanori TANIGUCHI**

*Chairman, Executive Director and Chief Executive Officer*

\* for identification purpose only

*The following is the explanatory statement required to be sent to the Shareholders under Listing Rules to enable them to make an informed decision on whether to vote for or against the resolution in relation to the Repurchase Mandate to be proposed at the Annual General Meeting.*

## **1. APPROVAL**

All repurchases of Shares by the Company (whether on or outside of the Stock Exchange) must be approved in advance by a resolution of the Company either by way of a general mandate or by a specific approval to the Board.

## **2. SHARE REPURCHASE PROPOSAL**

Exercise in full of the Repurchase Mandate, on the basis of 1,195,850,460 Shares issued by the Company as at the Latest Practicable Date, would result in up to 119,585,046 Shares being repurchased by the Company during the period up to the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of Japan to be held; and (iii) the revocation or variation or renewal of the Repurchase Mandate by a resolution of the Shareholders in a general meeting of the Company, subject to the passing of the Repurchase Mandate resolution and on the basis that no further Shares are issued prior to the Annual General Meeting and ignoring other restrictions.

Under the Listing Rules, Shares proposed to be repurchased by the Company must be fully paid up. The total number of Shares which the Company is authorised to repurchase is Shares representing up to a maximum of 10% of the total number of issued Shares as at the date of passing of the Repurchase Mandate. The Company may not issue or announce an issue of new Shares for a period of 30 days immediately following a repurchase of Shares, whether on the Stock Exchange or otherwise (other than an issue of Shares pursuant to an exercise of warrants, share options or similar instruments requiring the Company to issue Shares which were outstanding prior to such repurchase), without the prior approval of the Stock Exchange. In addition, the Company shall not repurchase the Shares if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange. The Listing Rules also prohibit the Company from making repurchases of its own Shares on the Stock Exchange if the repurchase would result in the number of the Company's listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage for the Company as required by the Stock Exchange, which is currently 25%.

The Listing Rules further prohibit the Company from purchasing its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange prevailing from time to time.

The Company shall procure that any broker appointed by it to effect the purchase of its Shares shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the Company as the Stock Exchange may request.

### **3. REASON FOR REPURCHASE**

The Directors believe that it is in the best interests of the Company and the Shareholders for the Board to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Board believes that such repurchases will benefit the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and its assets and/or its earnings per Share.

### **4. FUNDING OF REPURCHASE**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of Japan. Pursuant to the Repurchase Mandate, repurchases will be made out of funds of the Company legally permitted to be utilised in this connection, including profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Articles and the applicable laws in Japan.

Taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company as compared with the position as at 31 March 2023, being the date of its latest published audited financial statements. However, the Directors do not intend to make any repurchases to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing position of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

### **5. DIRECTORS' UNDERTAKING**

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention, if the Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company or its subsidiaries.

The Board has undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of Japan and the Articles.

### **6. CORE CONNECTED PERSONS**

The Listing Rules prohibit the Company from knowingly repurchasing its Shares on the Stock Exchange from a core connected person (as defined under the Listing Rules), that is, a Director, chief executive or substantial Shareholder of the Company or any of its subsidiaries or their respective close associates (as defined in the Listing Rules), and a core connected person (as defined under the Listing Rules) shall not knowingly sell Shares to the Company on the Stock Exchange.

Save as disclosed herein, no core connected person (as defined in the Listing Rules) of the Company has notified the Company that he or she or it has a present intention to sell any Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## 7. TAKEOVERS CODE

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase in the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the listing of the Shares on the Stock Exchange.

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the Securities and Futures Ordinance and so far as was known to, or could be ascertained after reasonable enquiry by, the Directors, the following persons were interested in 5% or more of the then issued share capital of the Company:

Name	Capacity/ Nature of interest	Total	Approximate % of shareholding	Approximate % of shareholding after fully exercise the Repurchase Mandate
Hisanori TANIGUCHI (谷口久徳)	Beneficial owner	85,624,184 common Shares	7.16%	7.96%
Yoshihiro TANIGUCHI (谷口佳浩)	Beneficial owner; interest of controlled corporation; custodian <sup>(1)</sup>	98,440,000 common Shares	8.23%	9.15%
Seiai TANIGUCHI (谷口正愛)	Interest of a spouse <sup>(2)</sup>	85,624,184 common Shares	7.16%	7.96%
Yurie TANIGUCHI (谷口祐莉恵)	Interest of a spouse <sup>(3)</sup>	98,440,000 common Shares	8.23%	9.15%

Name	Capacity/ Nature of interest	Total	Approximate % of shareholding	Approximate % of shareholding after fully exercise the Repurchase Mandate
Okada Holdings Limited	Beneficial owner <sup>(4)</sup>	80,500,000 common Shares	6.73%	7.48%
Universal Entertainment Corporation	Beneficial owner <sup>(4)</sup>	80,500,000 common Shares	6.73%	7.48%
Tiger Resort Asia Limited	Beneficial owner <sup>(4)</sup>	80,500,000 common Shares	6.73%	7.48%
Densho Limited	Beneficial owner	225,560,460 common Shares	18.86%	20.96%
Jukki Limited	Beneficial owner	181,010,000 common Shares	15.14%	16.82%

## 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 Securities and Futures Ordinance.
- (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 Securities and Futures Ordinance.
- (4) Okada Holdings Limited directly holds 70.28% interest in Universal Entertainment Corporation, which directly holds Tiger Resort Asia Limited. Accordingly, each of 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 31 March 2023.

In the event that the Directors shall exercise in full the Repurchase Mandate, the total interests of the above substantial Shareholders would be increased to approximately the respective percentages shown in the last column above (assuming that the number of Shares then held by each of such Shareholders and the then number of total Shares in issue remain the same), and such increase may give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no intention to exercise the Repurchase Mandate to an extent as would result in takeover obligations.

Save as aforesaid, the Directors are not aware of any other consequences which may arise under the Takeovers Code as a consequence of any repurchases made pursuant to the Repurchase Mandate immediately after the listing of the Shares.

## **8. MINIMUM PUBLIC FLOAT**

Assuming that there is no issue of Shares between the Latest Practicable Date and the date of a repurchase, an exercise of the Repurchase Mandate whether in whole or in part will not result in less than the relevant prescribed minimum percentage of the Shares being held by the public as required by the Stock Exchange. The Directors have no intention to exercise the Repurchase Mandate to an extent as may result in a public shareholding of less than such prescribed minimum percentage.

## **9. SHARE REPURCHASE MADE BY THE COMPANY**

No repurchase of Shares has been made by the Company in the six months prior to the date of this circular (whether on the Stock Exchange or otherwise).

## 10. MARKET PRICE

During the 12 months preceding the Latest Practicable Date, the highest and lowest prices at which the Shares were traded on the Stock Exchange are as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
May 2022	0.265	0.215
June 2022	0.275	0.220
July 2022	0.265	0.212
August 2022	0.239	0.205
September 2022	0.295	0.210
October 2022	0.249	0.171
November 2022	0.229	0.175
December 2022	0.295	0.211
January 2023	0.275	0.231
February 2023	0.365	0.247
March 2023	0.330	0.235
April 2023	0.320	0.249
May 2023	0.315	0.260
June 2023 (up to the Latest Practicable Date)	0.300	0.300

## 11. JAPAN LAW IMPLICATION

Shareholders should note that based on the provisions under the Articles and relevant Japan laws repurchases under the Repurchase Mandate must be market transactions etc.\* (市場取引等) as defined under the Companies Act\* (会社法) of Japan (Act No. 86 of 2005). There is no judicial precedent or interpretation confirming that a repurchase through the Stock Exchange, which is not a securities exchange in Japan, is a market transaction etc.\* (市場取引等). Given the lack of judicial precedent, the Directors have undertaken to the Stock Exchange that they will not exercise the Repurchase Mandate to repurchase the Shares on the Stock Exchange unless there is clear judicial authority allowing us to make repurchases on the Stock Exchange thereunder.

## 12. GENERAL

The Listing Rules provide that the listing of all repurchased Shares (whether on the Stock Exchange or otherwise) shall be automatically cancelled upon repurchase and the certificates of such repurchased Shares must be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase. Under the Articles, the Company shall without delay cancel any treasury Shares acquired by the Company through the resolution of the Board or decision of its executive officer(s)\* (執行役) authorised by the Board, if such cancellation is required under the Listing Rules. Hence, in compliance with Rule 10.06(5) of the Listing Rules, the listing of all repurchased Shares (whether effected on the Stock Exchange or otherwise) will be cancelled without undue delay and the certificates for those securities will be cancelled and destroyed. The total number of Shares issued by the Company shall also be reduced accordingly.

The Listing Rules provide that the Company shall not purchase its Shares on the Stock Exchange at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for an announcement of the Company's annual or interim results under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the Company may not purchase its Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit the Company to purchase its Shares on the Stock Exchange if it has breached the Listing Rules.

Under the Listing Rules, certain information on the repurchases of Shares (whether on the Stock Exchange or otherwise) must be submitted for publication on the Stock Exchange through HKEx-EPS (as defined in the Listing Rules) not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which the Company makes a repurchase of Shares. In addition, the Company shall include in its annual report and accounts details regarding repurchases of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per Share or the highest and lowest price paid by the Company for all such repurchases (where relevant) and the aggregate price paid by the Company for such repurchases. The Directors' report is also required to contain reference to the repurchases made during the year and the Directors' reasons for making such repurchases.

\* for identification purpose only



The following are the particulars of the Directors (as required by the Listing Rules) proposed to be re-elected and elected at the Annual General Meeting.

### **MR. HISANORI TANIGUCHI (谷口久徳)**

Mr. Taniguchi, aged 60, is the primary leadership figure of the Group. He was appointed as the Representative Director and President\* (代表取締役社長) of the Company on 10 January 2013, the date of incorporation of the Company, and was redesignated as an Executive Director and Chief Executive Officer on 25 June 2014 when the Shareholders resolved to convert the Company into a company with three committees\* (委員会設置会社) under the Japan Companies Act. Apart from his role as an Executive Director and Chief Executive Officer, Mr. Taniguchi was appointed as the chairman of the Board in February 2013 and is responsible for the Group's overall corporate strategies, management and business development. He is also the chairman of the nomination committee of the Company and a member of the remuneration committee of the Company.

Having joined Niraku Corporation in April 1983, Mr. Taniguchi has spent over 40 years in the Group and worked closely with generations of the Taniguchi family in building up the Group from a small-scale operation to the fourth largest pachinko hall operator in Japan in 2013 (based on gross pay-ins), according to Entertainment Business Institute. Between 1987 and 2002, Mr. Taniguchi headed a number of departments across the Group's operations, from human resources to hall development and sales, and acquired extensive knowledge in a wide array of aspects in pachinko and pachislot hall operations.

Mr. Taniguchi first involved in the overall general management of the Group in November 2002, when he was appointed as the managing director\* (常務取締役) of Niraku Corporation. He was subsequently elected as the vice president\* (取締役副社長), president\* (取締役社長) and representative director and president\* (代表取締役社長) of Niraku Corporation in June 2008, June 2009 and April 2010, respectively. He is currently the representative director and president\* (代表取締役社長) of Niraku Corporation.

Mr. Taniguchi spent substantially his entire career with the Group and has led the Group in achieving significant milestones through several economic cycles. He was instrumental in the implementation of the Group's centralised management strategy since 1999 and the gradual introduction of low-cost pachinko and pachislot machines in the Group's halls since 2007. Under his leadership, the Group opened its 50th pachinko hall in Koriyama Arai (郡山荒井), Fukushima Prefecture (福島県) in May 2011 and have continued to grow organically beyond this significant accomplishment.

The Directors believe that the success of the Group and Mr. Taniguchi's personal attributes earned him wide recognition as a leading figure in the pachinko industry in Japan. He is currently the director\* (理事) of Nihon Yugi-kanren Jigyo Kyokai\* (Japan Amusement Business Association\*) (一般社団法人日本遊技関連事業協会) and the head of its Tohoku branch.

Mr. Taniguchi was born and brought up in Japan. He is one of the controlling Shareholders (as defined under the Listing Rules) of the Company and, together with other members of the Taniguchi Consortium with whom he acts in concert, controlled approximately 69.5% of the voting rights in the Company as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Taniguchi was interested in 85,624,184 Shares under Part XV of the Securities and Futures Ordinance.

### **MR. AKINORI OHISHI (大石明德)**

Mr. Ohishi, aged 58, worked at Sumisho Ekika Gas Co., Ltd.\* (住商液化ガス株式会社) (now Enessance Holdings Co., Ltd.\* (株式会社エネサンスホールディングス)), where he was involved in general work in the management division, from 1987 to 1995, and worked at Dynam Co., Ltd.\* (株式会社ダイナム), from 1995 to 1998, where he was involved in corporate planning. He then went on to serve as an executive of a venture company, then work at a consulting company and finally serve as president of a management consulting company, and he was involved in management consulting for about 10 years.

In April 2009, Mr. Ohishi joined the Group as an adviser\* (顧問) of Niraku Corporation. In April 2010, Mr. Ohishi became the executive officer\* (執行役員) and head of corporate planning before promoted to a director\* (取締役) of Niraku Corporation in June 2012, and he was responsible for implementing corporate strategy and business strategy. Subsequently, Mr. Ohishi served as a Director\* (取締役) of the Company from March 2013 to June 2014, and he has served as an Executive Officer\* (執行役員) of the Company from June 2014 to the present.

Mr. Ohishi graduated from the College of Humanities and Sciences, Nihon University\* (日本大学), in March 1987. Mr. Ohishi is well versed in the areas of business strategy and finance, and he was nominated by the Board for monitoring based on his experience and expertise.

### **MR. MASATAKA WATANABE (渡辺将敬)**

Mr. Watanabe, aged 54, worked at Yamaichi Securities Co., Ltd.\* (山一証券株式会社) from 1993 to 1994, where he was involved in securities, and from 1995 to 2015 he worked at Hikari Tsushin Inc.\* (株式会社光通信), where he was involved in business strategy and accounting. He was appointed as a director\* (取締役) and member of the audit committee\* (監査等委員) of Hikari Tsushin Inc.\* (株式会社光通信) in June 2017, in which capacity he serves to the present. Hikari Tsushin Inc.\* (株式会社光通信) is an information and telecommunications services company listed on the Tokyo Stock Exchange (stock code: 9435).

In December 2018, Mr. Watanabe joined the Group as an adviser\* (特別顧問) of the Company. Mr. Watanabe graduated from The University of Tokyo\* (東京大学), Faculty of Economics, in October 1992.

Mr. Watanabe is well versed in the areas of securities trading, accounting and auditing, and he was nominated by the Board to provide advice based on his experience and expertise.

### **MR. HIROSHI BANNAI (坂内弘)**

Mr. Bannai, aged 84, is a non-executive Director and has held this position since 29 June 2016. He has served as a police officer in Fukushima Prefecture from 1962 to his retirement from the police force in 1999, during which he was mainly responsible for handling matters related to antisocial organisations. Mr. Bannai then served as an executive director\* (専務理事) for the Fukushima Prefecture Amusement Business Association\* (福島県遊技業協同組合). Relying on his experience from the police force, Mr. Bannai has also been an advisor for Fukushima Bank\* (福島銀行) from 2002 to 2009, and an advisor for Xebio Co., Ltd.\* (株式会社ゼビオ) from 2003 to 2021. He is also a member of the audit committee of the Company.

Mr. Bannai received his education from the Fukushima Prefectural Wakamatsu Commercial High School\* (福島県立若松商業高等学校). Mr. Bannai was appointed to the Board to supervise the Group's compliance with applicable laws and regulations relating to adult entertainment.

As at the Latest Practicable Date, Mr. Bannai was interested in 216,000 Shares under Part XV of the Securities and Futures Ordinance.

### **MR. MICHIO MINAKATA (南方美千雄)**

Mr. Minakata, aged 56, is an external Director\* (社外取締役) of the Company and has held this position since 29 June 2016. He started his career at KPMG Century Audit Corporation\* (KPMGセンチュリー監査法人). Mr. Minakata then worked for several companies and offices including NASDAQ Japan\* (ナスダックジャパン) based on his capability in the accounting field. Mr. Minakata is currently serving as the representative director\* (代表取締役) of IPO Bank\* (株式会社IPOバンク) and the partner\* (社員) of Mavrick Tax Corporation\* (税理士法人マーヴリック).

Mr. Minakata is currently also an advisor\* (監査役) for Showcase Inc.\* (株式会社ショーケース), the shares of which are listed on the Standard Market of the Tokyo Stock Exchange (3909: JP). Under the Listing Rules, Mr. Minakata is an Independent Non-executive Director. He is also the chairman of the audit committee of the Company and a member of the remuneration committee of the Company.

Mr. Minakata received a bachelor's degree in economics from Keio University\* (慶応義塾大学) in March 1990. Mr. Minakata has also been a member of the Japanese Institute of Certified Public Accountants since May 1996. Mr. Minakata was appointed to the Board to provide advice to the Company based on his accounting and management background and expertise. The Directors have confirmed that Mr. Minakata fulfils the independence requirements under Rule 3.13 of the Listing Rules.

**MR. YOSHIHIRO KOIZUMI (小泉義広)**

Mr. Koizumi, aged 68, is an external Director\* (社外取締役) of the Company and has held this position since 29 June 2016. He has worked for several leading Japanese and foreign companies over the years, including Toshiba Co., Ltd.\* (株式会社東芝) from 1979 to 1986 and Daiwa Securities Co., Ltd.\* (大和証券株式会社) from 1986 to 1992. Mr. Koizumi also has experience in working for banks and financial institutions, including Deutsche Bank\* (ドイツ銀行) from 1994 to 1997 and Societe General Bank\* (ソシエテジェネラル銀行) from 1997 to 2002. Thereafter, Mr. Koizumi also served as the representative director\* (代表取締役) of Mariner Financial Service Co., Ltd.\* (株式会社マリナー・フィナンシャル・サービス) from 2002 to 2015 and has been serving as the representative director\* (代表取締役) of Clear Markets Japan Co., Ltd.\* (Clear Markets Japan株式会社) since 2014. Under the Listing Rules, Mr. Koizumi is an Independent Non-executive Director. He is also the chairman of the remuneration committee of the Company and a member of the audit committee of the Company.

Mr. Koizumi graduated from the Department of Commerce Science at Keio University\* (慶応義塾大学商学部). Mr. Koizumi has also obtained his qualification as a certified public accountant in the United States in 1991. Mr. Koizumi was appointed to the Board to provide advice to the Company based on his financial and management background and expertise. The Directors have confirmed that Mr. Koizumi fulfils the independence requirements under Rule 3.13 of the Listing Rules.

**MR. KURAJI KUTSUWATA (轡田倉治)**

Mr. Kutsuwata, aged 81, worked at the Iwase village office\* (岩瀬村役場) from 1961 to 1975 before joining food vendor “Kutsuwata Shoten” (now Kutsuwata Shoten Co., Ltd.\* (有限会社くつわた商店)) in 1975. While serving as the Company’s representative Director\* (代表取締役) from 1980 onwards, in 1985, he established Yappu Kogyo Co., Ltd.\* (有限会社ヤップ工業) an optical component assembly and processing company, and has served as its representative director\* (代表取締役) to this day.

In addition, he has served as a member\* (議員) of the Iwase Village Council\* (岩瀬村議会) and as chairman\* (会長) of the Iwase Society of Commerce and Industry\* (岩瀬村商工会), and in 2004 he became a director\* (理事) of the Fukushima Federation of Societies of Commerce and Industry\* (福島県商工会連合会), which oversees management support projects and regional economy promotion projects run by societies of commerce and industry in Fukushima Prefecture. From 2012 to the present he has served as chairman\* (会長) of the Federation. A society of commerce and industry is an economic organization that supports the business activities of small and medium-sized enterprises. He is also a member of the nomination committee of the Company.

Mr. Kutsuwata graduated from Fukushima Prefectural Sukagawa High School\* (福島県立須賀川高等学校). Mr. Kutsuwata has contributed to the development of the regional economy, and his perspective is in line with the regional management strategies that our Group is aiming for, so he has been nominated by the Board to provide advice based on his experience. The Directors have confirmed that Mr. Kutsuwata fulfils the independence requirements under Rule 3.13 of the Listing Rules.

**MR. AKIHITO TANAKA (田中秋人)**

Mr. Tanaka, aged 75, worked at AEON Co., Ltd.\* (イオン株式会社) from 1970 to 2013, where he was involved in the founding of AEON Hong Kong, and has been active in overseas business development in China and ASEAN for 30 years. AEON Co., Ltd. is one of the largest companies in Japan with retail store operations listed on the Tokyo Stock Exchange (8267: JP). After retiring from AEON Co., Ltd., he established Strategic Center of Asia Co., Ltd.\* (株式会社アジア戦略本部) in September 2013 and are involved in management consulting operations as president and representative director\* (代表取締役社長). In addition, he served as president\* (理事長) of General Incorporated Foundation Asian Food Business Association\* (財団法人アジアフードビジネス協会) and provided support for restaurant and retail business in Asia until March 2022. He is also a member of the nomination committee of the Company.

Mr. Tanaka graduated from Kansai University\* (関西大学), Faculty of Letters, Department of Journalism, in March 1970 in Japan. Mr. Tanaka is well versed in the areas of the development of restaurant and retail businesses in China and the ASEAN region, and he was nominated by the Board to provide advice based on his experience. The Directors have confirmed that Mr. Tanaka fulfils the independence requirements under Rule 3.13 of the Listing Rules.

**TERM OF OFFICE AND FEES**

Under the Articles and the Japan Companies Act, the Directors, upon re-election/ election, will hold office until the close of the next annual general meeting of the Company.

The total amount of the re-elected Directors' emoluments for the year ended 31 March 2023 received by each of those Directors is set out in note 36 to the consolidated financial statements of the Company's annual report 2023. The Group offers competitive remuneration packages to the Directors, and the Directors' emoluments are determined by the Company's remuneration committee with reference to Directors' duties, responsibilities and performances and the results of the Group.

**SERVICE AGREEMENTS**

Upon re-election and election, each of the Directors is expected to enter into a service agreement (for Executive Directors and Non-executive Director) or letter of appointment (for Independent Non-executive Directors) with the Company for a term commencing on the date of passing of the re-election/election resolution and expiring at the close of the next annual general meeting of the Company (subject to termination in certain circumstances as stipulated in the agreements/letters).

The annual remuneration currently expected to be payable to each of the Directors upon re-election is as follows:

<b>Directors</b>	<b>Annual remuneration</b> <i>(In ¥ thousand)</i>
Mr. Taniguchi	60,960
Mr. Ohishi	14,004
Mr. Watanabe	13,064
Mr. Bannai	3,720
Mr. Minakata	6,060
Mr. Koizumi	3,960
Mr. Kutsuwata	3,660
Mr. Tanaka	3,660

### **DIRECTORS' INTERESTS**

Save as disclosed in this circular, to the best knowledge of the Company, each of the Directors who stands for re-election and election (i) does not hold other positions in the Company or other members of the Group; (ii) does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years and other major appointments and professional qualifications; (iii) does not have any relationship with any other Director, senior management of the Company, substantial Shareholder or controlling Shareholder; (iv) does not have any interest in the Company's securities within the meaning of Part XV of the Securities and Futures Ordinance; and (v) has no information to disclose pursuant to any of the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; and there are no other matters that need to be brought to the attention of the Shareholders.

The nomination committee of the Company would assess the candidates or incumbents on criteria such as integrity, experience, skills and ability to commit time and efforts to carry out duties and responsibilities. The recommendations would then be submitted to the Board for decision.

Mr. Michio MINAKATA and Mr. Yoshihiro KOIZUMI who have served as Independent Non-executive Directors since 29 June 2016, Mr. Kuraji KUTSUWATA who has served as Independent Non-executive Director since 27 June 2019 and Mr. Akihito TANAKA who has served as Independent Non-executive Director since 29 July 2020, have made annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules. The Board is satisfied that, taking into account, inter alia, the valuable independent judgement, advice and objective views contributed by Mr. Minakata, Mr. Koizumi, Mr. Kutsuwata and Mr. Tanaka, they are of such character, integrity and experience commensurate with office of Independent Non-executive Directors. The Board is not aware of any circumstance that might influence the independence of Mr. Minakata, Mr. Koizumi, Mr. Kutsuwata and Mr. Tanaka, and considers such Directors to be independent.

The Board is of the view that the educational qualifications, background and experiences of Mr. Michio MINAKATA, Mr. Yoshihiro KOIZUMI, Mr. Kuraji KUTSUWATA and Mr. Akihito TANAKA (if re-elected) can create valuable and relevant visions and hence contribute to the diversity of the Board.

\* *for identification purpose only*

## 1. MATTERS RELATED TO CURRENT SITUATION OF THE COMPANY

### (1) Business Analysis

After experiencing three difficult years since March 2020 due to the impact of the Novel Coronavirus (COVID-19), the domestic economy in the financial year ended 31 March 2023 showed signs of recovery, particularly in private consumption, as social life living with COVID-19 began to become the norm. On the other hand, the year was also marked by concerns about downward pressure on the economy, as rising energy costs due to the situation in Ukraine and other factors, and rising prices due to the weak Japanese Yen and other factors reduced household purchasing power. Under these circumstances, in our mainstay pachinko business, the Group focused on speeding up the hypotheses and verification cycle of the Sales Division and speeding up decision-making on site, close to customers, in the belief that a keen sense of customer needs is directly linked to competitiveness. This enabled us to accurately grasp customer needs and profit opportunities and to improve our pachinko halls management capabilities. As a result, total revenue (gross pay-ins) recorded a year-on-year increased of 11% and we believe we were able to firmly meet customer demand without falling behind the recovery trend in domestic economic activities. In the overseas business, the economies of Vietnam and Cambodia were recovering ahead of the Japanese economy. Our amusement arcades business in these two countries had noted a satisfactory year-on-year increase of 376%, recovering to a level comparable to pre-pandemic levels.

In the mainstay pachinko business, we continued to ensure compliance with the industry's infection prevention guidelines and independently worked to create an environment in which customers can safely visit our halls and play comfortably. In the industry, the introduction of smart slots, the next generation of new amusement machines, started in November 2022. The Group has been systematically preparing for this and began installing these machines in our own halls in November 2022. The main feature of this gaming machine is that it is medal-less. As medals are counted digitally, there is no need to carry them around, which is a great advantage for customers in terms of convenience and hygiene. The supply of these smart slots is not necessarily plentiful due to the shortage of semiconductors, etc., and full-scale introduction is yet to come, but they have been receiving solid support from customers. In the installation of existing machines, we have also made steady efforts to analyse the trends of customers and competitors and reflected them in appropriate hall development. We believe that we have achieved solid results in a year of coexistence with COVID-19.

In current fiscal year, we continued to review our hall operations and accumulated a variety of know-how, such as promoting labour saving in hall management while retaining services that provide a high level of customer satisfaction. We also promoted digital transformation, which will lead to the future, such as introducing self-service counters at 18 halls and making prize exchange process contactless. By introducing a next-generation energy management system



that combines artificial intelligence and behavioural economics to all halls, we were able to further strengthen cost management, which will lead to a sustained strengthening of our structure from the next fiscal year onwards.

We plan to start installing smart pachinko machines, a new type of machine with balls circulating within the machine, from next fiscal year. In addition to the potential of the machines themselves, these smart machines have the potential for new hall layouts and location environments that are not bound by conventional frameworks, as the attached equipment is not complicated. In the domestic pachinko business, we will also accelerate the digitalisation of the business to further improve cost efficiency, while building a solid profit structure for the future by investing in next-generation machines and investing in new halls in existing and new formats, against the backdrop of the financial base we have built up to date.

For the operations in China and Southeast Asia, there were significant differences in the local government's policy in response to COVID-19. Operating revenue at Dream Games, a subsidiary that operates amusement arcades in Vietnam and Cambodia, increased significantly by 376% year-on-year to ¥1,710 million. This was mainly due to the decision made by each government to effectively converge COVID-19 and the country's economy quickly getting back on a recovery track.

Dream Games reduced its costs under the regulations during COVID-19 pandemic but was preparing to resume operations with minimal employee redundancies. This meant that experienced employees were able to return to operations immediately after the restrictions were lifted, enabling the company to get operations back to normal earlier than its competitors.

We also took advantage of this opportunity to invest in new machinery and refurbish our outlets, and succeeded in linking the economic recovery to a steady increase in the number of customers visiting our outlets. Furthermore, we opened one new outlet in Cambodia in the current fiscal year. Currently, we have nine operating outlets in Vietnam and three in Cambodia.

The amusement arcade business in both Vietnam and Cambodia is based on the strategy that opening outlets in leading shopping malls. In the next fiscal year we plan to develop the operating structure of the organisation and strengthen the earnings structure of existing outlets to build a steady earnings base.

The GDP growth rates of Vietnam and Cambodia in 2022 reached 8.0% and 5.2% respectively, and according to the forecast of the International Monetary Fund, strong economic growth of over 5% is expected in the future. We believe that both countries are still in the process of developing their economies and that consumption growth and expansion of the leisure market will continue.

The joint business operating a Japanese restaurant food court (YOKOCHO) in Shenzhen, Guangdong Province, China, opened in July 2019, was indefinitely suspended in February 2020 due to the spread of COVID-19 in China. The business was subsequently resumed in August 2021, as the COVID-19 situation in China had calmed down. However, the business environment remained unstable. Although the restrictions on COVID-19 have been lifted, it is expected that it will take some time to return to normal.

As a medium-term strategy, the Group's priority is to secure revenue and increase market share in its core business, pachinko business, and will actively invest in new hall openings and merger and acquisition with the aim of establishing a structure that can ensure stable earnings. At the same time, investments will be made to refurbish existing halls and to promote digitalisation with the aim of further increasing operational efficiency. In addition, as the size of the pachinko market is declining from a long-term perspective, the Group plans to expand into new businesses in Japan.

Outside Japan, we will also seek to grow existing businesses and create new business opportunities while responding to changes in the business environment in each country.

In 2021, the Group resolved the Environmental, Social and Governance ("ESG") Management Declaration, which is the basic concept for conducting sustainable business, "The Group prioritizes the public interest and considers its employees, customers, business partners, local communities, and the entire earth 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 established for the purpose of achieving a sustainable world are 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. Conduct management that can contribute to society with sustainability from a medium- to long-term perspective, rather than from a short-term perspective.
3. Constantly make efforts in new areas boldly and manage our business with 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 history of the Group's pachinko hall 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. Especially in Fukushima Prefecture, which is our key location in Japan, it is still halfway through reconstruction from the Great East Japan Earthquake, but as a longer-term issue, increasing the production and labour force population is regarded as a major challenge. If this long-term declining trend continues, we cannot expect the revitalisation of the local economy. On the other hand, if the revitalisation of the local economy cannot be realized, the production and labour force population will not increase, and we cannot expect to retain or increase customers in the pachinko hall business, which is the core business of the Group. Resolving the local issues in each region where our Group operates, will create new business opportunities and lead to the mitigation of future business risks simultaneously. We regard the pursuit of regional development through our business activities as an important task for future operations.

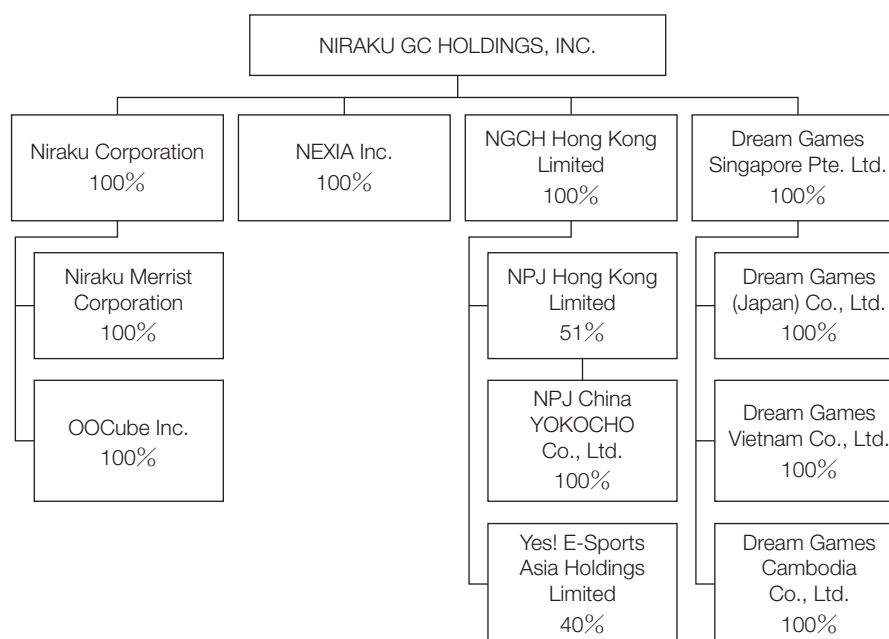
The Group aims to realize our corporate philosophy of "Providing happy times for people by making the world cheerful, fun and entertaining", and will continue to take on the challenges of constantly responding to social changes, aiming to be a company that will continue for more than 100 years ahead of us. Under the ESG Management Declaration, which is the basic concept for conducting sustainable business, 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.

Following is the financial highlight for the year:

- |                       |  |
|-----------------------|--|
| (1) Operating revenue | Operating revenue amounted to ¥1,358,098 thousand due to increase in handling charges received from subsidiaries (100.1% of the previous year).  |
| (2) Operating profit  | Operating profit amounted to ¥892,962 thousand due to the increase in operating revenue (105.8% of the previous year).   |
| (3) Ordinary profit   | Ordinary profit amounted to ¥849,857 thousand as a result of decrease in non-operating income (92.8% of the previous year).  |
| (4) Net profit        | Despite a decrease in ordinary profit, net profit for the year amounted to ¥504,939 thousand (net loss of ¥2,200,931 thousand in the previous year) due to a decrease in extraordinary loss. |

The performance of Niraku Co., Ltd., a main subsidiary of the Group, in the fiscal year ended 31 March 2023, recorded sales revenue of ¥22,902 million (105.3% of the previous year) because the two new outlets opened at the end of the previous fiscal year contributed to sales for the full year, as well as a recovery in the number of market customers. Operating profit resulted in ¥2,133 million (163.4% of the previous year) as a result of an increase in gross profit amount in line with the increase in sales, as well as cost efficiencies achieved by controlling labour costs through reduced working hours to compensate for increased utilities costs. In line with the increase in operating profit, ordinary profit amounted to ¥2,297 million (156.3% of the previous year). The pachinko and pachislot machine outlets in Fukushima Prefecture were damaged by the Fukushima Prefecture Earthquake that occurred on 16th March 2022, and repair costs were recorded as an extraordinary loss in the previous fiscal year, while the extraordinary loss decreased in current fiscal year. Thus, in spite of the decrease in ordinary profit, net profit for the year amounted to ¥1,551 million (259.1% of the previous year).

*Group structure (ownership ratio of voting rights)*



\* Restructuring etc.

The equity interest in Dream Games Vietnam Co., Ltd. held by Dream Games Singapore Pte. Ltd., a subsidiary of the Company, was transferred to Dream Games (Japan) Ltd. on 20 April 2023.

**(2) Details of funding etc.**

In the fiscal year ended 31 March 2023, we raised funds through long-term borrowings as follows:

<b>Financial institutes</b>	<b>Amount</b>	<b>Execution date</b>
	<i>(In ¥ thousand)</i>	
Kiraboshi Bank	300,000	29 June 2022
The Fukushima Bank	300,000	30 September 2022
The Ashikaga Bank	<u>450,000</u>	28 February 2023
<b>Total</b>	<u><u>1,050,000</u></u>	

**(3) Financial position and Profit and Loss for the latest 3 fiscal years**

<b>Item</b>	<b>8th Term March 2020</b>	<b>9th Term March 2021</b>	<b>10th Term March 2022</b>	<b>11th Term (the current fiscal year) March 2023</b>
Ordinary revenue <i>(¥ thousand)</i>	1,336,590	1,342,337	1,356,163	1,358,098
Ordinary profit <i>(¥ thousand)</i>	747,556	864,988	915,537	849,857
Net profit/(loss) <i>(¥ thousand)</i>	523,538	455,167	(2,200,931)	504,939
Profit/(loss) per share (¥)	0.44	0.38	(1.84)	0.42
Total assets <i>(¥ thousand)</i>	33,992,513	38,349,102	30,348,806	28,667,876
Net assets <i>(¥ thousand)</i>	24,111,068	24,570,567	22,368,397	22,186,649

Notes:

- The amounts do not include consumption tax and local consumption tax.
- Profit or loss per share is calculated based on the average number of shares outstanding during the period.
- Please refer to the above section “(1) Business Analysis” for the business performance for 11th Term (the current fiscal year) ended 31 March 2023.

**(4) Principal business activity**

The principal activity of the Company is to control the business activities of the subsidiaries through investment holding.

**(5) Principal office and employees****1. Principal office***i. Head office*

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

**2. Employees**

2 people

**(6) Material subsidiaries**

<b>Company name</b>	<b>Share capital</b> <i>(In ¥ thousand)</i>	<b>Ownership ratio of voting rights</b> <i>(%)</i>	<b>Major scope of business</b>
Niraku Corporation	100,000	100.0	Pachinko and pachislot hall operator, hotel operations etc.
NEXIA Inc.	30,000	100.0	Real estate rental business
NGCH Hong Kong Limited	10,000	100.0	Asset management
Dream Games Singapore Pte. Ltd.	356,508	100.0	Amusement arcade business

**(7) Major lenders and amount borrowed**

<b>Lenders</b>	<b>Amount borrowed</b> <i>(In ¥ thousand)</i>
Mizuho Bank, Ltd.	1,231,964
Sumitomo Mitsui Banking Corporation	1,186,330
The Ashikaga Bank, Ltd.	1,174,683
The Toho Bank, Ltd.	966,139
The Fukushima Bank, Ltd.	949,166
Kiraboshi Bank, Ltd.	348,126
The Aozora Bank, Ltd.	147,435
The Akita Bank, Ltd.	100,974
The Tsukuba Bank, Ltd.	95,243
The Daito Bank, Ltd.	75,103
The 77 Bank, Ltd.	75,103

**(8) Dividend policy and the right to declare distribution of dividends under the Articles of Incorporation (Paragraph 1 of Article 459 of the Japan Companies Act)**

The Company has positioned the return of profits to Shareholders in conjunction with the consolidated results as one of the important issues. According to the dividend policy, the Group intended to recommend a payment of dividend at 30% of the consolidated net profit attributable to the Shareholders calculated in accordance with International Financial Reporting Standards (IFRS).

**2. MATTERS RELATED TO SHARES**

**(1) Significant matters related to Shares (As at 31 March 2023)**

1. Total number of authorised Shares	2,000,000,000
	Shares
2. The total number of outstanding Shares	1,195,850,460
	Shares
3. The number of Shareholders as at the end of the current fiscal year	86
4. Top ten Shareholders	

Name of Shareholders	Number of Shares held	Shareholding ratio
HKSCC Nominees Limited ( <i>Note</i> )	370,251,700	30.96%
Densho Limited	226,020,460	18.90%
Jukki Limited	181,470,000	15.17%
SMBC Trust Bank, Ltd.	53,360,000	4.46%
Tatsunari Taniguchi	44,792,500	3.75%
Takanari Taniguchi	44,792,500	3.75%
Toshinari Taniguchi	44,792,500	3.75%
Yoshihiro Taniguchi	33,580,000	2.81%
Mitsuhiro Tei	25,000,000	2.09%
Motohiro Tei	25,000,000	2.09%
Eijun Tei	25,000,000	2.09%
Rika Tei	25,000,000	2.09%

*Note:* The shares held under the name of HKSCC Nominees Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited, are deposited into central clearing system (CCASS).

### 3. MATTERS RELATED TO DIRECTORS

#### (1) Matters related to Directors (As at 31 March 2023)

<b>Name</b>	<b>Position and responsibilities</b>	<b>Significant concurrent position</b>
Hisanori Taniguchi	Chairman Chief Executive Officer Executive Director Member of Nomination Committee and Remuneration Committee	President of Niraku Corporation Director of NGCH Hong Kong Limited Director of NPJ Hong Kong Limited Director of Densho Limited President of Niraku Investment Co., Ltd. President of Niraku USA INC. Director of NPJ China YOKOCHO Co., Ltd.
Hiroshi Bannai	Non-executive Director Member of Audit Committee	—
Kuraji Kutsuwata	Independent Non-executive Director Member of Nomination Committee	President of Kutsuwata Shoten Co., Ltd. President of Yatsupu Kogyo Co., Ltd. Chairman of Fukushima Federation of Societies of Commerce and Industry Vice-chairman of Central Federation of Societies of Commerce and Industry
Michio Minakata	Independent Non-executive Director Member of Audit Committee and Remuneration Committee	President of IPO Bank Limited Representative partner of Mavrick Tax Corporation Company Auditor of Showcase Inc.
Yoshihiro Koizumi	Independent Non-executive Director Member of Audit Committee and Remuneration Committee	President of Clear Markets Japan Limited President of Tokyo Curry, Inc.
Akihito Tanaka	Independent Non-executive Director Member of Nomination Committee	President of Strategic Center of Asia Co., Ltd. Chairman of SAN PLATZ CO., Ltd.



<b>Name</b>	<b>Position and responsibilities</b>	<b>Significant concurrent position</b>
Akinori Ohishi	Executive officer Director	Director of Niraku Corporation Director of NGCH Hong Kong Limited Director of NPJ Hong Kong Limited Director of Niraku Investment Co., Ltd. Director of NIRAKU USA INC. Director of NPJ China YOKOCHO Co., Ltd. Director of Dream Games Singapore Pte., Ltd. Director of Dream Games (Japan) Co., Ltd. <i># Appointed President on 24 April 2023</i> Director of Dream Games Vietnam Co., Ltd. <i># Appointed President on 1 April 2023</i> Director of Dream Games Cambodia Co., Ltd.
Masataka Watanabe	Executive officer Director	Director and Member of Audit Committee of Hikari Tsushin, INC.
Hidenori Morota	Executive officer	Director of Niraku Corporation President of NEXIA Inc. President of Niraku Merrist Corporation

## (2) The total remuneration of Directors and executive officers

<b>Category</b>	<b>Number of people</b>	<b>Amount</b>	<b>Remark</b>
Directors	5	¥21,060 thousand	Note 1
Executive officers	<u>4</u>	<u>¥88,028 thousand</u>	Note 1
Total	<u>9</u>	<u>¥109,088 thousand</u>	

Note:

1. Remuneration of Director who is also holding the office of executive officer is included in the category of executive officers.

**(3) Matters related to the amount and calculation of remuneration***1. Method of policy determination*

Remuneration for each of the Director and executive officer shall be individually determined by the Remuneration Committee in accordance with Japan Companies Act.

*2. General policy*

Remuneration shall be commensurate with their required capability and responsibility in each position, taking into account the level of remunerations of other companies.

*3. Remuneration of Directors*

Directors' remuneration is paid on monthly basis, taking into account their offices as executive and non-executive Directors.

*4. Remuneration of executive officers*

Executive officers' remuneration is paid on a fixed monthly rate according to their positions held.

**(4) Major activities of non-executive Director and independent non-executive Directors**

<b>Category</b>	<b>Name</b>	<b>Status on major activities</b>
Director	Kuraji Kutsuwata	Attended 14 out of 15 Board meetings held during his office in the fiscal year. He had commented and given advice on the manufacturing industry and overall business operation.
Director	Michio Minakata	Attended 15 out of 15 Board meetings held during his office in the fiscal year. He had commented and given advice on the accounting, taxation, and audit aspects.
Director	Yoshihiro Koizumi	Attended 15 out of 15 Board meetings held during his office in the fiscal year. He had commented and given advice on financing and accounting aspects.
Director	Akihito Tanaka	Attended 15 out of 15 Board meetings held during his office in the fiscal year. He had commented and given advice on restaurant and retail business.

**(5) Total remuneration of independent non-executive Directors**

	<b>Number of people paid</b>	<b>Remuneration from Amount the subsidiary</b>
Total remuneration of independent non-executive Directors	4	¥17,340 thousand Nil

**4. ACCOUNTING AUDITOR****(1) Name of accounting auditor**

PricewaterhouseCoopers Aarata LLC

**(2) Fees**

Fee for provision of audit service for the current fiscal year: ¥5,580 thousand

*Note:* Communication has been made between Audit Committee and the accounting auditor. The fees of statutory audit service were agreed in accordance with Paragraphs 1 and 3 of Article 399 of the Japan Companies Act.

**(3) Non-audit services**

We paid service fee to the accounting auditor for advice regarding the preparation of ESG reports, which is a service other than the services under Paragraph 1 of Article 2 of the Certified Public Accountants Act.

**5. OVERVIEW OF THE RESOLUTION REGARDING THE MAINTENANCE OF THE FRAMEWORK FOR ENSURING THE APPROPRIATENESS OF BUSINESS****(1) Maintenance of the framework ensuring the appropriateness of business**

1. *Framework for data storage and information management related to the execution of the duties of executive officers (Information safeguard management system)*

1. Documents and information pertaining to the execution of duties by executive officers shall be properly prepared, managed, stored and disposed according to document management, information property management and other related internal rules and regulations.
2. These documents and information shall be made available for review by Directors at any time.

2. *Rule for managing risk of loss and other similar framework (Risk management on loss exposure system)*
  1. Risk management department shall prevent any losses that may affect business activities of the company and its subsidiaries; and promptly address to all risks that have incurred.
  2. The Board shall review and assess the efficiency of risk management system on timely basis.
  3. Audit Committee shall monitor the risk management system of the Company and its subsidiaries, and report to the Board for any risks identified promptly.
  4. Executive officers shall have thorough understanding of the business situation of the Company and its subsidiaries and identify business issues; appropriate measures shall be taken to manage the issues.
3. *Framework for ensuring the efficient execution of duties by executive officers (Efficiency assurance system)*
  1. In addition to monthly Board meetings, where necessary, the Board shall hold meetings to enhance decision making flexibility.
  2. The Board shall review the duty execution of the executive officers and assess their efficiency.
  3. The chairman of the Board and external Directors shall carry out regular exchange of opinions, ensure prompt and appropriate actions could be taken to supervise the execution of duties of executive officers.
  4. Organisation regulations shall be formulated, job responsibilities and authorities shall be clearly identified, ensure prompt and efficient execution of duties.
4. *Framework for ensuring duties executed by executive officers and employees are in compliance with laws and regulations and the Articles of Incorporation (Articles of Incorporation compliance system)*
  1. Establish compliance framework regarding laws and regulations to be complied by executive officers and employees; and to raise the awareness of compliance in accordance with code of conduct and code of ethics.

2. Audit Committee and internal audit department shall ensure executive officers and employee complied with laws and regulations and article of incorporation when executing their duties; and report to the Board in accordance with internal audit procedures and annual audit plan.
3. Internal reporting system 'Niraku Hotline' shall be established, ensure non-compliance of code of conduct and article of incorporation be detected at an early stage.
4. Where violation of laws and regulations is found, the Board shall response to the situation promptly, and seek assistance from external expertise where necessary.
5. *Framework for ensuring proper execution of business in the Group consisting of the Company and its subsidiaries (Corporate internal control)*
  1. Code of Ethics and guidelines shall be established and apply to the entire Group.
  2. Timely report on the business situation and duties of the subsidiaries shall be made, ensure business operations are carried out appropriately so as to achieve a sound development of the Group as a whole.
  3. In accordance with the risk management regulations, subsidiaries shall report to the risk management department for any identified issues which would affect its business and operation. Risk management department, after receiving report from the subject subsidiary, shall carry out investigation immediately and report it to the Audit Committee.
  4. Organisational design and business execution systems of subsidiaries shall be reviewed and revised regularly; assessment of system effectiveness shall be carried out. For decision making at subsidiaries level, the authorities and responsibilities of executive officers shall be defined in accordance with various regulations and necessary guidance and supervision to ensure systematic and efficient execution shall be provided.
  5. The Audit Committee shall audit the business activities of subsidiaries and confirm the internal control system of subsidiaries is properly developed and functioning.
  6. Transactions between Group companies shall be verified by each relevant department, ensure transactions are properly complied with laws and regulations.

6. *Matters concerning employees of Audit Committee (Audit Committee staff) to assist the duties of the Audit Committee (Audit Committee staff arrangement)*

Internal audit department shall be established to assist the Audit Committee's duties and arrange employees (audit committee staff). The structure of the department, number of members to be arranged, etc. shall be decided under the consent of the Audit Committee.

7. *Matters concerning independence of the Audit Committee staff (Audit Committee staff independence) from executive officers*
  1. Regarding the assistant work instructed by the Audit Committee to Audit Committee staff, Audit Committee staff shall not execute any orders other than those instructed by Audit Committee.
  2. Personnel matters of internal audit department, evaluation, disciplinary action and other important personnel matters of Audit Committee staff, shall only be executed under the consent of Audit Committee.

8. *Matters concerning effective instruction to Audit Committee staff*

Executive officers and employees shall cooperate in the development of audit environment to ensure Audit Committee staff can conduct their duties smoothly.

9. *Framework for reporting to Audit Committee (Reporting system to Audit Committee)*
  1. The Audit Committee may request reports from executive officers and departments in the top management meetings.
  2. The Audit Committee may request executive officers and departments to make necessary reports based on the audit implementation plan formulated every year.
  3. Audit Committee shall regularly hold audit collaboration meetings and receive reports from each department in a timely manner.
  4. Executive officers and employees shall promptly response and report to Audit Committee on matters prescribed by laws and regulations; and any matters that seriously affect the Company or its subsidiaries that are required to be reported to Audit Committee.
  5. Apart from matters stipulated by laws and regulations, directors and employees of the subsidiaries shall promptly report to internal auditors of the subsidiaries and the Audit Committee on matters that require reporting as requested by auditors of subsidiaries.

10. *Framework for protecting whistle blowers from retaliation as a result of reporting of wrongdoings*
1. Audit Committee does not have any obligation to report to third parties on information obtained from executive officers or employees.
  2. Audit Committee may ask executive officers to disclose reasons for relocation, personnel evaluation and disciplinary action, etc., against employees who reported wrongdoings to Audit Committee.
11. *Procedures concerning advanced payment and reimbursement of expenses incurred during execution of duties by Audit Committee; and other matters concerning the treatment of expenses or obligations arising from execution of relevant duties*
- Expenses incurred in the execution of duties by Audit Committee shall be borne by the Company; unless such expenses are proven to be irrelevant to duties execution, promptly settlement of disbursement to Audit Committee shall be made.
12. *Other framework for ensuring Audit Committee effectively execute audits (Effective audit assurance system)*
1. Executive officers shall arrange regular meetings with the members of Audit Committee, exchanges opinions on key audit matters, and enhance mutual recognition.
  2. Audit Committee shall hold regular meetings with internal audit department, ensure audit policy and key audit matters on audit aspect are conveyed to the staff of internal audit department.
  3. Regular meetings shall be arranged with external auditors, share the information related to key audit matters, and enhance the know-how related to audit.

## 6. MATTERS RELATED TO SPECIFIED WHOLLY-OWNED SUBSIDIARY

Name	Address	Total carrying value	Total assets value
Niraku Corporation	Koriyama-shi, Fukushima	¥17,480,293 thousand	¥28,667,876 thousand

## SUPPLEMENTARY SCHEDULE RELATED TO THE BUSINESS REPORT

1. Details of executive officers holding positions in other Group companies:

<b>Title</b>	<b>Name</b>	<b>Name of other Group companies</b>	<b>Position held in other Group companies</b>	<b>Relationship with other Group companies</b>
Chief Executive Officer	Hisanori Taniguchi	Densho Limited* (有限会社伝承)	Director	One of the controlling shareholders of the Company
Director		Niraku Corporation	Representative Director	Subsidiary of the Company
		Niraku Investment Co., Ltd.	Representative Director	—
		NGCH Hong Kong Limited	Director	Subsidiary of the Company
		NPJ Hong Kong Limited	Director	Subsidiary of the Company
		NPJ China YOKOCHO Co., Ltd.	Director	Subsidiary of the Company
		NIRAKU USA INC.	President	—



Title	Name	Name of other Group companies	Position held in other Group companies	Relationship with other Group companies
Executive officer Director	Akinori Ohishi	Niraku Corporation	Director	Subsidiary of the Company
		Niraku Investment Co., Ltd.	Director	—
		NGCH Hong Kong Limited	Director	Subsidiary of the Company
		NPJ Hong Kong Limited	Director	Subsidiary of the Company
		NPJ China YOKOCHO Co., Ltd.	Director	Subsidiary of the Company
		Dream Games Singapore Pte. Ltd.	Director	Subsidiary of the Company
		Dream Games (Japan) Co., Ltd.	Director # Appointed President on 24 April 2023	Subsidiary of the Company
		Dream Games Vietnam Co., Ltd.	Director # Appointed President on 1 April 2023	Subsidiary of the Company
		Dream Games Cambodia Co., Ltd.	Director	Subsidiary of the Company
		NIRAKU USA INC.	Director	—
Executive officer Director	Masataka Watanabe	Hikari Tsushin, INC.	Director and member of Audit Committee	—
Executive officer	Hidenori Morota	Niraku Corporation	Director	Subsidiary of the Company
		NEXIA Inc.	Representative Director	Subsidiary of the Company
		Niraku Merrist Corporation	Representative Director	Subsidiary of the Company

\* for identification purpose only

The following is the texts of the audited financial reports of the Company for the year ended 31 March 2023 prepared pursuant to and in accordance with the requirements under the Japan Companies Act and JGAAP. The audited financial statements of the Group for the same period prepared in accordance with the Listing Rules and IFRS are included in the Company's annual report 2023 being despatched to the Shareholders together with this circular.

## INDEPENDENT AUDITOR'S REPORT

1 June 2023

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.

PricewaterhouseCoopers Aarata LLC  
Tokyo office

Kazuaki Sekine, CPA  
Designated limited liability Partner  
Engagement Partner

### Opinion

We have audited, pursuant to Article 436(2)(i) of the Companies Act of Japan, the accompanying financial statements, which comprise the balance sheet, profit and loss statement, statement of changes in net assets and notes to the financial statements, and the supplementary schedules of 株式会社ニラク ■ ジー ■ シー ■ ホールディングス Niraku GC Holdings, INC. (hereinafter referred to as the "Company") for the 11th fiscal year from 1 April 2022 to 31 March 2023.

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and its financial performance for the period covered by the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and the Supplementary Schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements and the supplementary schedules in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

The other information comprises the business report and the supplementary schedules. Management is responsible for the preparation and disclosure of the other information. In addition, those charged with governance are responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of Management and Audit Committee for the Financial Statements and the Supplementary Schedules**

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

An audit committee is responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements and the Supplementary Schedules**

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the financial statements and the supplementary schedules are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

*\* Notes to the Readers of Independent Auditor's Report*

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

**BALANCE SHEET***(As at 31 March 2023)*

<b>Account</b>	<b>Amount</b>
	<i>(In ¥ thousand)</i>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	<b>5,849,538</b>
Cash and deposits	3,824,415
Short term loans receivable	500,155
Current portion of long-term loans receivable	1,429,990
Other receivables	79,999
Income tax recoverable	264,657
Others	41,438
Allowance for doubtful accounts	<u>(291,117)</u>
<b>NON-CURRENT ASSETS</b>	<b>22,818,337</b>
<b>Tangible fixed assets</b>	<b>0</b>
Buildings	0
Equipment and tools	0
<b>Investments and other assets</b>	<b>22,818,337</b>
Investment in stocks of affiliates	19,152,052
Long-term loans receivable	5,729,984
Long-term prepaid expense	158,638
Others	103,585
Allowance for doubtful accounts	<u>(2,325,923)</u>
<b>TOTAL ASSETS</b>	<b><u><u>28,667,876</u></u></b>

<b>Account</b>	<b>Amount</b> <i>(In ¥ thousand)</i>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	<b>2,261,690</b>
Short term loans payable	400,000
Current portion of long-term loans payable	1,812,025
Tax payable	2,768
Other payables	<u>46,896</u>
<b>NON-CURRENT LIABILITIES</b>	<b>4,219,536</b>
Long term loans payable	4,171,330
Deferred tax liabilities	<u>48,206</u>
<b>TOTAL LIABILITIES</b>	<b><u><u>6,481,226</u></u></b>
<b>NET ASSETS</b>	
<b>SHAREHOLDERS' EQUITY</b>	<b>22,188,350</b>
<b>Share capital</b>	<b>3,000,000</b>
<b>Capital surplus</b>	<b>17,896,921</b>
Capital reserve	17,006,848
Other capital surplus	890,072
<b>Retained earnings</b>	<b>1,291,429</b>
Other retained earnings	1,291,429
Retained earnings carried forward	1,291,429
<b>Valuation and translation adjustment</b>	<b>(1,701)</b>
Valuation difference on available-for-sale securities	<u>(1,701)</u>
<b>TOTAL NET ASSETS</b>	<b><u><u>22,186,649</u></u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>28,667,876</u></u></b>

(Note) The amounts stated above have been rounded down to the nearest ¥1,000.

**PROFIT AND LOSS STATEMENT***(From 1 April 2022 to 31 March 2023)*

<b>Account</b>	<b>Amount</b> <i>(In ¥ thousand)</i>
<b>Operating revenue</b>	<b>1,358,098</b>
Operating expenses	<u>(465,136)</u>
<b>Operating profit</b>	<b><u>892,962</u></b>
<b>Non-operating income</b>	<b>165,020</b>
Interest income	163,571
Other non-operating income	1,448
<b>Non-operating expenses</b>	<b>(208,125)</b>
Interest expenses	(80,001)
Handling charge paid	(77,651)
Foreign exchange loss	<u>(50,471)</u>
<b>Ordinary profit</b>	<b><u>849,857</u></b>
<b>Extraordinary loss</b>	<b>(434,005)</b>
Provision of allowance for doubtful accounts	<u>(434,005)</u>
<b>Profit before tax</b>	<b>415,852</b>
Income tax, inhabitant tax and business tax	(73,557)
Income tax adjustment	<u>(15,529)</u>
	<u>(89,087)</u>
<b>Net Profit</b>	<b><u>504,939</u></b>

*(Note)* The amounts stated above have been rounded down to the nearest ¥1,000.



**STATEMENT OF CHANGES IN EQUITY****From 1 April 2022 to 31 March 2023***(In ¥ thousand)*

Item	Shareholder's equity					
	Capital	Capital surplus			Retained earnings	
		Capital reserve	Other capital reserve	Total capital reserve	Retained earnings carried forward	Total Shareholder's equity
Balance at beginning of year	3,000,000	17,006,848	890,072	17,896,921	1,468,124	22,365,045
Change during the year						
Dividends paid (Note 2)	—	—	—	—	(681,634)	(681,634)
Net profit	—	—	—	—	504,939	504,939
Net change other than shareholder's equity	—	—	—	—	—	—
Total change for the year	—	—	—	—	(176,694)	(176,694)
Balance at end of year	<u>3,000,000</u>	<u>17,006,848</u>	<u>890,072</u>	<u>17,896,921</u>	<u>1,291,429</u>	<u>22,188,350</u>

Item	Valuation and translation adjustments		
	Valuation on available-for-sale securities	Total of valuation and translation adjustments	Total Net Assets
Balance at beginning of year	3,352	3,352	22,368,397
Change during the year			
Dividends paid (Note 2)			(681,634)
Net profit			504,939
Net change other than shareholder's equity	(5,053)	(5,053)	(5,053)
Total change for the year	<u>(5,053)</u>	<u>(5,053)</u>	<u>(181,748)</u>
Balance at end of year	<u>(1,701)</u>	<u>(1,701)</u>	<u>22,186,649</u>

*(Note)*

- The amounts stated above have been rounded down to the nearest ¥1,000.
- Dividends based on the resolution of the Board of Directors meeting held on 29 June 2022 and dividends based on the resolution of the Board of Directors meeting held on 25 November 2022.

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS****1. NOTES ON MATTERS RELATING TO THE SIGNIFICANT ACCOUNTING POLICIES****(1) Valuation basis and method of assets***1. Valuation basis and method of marketable securities*

Investments in subsidiaries . . . . . moving average cost method

*2. Valuation basis and method of derivatives financial instruments*

Using individual fair value method

**(2) Depreciation method of fixed assets***1. Tangible fixed assets*

Depreciation is calculated using declining-balance method.

However, depreciation of buildings (except leasehold improvement) and leasehold improvement which are acquired on or after 1 April 2016 are calculated using straight-line method.

The estimated useful lives are as follows:

Buildings	3 to 15 years
Equipment and tools	3 years

*2. Long term prepaid expenses*

Amortisation is calculated using straight-line method.

**(3) Foreign currency translation for monetary assets and liabilities**

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese Yen using the exchange rates prevailing at the dates of the transactions, foreign exchange differences are recognised as the profit or loss.

**(4) Provision for doubtful accounts**

In order to prepare for losses due to doubtful accounts, the general receivables are based on the actual bad debt rates, for specific receivables, such as bad debts, we have considered the possibility of individual recovery and have recorded the estimated uncollectible amount.

**(5) Accounting standard for recognition of revenue and expenses**

A subsidiary outsources service to the Company, and the revenue related to the outsourced service has performance obligations to provide the outsourced service based on the Subcontracting Agreement with the subsidiary. The Subcontracting Agreement is a transaction that fulfils performance obligations over a certain period of time, and revenue is recognised according to the progress of fulfilment of performance obligations.

**(6) Other significant matters that constitute the basis for the preparation of financial statements****1. Accounting for hedging***(1) Hedge accounting*

Deferred hedge accounting is used

For interest rate swaps transactions, where they meet all the specific criteria, they are recognised using specific accounting treatment.

*(2) Hedge method and Hedge item*

Hedge method . . . . . Derivatives transactions (Interest rate swaps transactions)

Hedge item . . . . . Interest rate of borrowings

*(3) Hedge policy*

To minimise the adverse effects of interest rate fluctuation, derivative contracts are arranged.

The Company entered into derivative contracts as a means of risk management of its assets and liabilities, and had no intention for speculative or trading purposes. Derivatives contracts will not be arranged if the company considered that may increase the market risk. Credit risk in relation to the derivative contracts will be considered during the selection process, as a result, market risk and credit risk of derivative contracts are insignificant.

**2. NOTES RELATING TO CHANGE IN ACCOUNTING POLICY**

“Implementation Guidance on Accounting Standard for Fair Value Measurement”(ASBJ Guidance No. 31, 17 June 2021, hereinafter referred to as “Implementation Guidance on Accounting Standard for Fair Value Measurement”) has been adopted from the beginning of the current fiscal year. According to the transitional treatment stipulated in Paragraph 27–2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company decided to adopt the new accounting policies stipulated by Implementation Guidance on Accounting Standard for Fair Value Measurement in the future. This had no impact on the financial statements.

**3. NOTES RELATING TO ACCOUNTING ESTIMATES****Valuation of Investment in stocks of affiliates***1. Amount recognised in financial statements for the current fiscal year*

Investment in stocks of affiliates	¥19,152,052 thousand
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*2. Other information that contributes to the understanding of contents of the accounting estimates*

In assessing the Investment in stocks of affiliates, if the actual value shows a significant reduction due to the worsening of the financial condition of the issuing company, except the case that the recoverability is supported by sufficient evidence, it is reduced to the actual value and recognised as loss. The estimate may be affected by unpredictable changes in the business environment in the future. In the event of a change that significantly reduces the actual value of Investment in stocks of affiliates, it may have a significant impact on the amount of Investment in stocks of affiliates in the financial statements for the following fiscal year.

**4. NOTES RELATING TO BALANCE SHEET****(1) Assets pledged as collateral**

Immovable properties owned by Niraku Corporation and NEXIA Inc., which are subsidiaries of the Company are provided as collateral.

(Corresponding debts)	
Short term loans payable	¥400,000 thousand
Current portion of long-term loans payable	¥1,812,025 thousand
Long-term loans payable	<u>¥4,171,330 thousand</u>
Total	<u>¥6,383,355 thousand</u>

**(2) Accumulated depreciation of tangible fixed assets** ¥9,937 thousand

**(3) Assets and liabilities with related companies**

Short-term loans receivable	¥2,005,276 thousand
Long-term loans receivable	¥5,729,984 thousand
Short-term borrowings	¥2,870 thousand

**5. NOTES RELATING TO PROFIT AND LOSS STATEMENT****(1) Transactions with related parties**

Operating transactions	
Dividend income	¥1,283,100 thousand
Handling charge paid	¥53,082 thousand
Handling charge received	¥74,998 thousand
Non-operating transactions	
Interest income	¥162,465 thousand
Rental income	¥1,033 thousand
Provision of allowance for doubtful accounts	¥434,005 thousand

(Note) Provision of allowance for doubtful accounts are made on long-term loans receivable and short-term loans receivable from related parties.

**(2) Extraordinary loss**

Provision of allowance for doubtful accounts (note)	¥434,005 thousand
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(Note) Provision of allowance for doubtful accounts are made on long-term loans receivable and short-term loans receivable from related parties.

## 6. NOTES RELATING TO STATEMENT OF CHANGES IN EQUITY

## (1) Class and total number of shares in issue

*(Number of shares)*

Class of share	Number of shares at beginning of year	Increase in number of shares	Decrease in number of shares	Number of shares at end of year	Remark
Ordinary shares	1,195,850,460	—	—	1,195,850,460	

## (2) Types and number of treasury shares

Not applicable

## (3) Matters related to dividends

## (1) Dividend distribution

Matters relating to dividends by resolution of the Board of Directors on 29 June 2022

Total amount of dividends:	¥478,340 thousand
Dividend per share:	¥0.40
Cut-off date:	20 July 2022
Effective date:	18 August 2022

Matters relating to the dividends by resolution of the Board of Directors on 25 November 2022

Total amount of dividend:	¥203,294 thousand
Dividend per share:	¥0.17
Cue-off date:	9 December 2022
Effective date:	12 January 2023

## (2) Dividend distribution in relation to current financial year which will be paid in next fiscal year

The following matters relating to dividends are proposed for the Board of Directors' meeting on 1 June 2023

Total amount of dividends:	¥131,543 thousand
Dividend per share:	¥0.11
Cut-off date:	19 June 2023
Effective date:	19 July 2023

## 7. NOTES TO TAX EFFECT ACCOUNTING

- (1) The major factors giving rise to deferred tax liabilities are fees paid in relation to syndicated loans and valuation difference on available-for-sale securities.
- (2) The Company has applied the Group Tax Sharing System from the current fiscal year. Accordingly, corporate, local corporate income taxes, and tax-effect accounting are accounted for and disclosed in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021.).

**8. NOTES TO FINANCIAL INSTRUMENTS****1. Financial instruments***(1) Policy on purchase of financial instruments*

The Group maintains sufficient cash flow to finance its capital investment in pachinko and pachislot business. The Group's funding activities include investing temporary surplus in low risk financial assets and bank borrowings for short-term working capital. For derivatives, interest rate swap contracts are entered to manage interest rate risk, which are not for the purpose of speculation.

*(2) Details of financial instruments and related risk management*

The Company is exposed to credit risk in relation to the loans receivables, which are mainly due from related companies. The Company frequently monitor the financial situation of the related companies in order to reduce credit risk.

Operating liabilities are payables and accrued expenses, and the amounts due are mainly within 1 year.

The Group's borrowings are for ensuring sufficient cash flow to meet capital expenditures of the Group. Some of these are in variable interest rates, therefore, they are exposed to the risk of interest rate fluctuation. However, they are hedged by using interest rate swap contracts.

Payables and borrowings under operating liabilities are exposed to liquidity risk. Finance department of the Group monthly prepares and updates the payables and borrowings data as a means of risk management.

*(3) Supplementary information on fair value of financial instruments*

The fair value of financial instruments are based on quoted market prices; where quoted market prices are not available, reasonable assumptions will be applied in the computation of fair value. Since variable factors are incorporated in the estimation, different assumptions are adopted when determining fair values.

Regarding the contracted price of derivatives transactions as mentioned in below "2. Fair value of financial instruments", the amount itself does not indicate the market risk associated with the derivative transaction.

**2. Fair value of financial instruments**

The difference between the carrying amounts and the fair values of the financial instruments as at 31 March 2023 (closing date for the current year) are as follows.

"Cash and deposits", "Short-term loans receivable", "Other receivables" "Income taxes receivable", "Short-term loans borrowings" and "Income taxes payable" are not stated because their market values approximate to their book values as they are settled in a short period of time.

Stocks without market prices (Investment in stocks of affiliates amounted to ¥19,152,052 thousand) is not included in the following table:

	<b>Balance sheet amount</b> <i>(Note)</i> <i>(In ¥ thousand)</i>	<b>Fair value</b> <i>(Note)</i> <i>(In ¥ thousand)</i>	<b>Difference</b> <i>(In ¥ thousand)</i>
(1) Long-term loans receivable (including current portion of long-term loans receivable)	7,159,974	—	—
Allowance for doubtful accounts	<u>(2,617,040)</u>	<u>—</u>	<u>—</u>
	4,542,934	4,542,934	—
(2) Long-term borrowings (including current portion of long-term loans borrowings)	(5,983,355)	(5,987,271)	3,916
(3) Derivatives	—	—	—

*(Note)* Balances recorded as liabilities or Allowance for doubtful accounts are presented in ().

(1) *Long-term loans receivable (including current portion of long-term loans receivable)*

Loans receivable are arranged under floating rate. The carrying amounts approximate their fair values.

(2) *Long-term borrowings (including current portion of long-term loans borrowings)*

Long term borrowings are arranged under floating rate. The carrying amounts approximate their fair values. However, the fair value of certain interest rate swaps subject to special treatment is the total amount of principal being treated together with the related interest swap, discounted by the reasonably estimated interest rate that would be applied if a similar borrowing were made.

(3) *Derivatives*

Those items given special treatment as interest rate swaps are treated together with long-term borrowings that are subject to hedging; therefore, their market values are presented together with the market value of the related long-term borrowings (refer to (2) above).

## 9. NOTES TO TRANSACTIONS WITH RELATED PARTIES

## (1) Subsidiary and related parties

Category	Name of related party	Percentage of holding (being held) such as voting rights	Relationship with related parties	Description of the transaction	Transaction amount (In ¥ thousand) (Note 2)	Account	Ending balance as at the end of the year (In ¥ thousand)
Subsidiary	Niraku Corporation	Direct ownership 100.0%	Common director Receiving services Financial support	Being the guarantor of bank borrowing of the Company (note 3) Lending of funds	4,558,675 1,450,000	— Short term loan receivables	— 400,000
				Interest income		Current portion of	1,239,028
				Handling charge	124,362	Long-term loans	
				Handling charge received	52,941 70,800	receivables Long-term loans receivables	3,404,061
						Accrued income	2,054
						Accrued expense	5,178
						Other receivables	49,669
Subsidiary	Dream Games Singapore Pte. Ltd.	Direct ownership 100.0%	Financial support	Lending of funds	248,970	Short term loan receivables	100,155
				Interest income	37,282	Current portion of Long-term loans receivables (note 5)	190,962
						Long-term loans receivables (note 5)	809,252
Subsidiary	NGCH Hong Kong Limited	Direct ownership 100.0%	Financial support	Lending of funds	—	Current portion of Long-term loans receivables (note 6)	352,545
				Handling Charge received	2,758	Long-term loans receivables (note 6)	
Subsidiary	NEXIA Inc.	Direct ownership 100.0%	Renting of investment properties to a subsidiary Financial support	Being the guarantor of bank borrowing of the Company (Note 4)	3,956,225	— Other receivables	— 22,534
Subsidiary	NPJ Hong Kong Limited	Indirect ownership 51.0%	Common director Financial support	Lending of funds Interest income	204,525 821	Long-term loans receivables (note 7)	1,164,125

(Note)

- Regarding the above amounts, the transaction amounts do not include consumption tax, while the year-end balances include consumption tax.
- Terms of transactions and policy in determining the terms of transactions.

Terms of transactions in relation to loans receivable are determined taking into account the market interest rate.



Price and other terms of transaction are determined upon price negotiation by presenting the price suggested by the Company considering the actual market conditions.

3. The Company has received the guarantee of liabilities and guarantee of deposit on the bank borrowings from Niraku Co., Ltd, the transaction amount represents the balance of the liabilities of the Company at end of year. The Company has not paid any guarantee fees.
4. The Company has received the guarantee of liabilities and guarantee of deposit on the bank borrowings from NEXIA Inc., the transaction amount represents the balance of the liabilities of the Company at end of year. The Company has not paid any guarantee fees.
5. The company has recorded allowance for doubtful accounts on full amount of long-term loans receivables.
6. In the current fiscal year, a provision of allowance for doubtful accounts amounted ¥218,113 thousand was recorded.
7. The company has recorded allowance for doubtful accounts on full amount of long-term loans receivables.

In the current fiscal year, a provision of allowance for doubtful accounts amounted ¥205,945 thousand was recorded.

## (2) Directors and major individual Shareholders

Category	Name of related party	Location	Capital or investment	Descriptions of business or occupation	Percentage of holding (being held) such as voting rights	Relationship with related parties	Description of the transaction	Transaction amount (In ¥ thousand) (Note 2)	Account	Ending balance as at the end of the year (In ¥ thousand)
Company which directors and their close relatives substantially own majority of the voting rights (including subsidiaries of the Company)	NIRAKU USA INC.	America	9,500,000 USD	Gaming industry	Nil	Common director Receiving services	Handling charge	24,398	Other payables	2,003

(Note)

1. Regarding the above amounts, the transaction amounts do not include consumption tax, while the year-end balances include consumption tax.
2. Terms of transactions and policy in determining the terms of transactions

Price and other terms of transaction are determined upon price negotiation by presenting the price suggested by the Company considering the actual market conditions.

## 10. NOTES TO FINANCIAL INFORMATION PER SHARE

Net assets per share	¥18.55
Net profit per share	¥0.42

## 11. NOTES TO REVENUE RECOGNITION

## Basic information to understand revenue

It is as stated in “Accounting standard for recognition of revenue and expenses” under “NOTES ON MATTERS RELATING TO THE SIGNIFICANT ACCOUNTING POLICIES”.

(1) Details of tangible fixed assets and intangible fixed assets (including investments and other assets which subject to amortisation)

(In ¥ thousand)

Category	Classification of asset	Net book amount at beginning of year	Additions	Disposals	Depreciation/ amortisation	Net book amount at end of year	Accumulated depreciation/ amortisation	Cost at end of year
Tangible fixed assets	Buildings	—	—	—	—	0	9,733	9,733
	Equipment and tools	—	—	—	—	0	204	204
	Total	—	—	—	—	0	9,937	9,937
Investments and other assets	Long term prepaid expenses	214,956	—	—	56,317	158,638	—	—

(2) Details of allowance for doubtful accounts

(In ¥ thousand)

Category	Amount at beginning of year	Increase	Decrease Use for purpose	Other	Amount at end of year
Allowance for doubtful accounts	2,002,714	614,326	—	—	2,617,040

(3) Details of administrative and other operating expenses

Account	Amount
Directors' remuneration	109,088
Salaries and allowances	32,556
Provision for bonuses	1,505
Legal welfare expense	7,723
Rental expense	14,654
Insurance expense	2,084
Handling expenses	257,057
Travelling and transportation	8,891
Advertising expenses	10,983
Taxes and public charges	7,269
Entertainment	1,544
Membership fees	2,911
Maintenance fees	7,526
Others	1,337
Total	465,136

(Note) The amounts stated above have been rounded down to the nearest ¥1,000.

*The following is an English translation of the audit committee's report for the year ended 31 March 2023 prepared pursuant to and in accordance with the Japan Companies Act.*

**CERTIFIED COPY OF THE AUDIT COMMITTEE'S REPORT (TRANSLATION)**

**AUDIT REPORT**

The Audit Committee has conducted audits of the Directors and Executive Officers of the Company with regard to their performance of duties during the 11th fiscal year from 1 April 2022 to 31 March 2023. A report covering the findings of the audit follows.

**1. METHOD AND CONTENTS OF AUDIT**

The Company's Audit Committee monitored and examined the content of resolutions of the Board of Directors related to matters set forth in Article 416, Paragraph 1, Item 1(b) and (e) of the Companies Act, as well as the structure and operational status of the Company's internal control system as set forth in the aforementioned resolutions. To this end, the Audit Committee received yearly reports from Directors, Executive Officers and employees regarding the content of the above resolutions, and where necessary, sought explanations and voiced opinions on these matters, as well as performed the audit by the following methods:

- (i) In accordance with policies and task allocation established by Audit Committee and in collaboration with the divisions in charge of internal control, the Audit Committee attended important meetings, received reports from Directors and Executive Officers in a relation to their performance of duties, sought explanations where necessary, perused key documents such as financial statements, and conducted appropriate surveys of the status of business operations and assets at the Company's head office and other offices. The Audit Committee received business reports from subsidiaries as necessary, through communication and information sharing with the Directors and Corporate Auditors of the subsidiaries.
- (ii) The Audit Committee monitored and verified whether the Accounting Auditors maintained its independence and properly conducted its audit, received a report from the Accounting Auditors on the status of their performance of duties, and requested explanations as necessary. The Audit Committee was notified by the Accounting Auditors that it had established a "system to ensure that the performance of the duties of the Accounting Auditors was properly conducted" (the matters listed in the items of Article 131 of the Ordinance on Company Accounting) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council on 28 October 2005), and requested explanations as necessary.

Based on the above-described methods, the Audit Committee examined the Business Report and its accompanying supplementary schedules, the Financial Statements (balance sheet, statement of income, statement of changes in equity, and notes to financial statements) and their accompanying supplementary schedules for the fiscal year under consideration.

## 2. RESULTS OF AUDIT

### (1) Results of Audit of Business Report

- (i) We acknowledge that the Business Report and the accompanying supplementary schedules fairly present the status of the Company in conformity with the applicable laws, regulations, and the Articles of Incorporation.
- (ii) We acknowledge that no misconduct or material fact constituting a violation of laws, regulations, or the Articles of Incorporation was found with respect to the Directors and Executive Officers' performance of their duties.
- (iii) We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter requiring additional comment in the Business Report or the Directors and Executive Officers' performance of their duties concerning the internal control systems.

### (2) Results of Audit of the Financial Statements and the Accompanying Supplementary Schedules

We acknowledge that the methods and results of audit performed by the Accounting Auditors, PricewaterhouseCoopers Aarata LLC are appropriate.

1 June 2023

Audit Committee of Niraku GC Holdings, Inc.\*  
(株式会社ニラク・ジー・シー・ホールディングス)

Member of Audit Committee	Mr. Michio Minakata (Seal)
Member of Audit Committee	Mr. Hiroshi Bannai (Seal)
Member of Audit Committee	Mr. Yoshihiro Koizumi (Seal)

*Note:* Mr. Michio Minakata and Mr. Yoshihiro Koizumi of audit committee are outside directors as prescribed under Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

\* for identification purpose only