NiRAKU GC HOLDiNGS

株 式 会 社 ニ ラ ク・ジ ー・シ ー・ホ ー ル デ ィ ン グ ス

# NIRAKU GC HOLDINGS, INC.*

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

**Stock Code 股份代號 : 1245**

# 2024/2025

## ANNUAL REPORT
## 年報

* For identification purpose only
僅供識別

# Contents

# Corporate Profile

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

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

NIRAKU has a strong pachinko hall network with 49 halls at present, stretching from Tokyo Metropolitan Area to Northeast Honshu, equipped with over 29,100 pachinko and pachislot machines serving customers in ten prefectures in Japan.

* *For identification purpose only*

# Corporate Information and Information for Investors

## CORPORATE INFORMATION

| | |
|---|---|
| **Executive Directors** | Mr. Hisanori TANIGUCHI *(Chairman)*<br>Mr. Masataka WATANABE |
| **Non-Executive Director** | Mr. Hiroshi BANNAI |
| **Independent Non-Executive Directors** | Mr. Michio MINAKATA<br>Mr. Yoshihiro KOIZUMI<br>Mr. Kuraji KUTSUWATA<br>Mr. Akihito TANAKA<br>Ms. Reiko HACHISUKA |
| **Audit Committee** | Mr. Michio MINAKATA *(Committee Chairman)*<br>Mr. Hiroshi BANNAI<br>Mr. Yoshihiro KOIZUMI |
| **Remuneration Committee** | Mr. Yoshihiro KOIZUMI *(Committee Chairman)*<br>Mr. Hisanori TANIGUCHI<br>Mr. Michio MINAKATA |
| **Nomination Committee** | Mr. Hisanori TANIGUCHI *(Committee Chairman)*<br>Mr. Kuraji KUTSUWATA<br>Mr. Akihito TANAKA<br>Ms. Reiko HACHISUKA |

## INFORMATION FOR INVESTORS

| | |
|---|---|
| **Principal Bankers** | Mizuho Bank, Ltd.<br>Sumitomo Mitsui Bank Corporation<br>The Toho Bank, Ltd. |
| **Auditor** | PricewaterhouseCoopers<br>*Certified Public Accountants*<br>Registered Public Interest Entity Auditor |
| **Legal Adviser** | Deacons |
| **Share Registrar** | Computershare Hong Kong Investor Services Limited<br>Shops 1712–1716<br>17/F Hopewell Centre<br>183 Queen's Road East<br>Wan Chai, Hong Kong |
| **Principal Place of Business in Hong Kong** | 805B, 8/F, Tsim Sha Tsui Centre<br>66 Mody Road, Tsim Sha Tsui<br>Kowloon, Hong Kong |
| **Headquarters in Japan and Registered Office** | 1-1-39 Hohaccho<br>Koriyama-shi, Fukushima<br>Japan 963-8811 |
| **Stock Code** | 1245 |
| **Investor and Media Relations Consultant** | Strategic Financial Relations Limited |
| **Website** | www.ngch.co.jp |
| **Investor Relation Inquiry** | e-mail: niraku@sprg.com.hk |

# Financial and Operational Highlights

The following table summarises the results of the Group for the financial years ended 31 March 2025, 2024, 2023, 2022 and 2021.

| | 2025 ¥ million | 2025 HK$ million | 2024 ¥ million | 2024 HK$ million | 2023 ¥ million (Restated) | 2022 ¥ million | 2021 ¥ million |
|---|---|---|---|---|---|---|---|
| Gross pay-ins | **145,091** | **7,549** | 131,835 | 6,817 | 119,837 | 108,075 | 94,414 |
| Gross pay-outs | **(120,366)** | **(6,263)** | (107,891) | (5,579) | (97,942) | (86,999) | (77,531) |
| Revenue from pachinko and pachislot business | **24,725** | **1,286** | 23,944 | 1,238 | 21,895 | 21,076 | 16,883 |
| Revenue from amusement arcade business | **1,648** | **86** | 1,687 | 87 | 1,710 | 359 | 1,015 |
| Other revenue | **1,943** | **101** | 1,324 | 68 | 1,007 | 774 | 643 |
| Revenue | **28,316** | **1,473** | 26,955 | 1,393 | 24,612 | 22,209 | 18,541 |
| Hall operating expenses | **(21,488)** | **(1,118)** | (20,654) | (1,068) | (18,726) | (18,279) | (17,367) |
| Administrative expenses | **(4,211)** | **(219)** | (3,795) | (196) | (3,568) | (3,246) | (3,393) |
| Impairment loss on property, plant and equipment, right-of-use assets and intangible assets | **(432)** | **(22)** | (396) | (20) | (585) | (2,004) | (5,592) |
| Impairment loss on financial assets | **–** | **–** | (410) | (21) | – | – | – |
| Profit/(loss) before income tax | **1,652** | **86** | 1,831 | 95 | 1,489 | (171) | (8,502) |
| Profit/(loss) attributable to the owners of the Company | **607** | **32** | 694 | 36 | 1,198 | (1,181) | (5,481) |
| Earnings/(loss) per share (expressed in Japanese Yen or Hong Kong dollar) | **0.51** | **0.03** | 0.58 | 0.03 | 1.00 | (0.99) | (4.58) |
| Overall revenue margin | **17.0%** | **17.0%** | 18.2% | 18.2% | 18.3% | 19.5% | 17.9% |
| Net profit/(loss) margin | **2.2%** | **2.2%** | 2.6% | 2.6% | 4.8% | (5.3%) | (30.2%) |

# Financial and Operational Highlights

| | 2025 | | 2024 | | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|---|---|
| | **As at 31 March** | | | | | | |
| | **¥ million** | **HK$ million** | ¥ million | HK$ million | ¥ million | ¥ million | ¥ million |
| Current assets | **12,806** | **666** | 13,872 | 717 | 12,396 | 13,012 | 17,937 |
| Current liabilities | **14,215** | **740** | 14,017 | 725 | 11,616 | 11,997 | 23,805 |
| Net current assets/(liabilities) | **(1,409)** | **(74)** | (145) | (8) | 780 | 1,015 | (5,868) |
| Total assets | **63,653** | **3,312** | 65,760 | 3,400 | 65,804 | 68,300 | 77,491 |
| Total assets less current liabilities | **49,438** | **2,572** | 51,743 | 2,675 | 54,188 | 56,303 | 53,686 |
| Gearing ratio | **1.3** | **1.3** | 1.4 | 1.4 | 1.5 | 1.6 | 1.7 |

## CURRENCY TRANSLATIONS

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

1. ¥19.22 to HK$1.00, the exchange rate prevailing on 31 March 2025 (i.e. the last business day in March 2025); and

2. ¥19.34 to HK$1.00, the exchange rate prevailing on 28 March 2024 (i.e. the last business day in March 2024).

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

# Chairman's Statement

## BUSINESS ACTIVITIES AND VISION

In the current fiscal year, the domestic economy saw signs of a rebound in personal consumption, supported by improvements in the employment and income environment and an increase in inbound tourists. However, a full-fledged recovery has not been achieved due to factors such as stagnant growth in real wages caused by prolonged inflation due to rising raw material and energy prices and the depreciation of Japanese Yen. The impact of rising prices has limited real purchasing power, and consumer consciousness regarding household defense has heightened further, with a trend towards frugality expected to continue. In addition, in 2025, the outlook for the Japanese economy has become increasingly uncertain due to policy trends represented by U.S. trade policies. Coupled with recruitment difficulties and soaring raw material prices, the business environment remains challenging to predict. Under these circumstances, in our mainstay pachinko business, the Group has continued to efficiently install gaming machines, reaching the largest number of installations since our foundation. As a result, total revenue (gross pay-ins) increased by 10.1% year-on-year to ¥145,091 million and we believe we were able to firmly meet customer demand without failing behind the recovery trend in domestic economic activity. In the overseas business, despite the steady performance of the economies in Vietnam and Cambodia, existing outlets struggled due to a decrease in the allocation of disposable income to leisure activities. Consequently, revenue of Dream Games, which operates amusement arcades in both countries, decreased by 2.3% year-on-year to ¥1,648 million.

In the mainstay pachinko business, we have viewed the favorable performance of smart gaming machines in the external environment as a significant opportunity for business growth and have proactively promoted capital investment. Specifically, to meet the strong demand from customers for the popular Smart Slots in the market, we have made adjustments to outlet layouts and increased the area for gaming machine installations, achieving an increase in the number of machines. As a result, the number of installed gaming machines reached 29,192 units as of the end of March 2025, setting a new record since our foundation and significantly contributing to increased sales.

In current 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. Since the self-service counters that we introduced two years ago, which made the prize exchange process contactless, we have further increased the number of halls that have introduced self-service counters during the year, and have completed the introduction of self-service POS at 46 halls (94% of the total).

# Chairman's Statement

In addition, given the competitive environment of existing halls, we have carried out various measures and experiments with the aim of further increasing our sales capabilities, achieving significant results such as transforming unprofitable halls into the top-performing halls in their regions. We will continue to steadily work toward creating halls which are supported by our customers.

In the domestic food and beverage business, which operates the brands "LIZARRAN", "Komeda" and "Gong Cha", has successfully expanded its business. LIZARRAN is a Spanish bar restaurant under Comess Group De Restauración S.K., which operates over 300 outlets across 14 countries on four continents. In July 2024, we opened the fourth new outlet of the Group in Yokohama City, Kanagawa Prefecture. Additionally, we ventured into a new concept of Japanese-style Spanish cuisine that combines teppanyaki and Spanish dishes, opening a Spanish restaurant under the brand "PLANCHA L" in Yokohama City. As the brand of Spanish restaurants gains traction in the Tokyo metropolitan area, there is a growing cycle of positive inquiries from major developers for new outlet openings. We are carefully working to connect these opportunities to openings in prime properties.

"Komeda" is a brand of Komeda Holdings Co., Ltd., which operates approximately 1,000 coffee shops in Japan. Due to the strong wishes of franchisor, we opened our third outlet in this quarter by acquiring directly managed outlet. We will continue to maintain a good relationship with our franchisees and explore initiatives for new business formats.

The globally renowned tea cafe brand "Gong Cha", originating from Taiwan, has gained popularity in Japan. Since 2021, our Group has been operating two Gong Cha outlets. Both outlets rank among the top group in Gong Cha Japan's customer satisfaction rankings, with one outlet achieving the number one spot out of 176 outlets nationwide, demonstrating successful outlet management with high customer satisfaction.

In the hotel management business, we purchased and began operating two hotel properties in August 2024. One of them is a long-established luxury hot spring inn facility located in the heart of Achi Village, which boasts Japan's best starry sky, and the Group positions this as a foothold for its full-scale entry into the business, aiming to pursue the Group's synergy.

Nexia Inc., a subsidiary that operates a real estate business, acquired a land located in a prime area of Koriyama City during the year. The construction of the rental apartment was completed in March 2025, and occupancy began in the same month. We will continue to consider acquiring prime properties while maintaining our investment standards.

During the current year, a subsidiary, NBI Holdings Co., Ltd., was established, aiming at stretching the Group's business to real estate sector. We are preparing to obtain administrative permits and licenses to create a structure for future private real estate investment trust ("REIT") operations. We are making preliminary arrangements, including communication with financial institutions and external investors, to ensure establishment of private REIT operations quickly once the permits and licenses are obtained. We anticipate confirming the initial results of these efforts in the next fiscal year.

In terms of business in Southeast Asia, we are primarily managing arcade games and kids' play areas within AEON malls in both Vietnam and Cambodia at Dream Games, a subsidiary. Vietnam's gross domestic product ("GDP") growth rate increased from 5.1% in previous year to 7.1%, and Cambodia's GDP growth rate increased from 5.0% in previous year to 6.0%, indicating that the economies in both countries remained strong. However, in Vietnam, the consumer price index remained high with a tendency for spending to prioritize essential goods, leading to stagnant customer attraction at existing outlets. In Cambodia, the first half of the fiscal year was affected by the downturn in the Chinese economy, but this impact was removed by the second half, resulting in sales surpassing last year's figures.

# Chairman's Statement

As a result, revenue at Dream Games decreased by 2.3% year-on-year to ¥1,648 million. During the current year, we opened 1 outlet and closed down 1 unprofitable outlet. As at 31 March 2025, we have a total of 12 operating outlets, 9 in Vietnam and 3 in Cambodia.

According to the data from the International Monetary Fund, both Vietnam and Cambodia in 2025 are expected to achieve robust economic growth of over 5%. We believe that both countries are still in the process of economic development, and that consumption and the leisure markets will continue to expand. While continuing to observe carefully for changes in the competitive environment and the structural changes in the domestic economies of both countries, we are also planning to work on building a steady earning base by developing multiple types of standard business formats depending on location and area, opening new speciality business formats of arcade prize game and opening small and medium-sized outlets outside AEON Malls.

As a medium-term strategy, the Group's priority is to increase the number of amusement machines installed and to secure sales in pachinko business as the core 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. Furthermore, from a long-term perspective, we plan to expand into new businesses and build business models domestically based on the premise of an aging, mature society and a declining population.

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.

# Chairman's Statement

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 labor force population is regarded as a major challenge. If this long-term declining trend continues, we cannot expect the revitalization of the local economy. On the other hand, if the revitalization of the local economy cannot be realized, the production and labor 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.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue from Pachinko and Pachislot Business

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

Revenue from pachinko and pachislot business increased by ¥781 million, or 3.3%, from ¥23,944 million in 2024 to ¥24,725 million in 2025. The increase in revenue was attributable to the continued recovery of economy in Japan, and replacement of gaming machines which triggered higher customer turnover and improved the hall traffic.

*Gross pay-ins*

For the year ended 31 March 2025, the Group's gross pay-ins from pachinko and pachislot business amounted to ¥145,091 million, comprising revenue from 47 suburban halls and 2 urban halls. The increase in gross pay-ins by ¥13,256 million, or 10.1%, as compared to last year was resulted from the factors explained above.

*Gross pay-outs*

Gross pay-outs, being the aggregate cost of G-prizes and general prizes exchanged by customers, increased from ¥107,891 million in 2024 to ¥120,366 million in 2025, an increase of ¥12,475 million, or 11.6%, which corresponded to the rise in gross pay-ins.

*Revenue margin*

The revenue margin decreased by 1.2%, from 18.2% for the year ended 31 March 2024 to 17.0% in current year. The decline in revenue margin was due to the increase in pay-out ratio to stimulate customer visits which, in short-term, lowered the profit margin.

### Revenue from Amusement Arcade Business

Revenue from amusement arcade business decreased by ¥39 million or 2.3%, from ¥1,687 million in 2024 to ¥1,648 million in current year. The amount comprised revenue derived from Vietnam and Cambodia amounting to ¥1,042 million and ¥606 million, respectively (2024: ¥1,135 million and ¥552 million, respectively). The drop in revenue was due to the decrease in sales income generated from Vietnam as the closure of one unprofitable arcade and temporary suspension of the northern arcades caused by the impact of typhoon in Vietnam; nevertheless, revenue from Cambodia in the current year outperformed the results in 2024.

### Other revenue

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

Vending machines income amounted to ¥552 million in 2025. The increase of ¥99 million as compared to ¥453 million in 2024 was resulted from the increase in customer turnover rate as mentioned above.

Income from hotel operation amounted to ¥351 million in 2025, recording an increase of ¥188 million as compared to ¥163 million in 2024. The increase in hotel income was mainly attributed to the acquisition of two onsen inns in late August 2024, contributing an additional income of ¥187 million.

Revenue from restaurant operations amounted to ¥1,040 million for the year ended 31 March 2025, increased by ¥332 million, or 46.9%, as compared to ¥708 million in last year. Other than the increasing popularity of "KOMEDA" cafés, during the current year, a "KOMEDA" café, a "LIZARRAN" restaurant and a new private branded restaurant named "PLANCHA L" were opened, contributing an additional revenue of ¥256 million.

# Management Discussion and Analysis

### Hall operating expenses

Hall operating expenses increased by ¥834 million, or 4.0%, from ¥20,654 million in 2024 to ¥21,488 million in current year. Major components of hall operating expenses are pachinko and pachislot machine expenses, staff cost for hall staff and depreciation expenses, amounting to ¥7,751 million, ¥4,327 million and ¥3,560 million, respectively, for the year ended 31 March 2025 (31 March 2024: ¥7,890 million, ¥4,263 million and ¥3,480 million, respectively).

The rise in hall operating expenses was resulted from (i) minor work being carried out in various halls to provide a better playing environment to visitors; and (ii) increase in staff and utilities expenses due to inflation.

### Administrative expenses

Administrative expenses increased by ¥416 million, or 11.0% from ¥3,795 million for the year ended 31 March 2024 to ¥4,211 million in 2025 as a result of the increase in staff wages and launch of various promotional events to boost up sales.

### Impairment loss

Impairment loss on property, plant and equipment and right-of-use assets amounted to ¥432 million in current year. The International Accounting Standard 36 "Impairment of Assets" ("IAS 36") requires that assets be carried at no more than their recoverable amount. If an asset's carrying value exceeds the amount that could be received through use or selling the asset, then the asset is impaired and IAS 36 requires a company to make provision for the impairment loss. Non-financial assets other than goodwill are tested for impairment when there are events that indicate that the related asset values may not be recoverable, and the Group carries out reviews of the recoverable amounts of each cash-generating units ("CGUs").

The management noted that the Group's financial performance is highly sensitive to changes in market situations. Taking into account the keen competition within the industries, the management assessed for whether each of the CGU have any impairment indicator by considering whether the CGU recorded operating loss after overhead allocation with a performance below budget (defined as not fulfilling the projected operating cash flow after overhead allocation), or consecutive operating loss after overhead allocation for 2 years, unless the CGU is still in investment stage and performed impairment assessments over pachinko and pachislot hall operations, amusement arcade operations and hotel operations by assessing the recoverable amounts of the CGU, determined as the higher of their value-in-use and fair value less cost of disposal. As a result, the Group recognised an impairment loss of ¥150 million and ¥282 million over plant, property and equipment and right-of-use assets, respectively for the year ended 31 March 2025 (31 March 2024: ¥112 million and ¥284 million over plant, property and equipment and right-of-use assets, respectively).

### Finance costs

Finance costs, net amounted to ¥882 million for the year ended 31 March 2025 as compared to ¥891 million in 2024. The drop was attributable to the decrease in interest expense on lease liabilities and borrowings.

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

Profit attributable to owners of the Company of ¥607 million was recorded for the year ended 31 March 2025, as compared to ¥695 million in prior year. The decrease in profit was due to the impact of exchange loss, netted with the continued economic recovery in domestic market.

Basic earnings per share for the year ended 31 March 2025 was ¥0.51 (31 March 2024: ¥0.58). The board of directors of the Company (the "Board") has declared a final dividend of ¥0.12 per common share for the year ended 31 March 2025 (31 March 2024: ¥0.17).

# Management Discussion and Analysis

## CAPITAL STRUCTURE

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

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

The table below sets forth the information regarding the cash and bank balances, borrowings, lease liabilities, working capital, total equity and gearing ratio of the Group as at 31 March 2025 and 2024:

| | As at 31 March | |
|---|---|---|
| | **2025**<br>**¥ million** | 2024<br>¥ million |
| Cash and cash equivalents | **10,574** | 12,350 |
| Bank deposits with maturity over 3 months | **834** | 345 |
| | **11,408** | 12,695 |
| Bank loans | **5,351** | 6,116 |
| Syndicated loans | **4,489** | 4,316 |
| Lease liabilities | **25,967** | 27,925 |
| | **35,807** | 38,357 |
| Total equity | **19,235** | 18,981 |
| Gearing ratio (Note 1) | **1.3** | 1.4 |
| Working capital (Note 2) | **(1,409)** | (145) |

Note 1: Gearing ratio is calculated as total borrowings less cash and cash equivalents divided by equity.

Note 2: Working capital being current assets less current liabilities.

# Management Discussion and Analysis

As at 31 March 2025, net current liabilities of the Group totalled ¥1,409 million (31 March 2024: ¥145 million), and current ratio was 0.90 as at 31 March 2025 (31 March 2024: 0.99). As at 31 March 2025, there were cash and cash equivalents of ¥10,574 million (31 March 2024: ¥12,350 million), in which ¥9,604 million was denominated in Japanese Yen, ¥501 million was denominated in United States dollar, ¥400 million was denominated in Hong Kong dollar and ¥69 million was denominated in other currencies. As at 31 March 2025, the Group had total borrowings and lease liabilities of ¥35,807 million (31 March 2024: ¥38,357 million). Current portion of bank borrowings and current portion of lease liabilities amounted to ¥7,655 million as at 31 March 2025 (31 March 2024: ¥7,737 million).

The Group's bank borrowings during the current period comprised bank loans and syndicated loans. As at 31 March 2025, the total bank borrowings amounted to ¥9,840 million (31 March 2024: ¥10,432 million), with average effective interest rates on bank borrowings ranged from 1.58% to 1.64% (31 March 2024: 1.08% to 1.61%) per annum. Approximately 3.4% of bank borrowings as at 31 March 2025 were fixed rate borrowings.

## HEDGING OF FLOATING RATE BORROWINGS AND FOREIGN EXCHANGE

As at 31 March 2025, the Group had two floating to fixed interest rate swap contracts with banks in Japan (i.e. the Group pays fixed interest rates and receives interests at floating rate). These interest rate swap contracts were entered into as a measure to manage interest rate risk in relation to loans of the Group. As interest rates of some of the Group's loans are on a floating rate basis, the floating to fixed interest rate swap contracts enabled the Group to reduce the volatility in the amount of interest being paid. For the year ended 31 March 2025, gain on fair value for interest rate swap contracts amounted to ¥1 million (31 March 2024: ¥3 million).

The Group did not carry out significant foreign currency investment and its debts were all denominated in Japanese Yen as at 31 March 2025. As the functional currency of certain subsidiaries are different from the Company, the Group will be exposed to foreign exchange risk arising from such exposure, namely in Singapore Dollar, Vietnamese Dong, Cambodian Riel and Renminbi against Japanese Yen. The management is assessing the significance of the foreign currency exposures faced by the Group and will consider adopting appropriate measures to mitigate the risk, including but not limited to entering into currency hedges.

## GEARING RATIO

The gearing ratio, defined as the aggregate of interest-bearing loans and lease liabilities less cash and cash equivalents, divided by total equity, was 1.3 as at 31 March 2025 (31 March 2024: 1.4).

## CAPITAL EXPENDITURE

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

| | As at 31 March | |
|---|---|---|
| | **2025**<br>**¥ million** | 2024<br>¥ million |
| Property, plant and equipment | **1,986** | 2,289 |
| Right-of-use assets | **1,407** | 1,258 |
| Intangible assets | **3** | 4 |
| Investment property | **827** | – |
| | **4,223** | 3,551 |

# Management Discussion and Analysis

## CHARGES ON ASSETS

As at 31 March 2025 and 2024, the carrying values of charged assets were as below:

| | As at 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **¥ million** | ¥ million |
| Property, plant and equipment | **8,756** | 8,946 |
| Investment properties | **532** | 553 |
| Deposits and other receivables | **154** | 158 |
| | **9,442** | 9,657 |

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2025 and 2024.

## CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 31 March 2025 and 2024 are set out in Note 34 to the consolidated financial statements.

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

Except for the acquisition of two companies as disclosed in this annual report, during the year ended 31 March 2025, the Group did not conduct any significant investments, material acquisitions or disposals. Save for those disclosed in this annual report, the Group had no plan authorised by the Board for other material investments or additions of capital assets as at the date of this annual report.

## SUBSEQUENT EVENTS

On 17 April 2025, NBI Regional Revitalization Investment Co., Ltd. ("NBII"), an indirect non-wholly-owned subsidiary of the Company, entered into a Purchase and Sale Agreement with an independent third party seller for the acquisition of land and building (a 10-storey building which was constructed as a hot spring ryokan inn) located at Shizukuishi-cho, Iwate-gun, Japan at a total consideration of ¥358.4 million. The acquisition was completed on 30 April 2025.

In addition, NBII entered into another Purchase and Sale Agreement with an independent third party seller on 18 April 2025 for the acquisition of land and buildings (a two-storey building and 12 annexed single-storey buildings constructed as a hot spring ryokan inn with 11 private villas) located at Kokonoe-machi, Kusu-gun, Japan at a total consideration of ¥798.4 million. The acquisition was subsequently completed on 1 May 2025.

As the tourism industry in Japan has been undergoing a strong revival since the COVID-19 pandemic, the management of the Group considers that these acquisitions present a great opportunity for the Group to further expand its hospitality business.

# Management Discussion and Analysis

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2025, the Group had 1,270 employees. The remuneration policy of the Group (including those for directors and employees) is determined by the Remuneration Committee under the Board as per the performance, qualifications and competence of the employees. Details of the key management remuneration of the Company are set forth in Note 35(b) to the consolidated financial statements.

## FINAL DIVIDEND

The Board has declared a final dividend of ¥0.12 per common share for the year ended 31 March 2025 (31 March 2024: ¥0.17) on 26 May 2025 and the final dividend will be payable on 15 July 2025 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company at the close of business on 13 June 2025.

The exchange rate for the conversion of Japanese Yen to Hong Kong dollar for the dividend distributed to the Shareholders in the currency other than Japanese Yen is based on the average currency rates prevailing five trading days immediately prior to 26 May 2025 (being 19 to 23 May 2025).

# Corporate Governance Report

## CORPORATE GOVERNANCE

During the year ended 31 March 2025, the Company has adopted and complied with all the applicable principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception for code provision C.2.1, which requires the roles of chairman and chief executive to be separated and should be performed by different individuals.

### Code Provision C.2.1

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

The Company has applied the principles of the CG Code contained in Appendix C1 of the Listing Rules to its corporate governance structure and practices as described in this report. This annual report should be read in conjunction with the ESG Report of the Company, which is available on the websites of the Stock Exchange and the Company.

### The Board

The Board plays a vital role in fostering a corporate culture which promotes ethical, lawful and responsible behavior among employees, and ensures the purpose, value and strategy of the Group are aligned with its culture.

The Board oversees the management, businesses, strategic directions and financial performance of the Group. The Board currently comprises a total of eight Directors, with two executive Directors, namely Mr. Hisanori TANIGUCHI and Mr. Masataka WATANABE; one non-executive Director, namely Mr. Hiroshi BANNAI, and five independent non-executive Directors, namely Mr. Michio MINAKATA, Mr. Yoshihiro KOIZUMI, Mr. Kuraji KUTSUWATA, Mr. Akihito TANAKA and Ms. Reiko HACHISUKA. The term of office of each Director is expired at the close of the annual general meeting relating to the most recent business year ending within one year following the election of such Director.

(a) *Delegation by the Board*

The Board reserves its decision in all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. The Board is accountable to the Shareholders. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

(b) *Corporate Governance Function*

The Board recognises that corporate governance should be the collective responsibility of Directors which includes:

- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board and report to the Board on matters;
- to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and
- to review and monitor the Company's compliance with its whistleblowing policy.

(c) *Appointment and Re-election of Directors*

The Board is empowered under the articles of incorporation of the Company (the "Articles of Incorporation") to appoint any person as a Director, either to fill a casual vacancy or to be an additional member of the Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and exercise reasonable care would be recommended to the Board for selection.

Appointments are first considered by the Nomination Committee in accordance with its terms of reference, the nomination policy and board diversity policy (the "Board Diversity Policy"). Recommendations of the Nomination Committee are then put forth to the Board for decision. In accordance with the Articles of Incorporation, all Directors shall retire at the next annual general meeting of the Company (the "AGM") but are eligible for re-election. Each Director was appointed by a written service contract or letter of appointment setting out the key terms and conditions of his/her appointment. The appointment of independent non-executive Directors follows the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules.

## Chairman and Chief Executive Officer

The Board has appointed a Chairman, Mr. Hisanori TANIGUCHI, who provides leadership for the Board and ensures that the Board works effectively and that all important issues are discussed in a timely manner. The Chairman also holds the position of chief executive officer (the "Chief Executive Officer"). Since April 2010, our Chairman has been the key leadership figure of our Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group's operations as he directly supervises our executive officers (other than himself) and members of our senior management.

# Corporate Governance Report

## Independent Non-Executive Directors

The Board is of the view that all independent non-executive Directors are independent based on the independence guidelines set out in Rule 3.13 of the Listing Rules and have appropriate professional qualifications or accounting or related financial management expertise in accordance with Rule 3.10 of the Listing Rules.

During the year ended 31 March 2025, 16 Board meetings and 2 general meetings were held. Details of the Directors' attendance during the year are set out below:

| | Number of meetings attended/ Eligible to attend | |
|---|---|---|
| **Name of Directors** | **General Meeting** | **Board Meeting** |
| **Executive Directors** | | |
| Mr. Hisanori TANIGUCHI (谷口久徳) (Chairman) | 2/2 | 16/16 |
| Mr. Masataka WATANABE (渡辺将敬) | 2/2 | 16/16 |
| Mr. Akinori OHISHI (大石明徳) Note 1 | 1/1 | 4/4 |
| **Non-executive Director** | | |
| Mr. Hiroshi BANNAI (坂内弘) | 2/2 | 16/16 |
| **Independent non-executive Directors** | | |
| Mr. Michio MINAKATA (南方美千雄) | 2/2 | 16/16 |
| Mr. Yoshihiro KOIZUMI (小泉義広) | 2/2 | 16/16 |
| Mr. Kuraji KUTSUWATA (轡田倉治) | 2/2 | 15/16 |
| Mr. Akihito TANAKA (田中秋人) | 2/2 | 16/16 |
| Ms. Reiko HACHISUKA (蜂須賀禮子) Note 2 | 0/0 | 5/5 |

Note 1: Mr. Akinori OHISHI retired as an executive Director on 28 June 2024.

Note 2: Ms. Reiko HACHISUKA was appointed as independent non-executive Director on 18 December 2024.

The biographical details of the current Directors are set out on pages 29 to 31 of this annual report. Save as disclosed in this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or chief executives.

## Audit Committee

The Company established the Audit Committee on 25 June 2014 with specific written terms of reference which are aligned with the code provision set out in the CG Code. Major duties of the Audit Committee include:

- to recommend the appointment, re-appointment and/or removal of external auditor, to approve the remuneration and terms of engagement of external auditor, and to consider any questions of resignation or dismissal of that auditor;
- to discuss with the external auditor the nature and scope of the audit before the audit commences;
- to discuss problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss;
- to review of financial information of the Company;
- to oversee the Company's risk management, financial reporting system and internal control procedures; and
- to oversee the Company's corporate governance functions.

The Audit Committee currently consists of two independent non-executive Directors, namely Mr. Michio MINAKATA (南方美千雄) and Mr. Yoshihiro KOIZUMI (小泉義広), and a non-executive Director, namely Mr. Hiroshi BANNAI (坂內弘). It is currently chaired by Mr. Michio MINAKATA (南方美千雄), an independent non-executive Director.

Audit Committee meetings are held at least twice a year. During the year ended 31 March 2025, 14 meetings were held and details of the Directors' attendance during the year are set out below:

| | **Number of meetings attended/ Eligible to attend** |
|---|---|
| Mr. Hiroshi BANNAI (坂內弘) | 14/14 |
| Mr. Michio MINAKATA (南方美千雄) | 14/14 |
| Mr. Yoshihiro KOIZUMI (小泉義広) | 14/14 |

The works performed by the Audit Committee during the year include the following:

- reviewed reports on risk management system, internal control system and internal audit function of the Group;
- discussed with the management and the external auditor the accounting policies and practices which may affect the Group and financial reporting matters;
- reviewed audit plans from external auditor for the year ended 31 March 2025;
- reviewed and discussed the Group's financial statements for the year ended 31 March 2025 and interim financial statements for the six months ended 30 September 2024 with recommendations to the Board for approval;
- reviewed the key audit matters included in the Independent Auditor's Report for the year ended 31 March 2025;
- reviewed and received the reports of risk management review for the year ended 31 March 2025; and
- provided recommendation on the re-appointment of the external auditor.

## Remuneration Committee

The authorities and duties of the Remuneration Committee are set out in the written terms of reference which are aligned with the code provision set out in the CG Code. Major duties of the Remuneration Committee include:

- to determine the Company's policy and structure for all Directors' and senior management's remuneration and to establish a formal and transparent procedure for developing remuneration policy;
- to determine the management's remuneration proposals with reference to the Board's goals and objectives;
- to determine the remuneration packages of individual Directors (executive, non-executive or independent non-executive), executive officers and senior management;
- to review and approve the compensation payable to Directors (executive, non-executive or independent non-executive), executive officers and senior management for any loss or termination of office or appointment;
- to review and approve compensation arrangements relating to dismissal or removal of Directors (executive, non-executive or independent non-executive) for misconduct; and
- to ensure that no Director or any of his/her associates (as such term is defined in the Listing Rules) is involved in deciding his/her own remuneration.

The Remuneration Committee currently consists of three members, including two independent non-executive Directors, namely Mr. Yoshihiro KOIZUMI (小泉義広) and Mr. Michio MINAKATA (南方美千雄), and an executive Director, namely Mr. Hisanori TANIGUCHI (谷口久徳). It is currently chaired by Mr. Yoshihiro KOIZUMI (小泉義広), an independent non-executive Director.

Remuneration Committee meetings are held at least once a year. During the year ended 31 March 2025, 3 meetings were held and details of the Directors' attendance during the year are set out below:

| | **Number of meetings attended/ Eligible to attend** |
|---|---|
| Mr. Hisanori TANIGUCHI (谷口久徳) (Chairman) | 3/3 |
| Mr. Michio MINAKATA (南方美千雄) | 3/3 |
| Mr. Yoshihiro KOIZUMI (小泉義広) | 3/3 |

The works performed by the Remuneration Committee during the year include the following:

- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives for the year ended 31 March 2025;
- determined, with delegated responsibility, the remuneration packages of individual executive Directors and senior management for the year ended 31 March 2025; and
- made recommendations to the Board about the remuneration of non-executive Director and the newly appointed independent non-executive Director for the year ended 31 March 2025.

# Corporate Governance Report

For the year ended 31 March 2025, the number of the senior management (including Directors) whose remuneration fell within the following bands is as follows:

| Emolument bands | Number of individuals |
|---|---|
| Below ¥10,000,000 | 6 |
| ¥10,000,001 to ¥20,000,000 | 2 |
| ¥20,000,001 to ¥30,000,000 | – |
| ¥30,000,001 to ¥100,000,000 | 1 |
| ¥100,000,001 to ¥160,000,000 | 1 |

### Nomination Committee

The Company established the Nomination Committee on 25 June 2014 with specific written terms of reference which are aligned with the code provision set out in the CG Code. Major duties of the Nomination Committee include:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer;
- to identify individuals suitably qualified to become Directors and to make recommendation to the Board on the selection of individuals nominated for directorship;
- to assess the independence of independent non-executive Directors; and
- to oversee the implementation of the Board Diversity Policy.

The Nomination Committee currently consists of four members, including three independent non-executive Directors, namely Mr. Kuraji KUTSUWATA (轡田倉治), Mr. Akihito TANAKA (田中秋人) and Ms. Reiko HACHISUKA (蜂須賀禮子), and an executive Director, namely Mr. Hisanori TANIGUCHI (谷口久徳). It is currently chaired by Mr. Hisanori TANIGUCHI (谷口久徳), an executive Director.

The Nomination Committee held 5 meetings during the year ended 31 March 2025. Details of the Directors' attendance during the year are set out below:

| | Number of meetings attended/ Eligible to attend |
|---|---|
| Mr. Hisanori TANIGUCHI (谷口久徳) (Chairman) | 5/5 |
| Mr. Kuraji KUTSUWATA (轡田倉治) | 5/5 |
| Mr. Akihito TANAKA (田中秋人) | 5/5 |
| Ms. Reiko HACHISUKA (蜂須賀禮子) Note 1 | 0/0 |

Note 1: Ms. Reiko HACHISUKA was appointed as a member of the Nomination Committee on 26 May 2025.

The works performed by the Nomination Committee during the year include the following:

- reviewed the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board;
- approved the renewal of the term of appointment for the Directors;
- assessed the independence of the independent non-executive Directors;
- reviewed the measurable objective in implementing the Board Diversity Policy; and
- made recommendations on the appointment of an independent non-executive Director during the year, and the re-election of Directors at the AGM held on 28 June 2024.

All Directors (including non-executive Director and independent non-executive Directors) have formal service contracts or letters of appointment with the Company for a term of one year commencing from their respective dates of appointment, subject to retirement in accordance with the Articles of Incorporation. At the AGM held on 28 June 2024, eight Directors retired from office in accordance with the Articles of Incorporation. Seven of them were re-elected by the Shareholders to continue their offices as Directors. Mr. Akinori OHISHI was not re-elected at the AGM and retired as an executive Director with effect from the conclusion of the AGM held on 28 June 2024. The Nomination Committee has reviewed the Directors' re-election plan to ensure that every Director will retire every year at an AGM. As at 31 March 2025, none of the independent non-executive Directors has served the Company for more than nine years.

The Company has mechanisms in place to ensure independent views and input are available to the Board. To facilitate an effective meeting, the Board and Board committee meeting schedules are informed well in advance to the Directors. Meeting agenda, materials and information are provided to the Directors prior to the meetings. Any Director can give notice to the Chairman if he/she intends to include matters on the agenda of a Board meeting. All Directors are welcome to raise enquiries, suggestions and views during the meetings. To encourage active participation, video conferences are arranged for Directors who are unable to attend in person. The Board has conducted an annual review on these mechanisms and considered they are in place and are effective.

### Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company formulated the Board Diversity Policy which sets out the approach to a diversity of perspectives among members of its Board.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In December 2024, the Company appointed a female independent non-executive Director to the Board. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives appropriate to the requirements of the Company's business operations and environment as well as the industry in which the Company operates. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. In addition, the Company is committed to providing career development and training opportunities for its staff who it considers to have the suitable experience, skills and knowledge with an aim to promote them to senior management or Directors. The Company will also ensure that there is gender diversity in staff recruitment at mid to senior levels so as to develop a pipeline of potential successors to the Board. For details of the gender ratio in the Company's workforce as at 31 March 2025, please refer to the ESG report of the Company for the year ended 31 March 2025.

The Board's current composition comprises 7 male Directors and 1 female Director with different ages, lengths of service and diversity perspectives, which have been disclosed in biographical information shown in "Profile of Directors and Senior Management" on pages 29 to 32 of this annual report. The Nomination Committee will continuously monitor and review the implementation and operation of the Board Diversity Policy and the progress towards achieving the measurable objectives, and also review the Board Diversity Policy to ensure its effectiveness from time to time, as appropriate. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Board Diversity Policy has been published on the Company's website for public information.

### Workforce Diversity

As at 31 March 2025, the Group's total workforce comprised of 44% female and 56% male. The current gender diversity of workforce was appropriate taking into account the business models and operational needs. The Group continually strives to ensure equal opportunity across the workplace, including recruitment, hiring, compensation, training and promotion for all employees based on their knowledge, experience and individual performance, regardless of their gender.

### Directors' Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. All Directors participated in continuous professional development to develop and refresh their knowledge and skills during the year ended 31 March 2025. The Company's external lawyers had facilitated Directors' training by the provision of presentations, briefings and materials for the Directors primarily relating to the roles, functions and duties of a listed company's director. All Directors had participated in continuous professional development and provided a record of their training for the financial year ended 31 March 2025 to the Company.

The record of trainings received by each Director during the year ended 31 March 2025 is set out below:

| Name of Directors | Briefings and updates on the business, operations and corporate governance matters | Attending or participating in seminars/ workshops on directors' duties |
|---|---|---|
| **Executive Directors** | | |
| Mr. Hisanori TANIGUCHI (谷口久徳) (Chairman) | Yes | Yes |
| Mr. Masataka WATANABE (渡辺将敬) | Yes | Yes |
| Mr. Akinori OHISHI (大石明徳) Note 1 | Yes | Yes |
| **Non-executive Director** | | |
| Mr. Hiroshi BANNAI (坂内弘) | Yes | Yes |
| **Independent non-executive Directors** | | |
| Mr. Michio MINAKATA (南方美千雄) | Yes | Yes |
| Mr. Yoshihiro KOIZUMI (小泉義広) | Yes | Yes |
| Mr. Kuraji KUTSUWATA (轡田倉治) | Yes | Yes |
| Mr. Akihito TANAKA (田中秋人) | Yes | Yes |
| Ms. Reiko HACHISUKA (蜂須賀禮子) Note 2 | Yes | Yes |

Note 1: Mr. Akinori OHISHI retired as an executive Director on 28 June 2024.

Note 2: Ms. Reiko HACHISUKA was appointed as independent non-executive Director on 18 December 2024, and had obtained the legal advice from the Company's legal adviser on 6 September 2024 pursuant to Rule 3.09D of the Listing Rules. Ms. Reiko HACHISUKA has confirmed she understood her obligations as a Director.

## AUDITOR'S REMUNERATION

During the year ended 31 March 2025, the total fee in relation to the annual audit of the Group amounted to ¥130 million, which was paid/payable to PricewaterhouseCoopers and its affiliated firms. The remuneration paid to PricewaterhouseCoopers and its affiliated firms for services rendered is listed as follows:

| | 2025<br>¥ million |
|---|---|
| Types of services | |
| Statutory audit and audit related services | 119 |
| Non-audit services (Note) | 11 |
| Total | 130 |

Note: Non-audit services comprise primarily tax advisory services provided to the Group.

## JOINT COMPANY SECRETARIES

The joint company secretaries are Ms. YIU Wai Man Karen and Ms. NG Sau Mei. Ms. YIU Wai Man Karen is also the financial controller and is employed by the Company on a full-time basis.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. NG Sau Mei, director of the Listing Services Department of TMF Hong Kong Limited (a company secretarial service provider), as the other joint company secretary to assist Ms. YIU Wai Man Karen to discharge her duties as company secretary of the Company. The primary contact person of Ms. NG Sau Mei at the Company is Ms. YIU Wai Man Karen.

During the year ended 31 March 2025, Ms. YIU Wai Man Karen and Ms. NG Sau Mei have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct during the year ended 31 March 2025.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board, supported by the finance department, is responsible for the preparation of the financial statements of the Company and the Group. The Board has prepared the financial statements in accordance with IFRS Accounting Standards issued by International Accounting Standard Board. Appropriate accounting policies have also been used and applied consistently. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Group regarding its reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditor's Report on pages 43 to 50 of this annual report.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Company has formulated the risk management policy and processes which apply to all levels of the Company and its subsidiaries to ensure all material risks which the Company is exposed to are properly identified, analysed, evaluated, responded, monitored and communicated.

The Board acknowledges its responsibility to ensure that the Company establishes and maintains sound risk management and internal control systems within the Group and to review the effectiveness of the systems. Such systems are designed to manage and mitigate risks inherent in the Group to an acceptable level, rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss. The structure of the Company's risk management and internal control systems is to ensure (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws and regulations are adhered to and complied with; and (iii) reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements. The main structure of the systems involves the Board, the Audit Committee, the internal audit department, the risk management office and the management of the Company.

The Board: ensures effective systems are maintained in order to safeguard the assets of the Group; defines management structure with clear lines of responsibility and limit of authority; and determines the nature and extent of significant risk that the Company is willing to take in achieving the strategic objectives and formulates the Group's risk management strategies.

The Audit Committee: oversees the systems of the Group; reviews and discusses with the management of the Company to ensure that the management of the Company has performed its duty to have the effective systems; and considers major findings on internal control matters and makes recommendations to the Board.

The internal audit department: analyses and appraises independently the adequacy and effectiveness of the Company's risk management and internal control systems; reports internal audit findings to the Audit Committee; and provides recommendations for improvement.

The risk management office: assists the management of the Company in formulating risk management policies, tools and processes; gives advice on the design of the systems and action plans taken by the management of the Company in addressing the identified risks; ensures appropriate actions are taken against major risks which affect the Group's businesses and operations; and monitors and reviews the systems and reports to the Audit Committee.

The management of the Company (includes heads of departments and business units): designs, implements and monitors the systems and ensures the systems are executed effectively; identifies risks and takes measures to mitigate risks in day-to-day operations; gives prompt responses and conducts follow-up actions against internal control matters raised by internal auditors (if any) or the independent auditor; and provides confirmation to the Board on the effectiveness of the systems.

Risk management and internal control systems are reviewed at least semi-annually. During the year ended 31 March 2025, the Company had carried out the following works in relation to risk management and internal control:

- The management of the Company, through daily risk management activities, identified major risks that may impact the Group's performance; assessed and evaluated the likelihood of occurrence of the identified risks; formulated and implemented measures, controls and action plans to manage and mitigate such risks;

- Risk management office monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit Committee regarding the status of the systems;

- Risk management office periodically followed up and reviewed the implementation of the measures against major risks identified and ensured appropriate actions were taken to address all major risks identified;

- Risk management office reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented remedial actions to address such deficiencies;

- Risk management office ensured appropriate procedures and measures were in place to safeguard assets against unauthorised use or disposition, control capital expenditure, maintain proper accounting records and ensure reliability of financial information used for business and publications;

- Internal audit department carried out analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems; examined risk-related documentation prepared by the management of the Company and conducted interviews with employees at all levels; and

- The head of internal audit department attended meetings of the Audit Committee and reported on the internal audit findings and responded to queries from members of the Audit Committee.

The Group also has a formal written whistleblowing policy to enable officers and employees at all levels and divisions to communicate their concerns about any aspect of risks and internal operations.

The Company has internal guidelines in place to ensure inside information is disseminated to the public in accordance with the applicable laws and regulations. Executive officers and financial function of the Group are delegated with responsibilities to control and monitor the proper procedures regarding inside information disclosures. Access to inside information is restricted to relevant senior executives. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed. Other procedures including pre-clearance on dealing in Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to Directors and employees, and identification of project by code name have also been implemented by the Company against possible mishandling of inside information within the Group.

During the year ended 31 March 2025, the Board reviewed, through the Audit Committee, the Group's risk management and internal control systems and was not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal control systems throughout the year.

## SHAREHOLDERS' RIGHTS

### Rights to demand Directors to call for a Shareholders' meeting

Any one Shareholder holding no less than 3% of the voting rights in the Company for the last six consecutive months may request the Directors to convene a general meeting. If the Directors do not send out a convocation notice for such general meeting to be held and such Shareholders' meeting is not convened by the Directors within eight weeks from the date of such request, the relevant Shareholder who made the request may convene a general meeting with court permission.

### Rights to put enquires to the Board

The Board and senior management maintain a continuing dialogue with the Shareholders and investors through various channels including the AGM. The Chairman, chairmen of the Board committees (or respective designated member), executive officers and external auditors will attend the AGM. The Directors will answer questions raised by the Shareholders on the performance of the Group. The Company's website which contains corporate information, announcements as well as the recent developments of the Group enables Shareholders to have timely and updated information of the Group.

**Rights to demand Directors to include a proposal in a Shareholders' meeting**

Shareholders continuously holding not less than 1% of the votes of all Shareholders or not less than 300 votes of all Shareholders for the preceding six months may demand the Directors, no later than eight weeks prior to the date of the Shareholders' meeting, to notify Shareholders of the summary of the proposals which the demanding Shareholders intend to submit with respect to the matters that are the purpose of the Shareholders' meeting and include a proposal in the notices of the Shareholders' meetings. The Company will notify the Shareholders of the date on which an AGM is to be held no less than ten weeks prior to the date of such meeting by making a voluntary announcement on the websites of the Company and the Stock Exchange.

## INVESTOR RELATIONS

To manage its relationship with investment community and its Shareholders, the Company also communicates through announcements and annual and interim reports. All such reports and announcements can also be accessed via the Company's website. The Directors, joint company secretary or other appropriate members of the senior management of the Company also respond to inquiries from Shareholders and investment community promptly. Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries via Strategic Financial Relations Limited at niraku@sprg.com.hk.

The Board has carried out an annual review on the above policy regarding Shareholders' communication, and considered that such policy has been properly implemented during the year ended 31 March 2025 and is effective.

## CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year, the Articles of Incorporation have been amended for the purpose of, among others, bringing the Articles of Incorporation in line with the latest regulatory requirements under the expanded paperless listing regime and electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules which took effect on 31 December 2023. The amended Articles of Incorporation were approved at the AGM held on 28 June 2024 and took effect on 12 July 2024. Save as disclosed herein, there was no significant change in the Company's constitutional documents made during the year.

# Profile of Directors and Senior Management

## CHAIRMAN, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

**Mr. Hisanori TANIGUCHI (谷口久徳)**, aged 62, 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 our Company, and was re-designated as an executive Director and Chief Executive Officer on 25 June 2014. Apart from his roles as an executive Director and Chief Executive Officer, Mr. Taniguchi was appointed as the Chairman in February 2013, and is responsible for the Group's overall corporate strategies, management and business development.

Mr. Taniguchi joined the Group in April 1983, deployed in a number of departments across our operations, from human resources to hall development and sales. Throughout his 42 years of experience with the Group, he has acquired extensive knowledge in a wide array of aspects in pachinko and pachislot hall operations. Mr. Taniguchi first involved in our overall general management 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 has been the representative director and chairman of Niraku Corporation since 1 April 2025.

## EXECUTIVE DIRECTOR

**Mr. Masataka WATANABE (渡辺将敬)**, aged 56, was appointed as an executive Director in June 2019. He worked at Yamaichi Securities Co., Ltd.* (山一證券株式会社) 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 a 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.

## NON-EXECUTIVE DIRECTOR

**Mr. Hiroshi BANNAI (坂内弘)**, aged 86, was appointed as a non-executive Director in June 2016. He had 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 had 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. 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.

# Profile of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Michio MINAKATA (南方美千雄)**, aged 58, was appointed as an independent non-executive Director in 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 Limited* (株式会社IPOバンク) and the partner* (代表社員) of Mavrick Tax Corporation* (税理士法人マーヴリック). 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.

**Mr. Yoshihiro KOIZUMI (小泉義広)**, aged 70, was appointed as an independent non-executive Director in June 2016. He 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. 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.

**Mr. Kuraji KUTSUWATA (轡田倉治)**, aged 83, was appointed as an independent non-executive Director in June 2019. He worked at the Iwase village office* (岩瀬村役場) from 1961 to 1975 before joining food vendor "Kutsuwata Shoten" (currently known as 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.* (有限会社ヤツプ工業), 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 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 2024, he served as chairman* (会長) of the Federation and is currently an advisor. A society of commerce and industry is an economic organisation that supports the business activities of small and medium-sized enterprises.

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.

# Profile of Directors and Senior Management

**Mr. Akihito TANAKA (田中秋人)**, aged 77, was appointed as an independent non-executive Director in July 2020. He 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.

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.

**Ms. Reiko HACHISUKA (蜂須賀禮子)**, aged 72, was appointed as an independent non-executive Director in December 2024. She commenced her floral business in Fukushima Prefecture at the age of 32, and has steadily managed it for many years since then. Her business acumen is highly regarded in the local community, and she has served as the chairman* (会長) of the Okuma Town Chamber of Commerce and Industry* (福島県大熊町商工会) in Fukushima Prefecture since 2009, and as the chairman* (会長) of the Sosu District Chamber of Commerce and Industry Liaison Council* (相双地区商工会連絡協議会) and the vice chairman* (副会長) of the Fukushima Prefecture Chamber of Commerce and Industry Association* (福島県商工会連合会) since 2023. Ms. Hachisuka has been actively participating in public positions beyond Fukushima Prefecture, such as being invited as an external expert of the Specific Nuclear Facility Monitoring and Assessment Investigative Commission in 2015.

Ms. Hachisuka graduated from Fukushima Prefectural Namie High School* (福島県立浪江高等学校) in March 1971. Her extensive network and deep understanding of the local community is invaluable in improving the quality of service and strengthening cooperation between the Group and the local community, so she has been nominated by the Board to provide advice based on her experience.

## EXECUTIVE OFFICER

**Mr. Hidenori MOROTA (諸田英模)**, aged 59, has been appointed as the Executive Officer since November 2014. He is also a director of Niraku Corporation since June 2012. He is the head of sales department and oversees the advertising, marketing, sales, machine selection and general prize offerings functions of the Group. Mr. Morota joined the Group in October 1988 and was elected as a director of Niraku Corporation in June 2001 and was subsequently promoted to an executive officer* (執行役) in June 2005. He served as a Director of the Company between January 2013 and June 2014, and was designated as the Executive Officer in November 2014. Mr. Morota's industry positions include the chief director* (理事長) at the Fukushima Prefecture Amusement Business Association* (福島県遊技業協同組合連合会) since June 2015, and the chairman* (会長) of the Liaison Council of Amusement Business Association in the Tohoku region* (東北地区遊技業協同組合連絡協議会) since May 2022. He has been the representative director and president* (代表取締役社長) of Nexia Inc. since September 2020 and has been the director and president of Niraku Corporation since 1 April 2025.

# Profile of Directors and Senior Management

## SENIOR MANAGEMENT

**Mr. Tatsuo TANIGUCHI (谷口龍雄)**, aged 71, was appointed as the representative director and president* (代表取締役社長) of Nexia Inc. in June 2009. His primary duties within the Group are the oversight of property activities, including the selection, acquisition and maintenance of the lands and premises of our pachinko halls. He also manages the office premises and residential apartment building owned by the Group which were leased to third party customers as an ancillary business. Mr. Taniguchi joined the Group in 1974 and resigned his office as a director of the Group in 2014. Mr. Taniguchi remains his advisory role within the Group, focusing on property activities. Mr. Taniguchi is the brother of the Chairman and is therefore his associate under the Listing Rules. Mr. Taniguchi is also a controlling shareholder of the Company and also a person acting in concert with the Chairman within the meanings of the Code on Takeovers and Mergers and Share Buy-backs.

* *For identification purpose only*

# Report of the Directors

The Directors are here to present the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 31 March 2025.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company and its subsidiaries comprising the Group are principally engaged in pachinko and pachislot hall operations, amusement arcade operations, hotel operations and restaurant business in Japan. The principal activities of the subsidiaries are set out in Note 38 to the consolidated financial statements. The operating segment of the Group for the year ended 31 March 2025 is set out in Note 5 to the consolidated financial statements.

## BUSINESS OVERVIEW

### Business Review

Continued improvement in consumer confidence as economic recovery picks up along with the uptrend in disposable income as wages hike, the Group's domestic business in Japan and its overseas investments in Southeast Asian countries have seen a continuous upswing in their revenues. For the year ended 31 March 2025, revenue of the Group amounted to ¥28,316 million, recording a noticeable increase of ¥1,361 million, as compared to ¥26,955 million in 2024. Profit before tax for the year ended 31 March 2025 was ¥1,652 million, with the profit attributable to the owners of the Company amounted to ¥607 million.

Pachinko revenue increased by ¥781 million for the year ended 31 March 2025, from ¥23,944 million in prior year to ¥24,725 million in current year. Frequent replacement of game machines, adjusting the machine mix between pachinko and pachislot, as well as optimising the pay-out ratio are the Group's main strategies on broadening its revenue and driving higher hall traffic. For the year ended 31 March 2025, investment placed on machine replacement amounted to ¥7,751 million. In addressing the rising demand for slot machines, the number of slot machines has increased to over 11,400 units, a rise of 7.4% as compared to prior year. Further, the pay-out ratio is adjusted upward by 1.2% as compared to prior year, providing a greater chance for players in winning prizes, which in return, driving higher customer turnover rate. These strategic measures have seen a proven success in increasing revenue and machine utilisation rate for the year ended 31 March 2025. The Group strives to curtail its spending through streamlining operating structure and deploying digital technology, such as "Self-POS", a self-serviced prize-exchange system, to improve productivity in order to maintain a sustainable growth.

For the year ended 31 March 2025, revenue from amusement arcades business amounted to ¥1,648 million, a decrease in revenue by ¥39 million as compared to prior year, which was resulted from the decrease in sales income from Vietnam due to temporary suspension of northern arcades caused by the impact of typhoon, and the closure of an unprofitable arcade during the current year. On the other hand, with the combination of rising income, strong household consumption and increased leisure spending, the economy in Cambodia continues to thrive. For the year ended 31 March 2025, revenue generated from Cambodia amounted to ¥606 million, increased by 9.9% as compared to prior year. Partnering with AEON, a renowned shopping mall developer, remains the key strategic approach of the Group in its Southeast Asian investment. Further to the opening of an amusement arcade at AEON Hue in January 2025, a medium-sized arcade will be rolled out at AEON Tan An mall. The management remains confident in achieving persistent revenue growth in Southeast Asian markets.

The Group's food and beverage business comprises 3 Spanish restaurants named "LIZARRAN", 3 cafés named "KOMEDA", 2 Taiwanese bubble tea cafés called "Gong Cha", and a first-ever private branded restaurant, PLANCHA L THE YOKOHAMA FRONT, which are all located in Japan. Revenue from this sector surged by 46.9%, from ¥708 million for the year ended 31 March 2024 to ¥1,040 million in the current year. The popularity of café visiting and the rising bubble tea culture, together with the PLANCHA L fusion cuisine, has contributed to a steadfast growth in this sector.

# Report of the Directors

With the influx of international tourists and inbound visitors aided by weak Japanese Yen, hospitality industry in Japan continues to show a robust growth. In addition to the acquisition of two onsen inns in August 2024, subsequent to the year ended 31 March 2025, the Group, through its indirect non-wholly-owned subsidiary, entered into 2 separate transactions in April 2025 for the acquisitions of land and building where onsen inns are erected. These onsen inns are established in ideal locations attractive to leisure tourists travelling to Japan. With the vibrant tourism in Japan, the Group is optimistic in this business sector.

The economy ahead is expected to be volatile as the increase in global trade tensions casts impact on consumer sentiment. Nevertheless, the Group has demonstrated resilience amidst the severity of economic condition. The Group is open to any possible options for market expansion including business buyout and new outlet set up. Further details of the business, prospects and development of the Group, and analysis of the Group's performance for the year ended 31 March 2025 are available in the sections "Chairman's Statement" on pages 6 to 9 and "Management Discussion and Analysis" on pages 10 to 15 of this annual report.

### Financial Key Performance Indicators

Certain financial key performance indicators which complement and supplement the financial disclosures are set out in "Financial Review" on pages 10 to 11 and the "Consolidated Financial Statements" on pages 51 to 56 of this annual report.

### Relationship with Suppliers

The Group's major suppliers consist of pachinko and pachislot machine suppliers, game machines suppliers, G-prize wholesalers, and general prize suppliers. These suppliers are relatively large and reputable corporations with long-standing relationships with the Group. On average, the Group has over ten years of business dealings with its major suppliers.

### Relationship with Customers

The Group's revenue comes from pachinko and pachislot business, amusement arcade business, and vending machines. As a pachinko hall and amusement arcade operator, the Group has a large and diverse customer base across Japan, Cambodia and Vietnam. Regarding vending machine business, revenue derived from the Group's top five largest customers accounted for less than 1% of total revenue of the Group for the year ended 31 March 2025.

### Relationship with Employees

The Group's success, to a considerable extent, depends upon its ability to attract, motivate and retain a sufficient number of qualified employees, including area managers, hall managers, sales managers and staff. The Group offers competitive wages, bonuses and other benefits to full time employees. Opportunity for advancement is also crucial in building employee loyalty and work dedication. The Group provides clear career paths, job rotation and training to its full time employees. As at 31 March 2025, the Group employed 1,012 staff for pachinko and pachislot business, and 258 staff for amusement arcades business.

### Environmental Policy

Pursuant to Amusement Business Law and local ordinances, a pachinko license holder must conduct business in such a way as not to cause noise or vibrations (limited to voices of people and other noises and vibrations that are part of operating a business) in the area surrounding the place of business that exceed the limits specified by prefectural ordinances. To ensure compliance with such laws and regulations, the Group had appointed a manager to supervise and monitor the compliance, formulate internal standards regarding such matters, and keep records of any relevant incidents.

### Licenses, Regulatory Approvals and Compliance Record

The Group had complied with the Listing Rules and all relevant Japan, Cambodia and Vietnam laws and regulations in all material respects and had obtained all material licenses, approvals and permits from relevant regulatory authorities for all of its pachinko halls and amusement centres in 2025.

**Principal Risks and Uncertainties**

Principal risks and uncertainties the Group faces include:

- risks related to continuous shrinkage of pachinko players in the industry;
- risks related to natural disasters, such as earthquake and tsunami;
- risks related to human resources and systems application;
- uncertainty as to the profitability of new halls and arcades;
- uncertainty as to the performance of the Group's existing halls and arcades;
- uncertainty as to the expansion of hall and arcade network;
- uncertainty as to the change of Amusement Business Law and related laws and regulations; and
- uncertainty as to the impact on pachinko industry after the passage of the IR Promotion Act.

## RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2025 are set out in the consolidated statement of comprehensive income on pages 51 to 52 of this annual report.

The Directors have declared the payment of a final dividend of ¥0.12 per common share totaling ¥144 million to the Shareholders. Such dividend will be payable on 15 July 2025 to the Shareholders whose names appear on the register of members of the Company at the close of business on 13 June 2025.

## DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), which aims at setting out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders. Under the policy, in recommending or declaring dividends, the Company shall maintain adequate cash reserve for meeting its working capital requirements and future growth as well as its Shareholders' value.

The Company does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles of Incorporation and all applicable laws and regulations and the various factors stipulated. When determining declaration or payment of dividends, the Company shall consider the following matters:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;

- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

- other factors that the Board deems relevant.

Any unclaimed dividend shall not be forfeited until the lapse of six years after the date of declaration of such dividend in accordance with the Articles of Incorporation.

The Board will review the Dividend Policy as appropriate from time to time. The Dividend Policy has been published on the Company's website for public information.

## FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 4 and 5 of this annual report.

## SHARE CAPITAL

Details of the share capital for the year ended 31 March 2025 are set out in Note 25 to the consolidated financial statements.

## EQUITY-LINKED AGREEMENTS

During the year ended 31 March 2025, the Group did not enter into any equity-linked agreements.

## RESERVES AND DISTRIBUTABLE RESERVES

Movements in reserves during the year are set out in the consolidated statement of changes in equity on page 55 of this annual report. Distributable reserves of the Company as at 31 March 2025 amounted to approximately ¥2,228 million.

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2025 are set out in Note 29 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Incorporation or the laws of Japan.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the year ended 31 March 2025 and up to the date of this annual report. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities (including sale of treasury shares, if any) during the year ended 31 March 2025. As at 31 March 2025, the Company did not hold any treasury shares.

# Report of the Directors

## DIRECTORS

The Directors during the year and up to the date of this annual report were:

**Executive Directors**
Mr. Hisanori TANIGUCHI (谷口久徳)
Mr. Masataka WATANABE (渡辺将敬)
Mr. Akinori OHISHI (大石明徳) [Note 1]

**Non-executive Director**
Mr. Hiroshi BANNAI (坂内弘)

**Independent Non-executive Directors**
Mr. Michio MINAKATA (南方美千雄)
Mr. Yoshihiro KOIZUMI (小泉義広)
Mr. Kuraji KUTSUWATA (轡田倉治)
Mr. Akihito TANAKA (田中秋人)
Ms. Reiko HACHISUKA (蜂須賀禮子) [Note 2]

Note 1: Mr. Akinori OHISHI retired as an executive Director on 28 June 2024.

Note 2: Ms. Reiko HACHISUKA was appointed as an independent non-executive Director on 18 December 2024.

In accordance with articles 29 of the Articles of Incorporation, all Directors will retire at the forthcoming AGM and, being eligible, offered themselves for re-election. The Company considers that all of the independent non-executive Directors are independent based on the independence guidelines set out in Rule 3.13 of the Listing Rules.

## DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

None of the Directors has a service contract or letter of appointment with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE IN RELATION TO THE GROUP'S BUSINESS

Save as disclosed in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries was a party and in which a Director and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at the date of this annual report, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

## PERMITTED INDEMNITY PROVISION

The Articles of Incorporation provide that the Company may execute an agreement with its Directors to limit their liability under Article 423 of the Companies Act in Japan. The Company has taken out and maintained Directors' liability insurance throughout the year and up to date of this annual report, which provides appropriate cover for the Directors.

## REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

No remuneration was paid to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group. Further, no compensation was paid to, or receivable by, the Directors or past Directors or the five highest paid individuals during the years ended 31 March 2025 and 2024 for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

Details of the emoluments of the Directors and five highest paid individuals during the reporting period are set out in Notes 8 and 37 to the consolidated financial statements.

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

As at 31 March 2025, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register as required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix C3 to the Listing Rules were as follows:

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

Notes:

(1) All interests stated are long positions.

(2) There were 1,195,850,460 shares in issue as at 31 March 2025.

Save as disclosed above, as at 31 March 2025, none of the Directors and chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 March 2025, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name | Capacity/Nature of interest | Total | Approximate % of shareholding |
|---|---|---|---|
| Yoshihiro TANIGUCHI (谷口佳浩) | Beneficial owner; interest of controlled corporation; custodian(1) | 98,440,000 common shares | 8.23% |
| Seiai TANIGUCHI (谷口正愛) | Interest of a spouse(2) | 85,624,184 common shares | 7.16% |
| Yurie TANIGUCHI (谷口祐莉恵) | Interest of a spouse(3) | 98,440,000 common shares | 8.23% |
| Okada Holdings Limited | Beneficial owner(4) | 80,500,000 common shares | 6.73% |
| Universal Entertainment Corporation | Beneficial owner(4) | 80,500,000 common shares | 6.73% |
| Tiger Resort Asia Limited | Beneficial owner(4) | 80,500,000 common shares | 6.73% |
| DENSHO Co., Ltd. | Beneficial owner | 226,020,460 common shares | 18.90% |
| JUKKI Limited | Beneficial owner | 181,470,000 common shares | 15.17% |

Notes:

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

(2) Ms. Seiai TANIGUCHI (谷口正愛) is the spouse of our Chairman and is therefore deemed to be interested in the shares that our Chairman is interested in under the SFO.

(3) Ms. Yurie TANIGUCHI (谷口祐莉恵) is the spouse of Mr. Yoshihiro TANIGUCHI (谷口佳浩) and is therefore deemed to be interested in the shares that Mr. Yoshihiro TANIGUCHI (谷口佳浩) is interested in under the SFO.

(4) Okada Holdings Limited indirectly 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 2025.

Save as disclosed above, as at 31 March 2025, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' and Chief Executive's Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Specified Undertaking of the Company or any other Associated Corporation", at no time during the year was the Company, any subsidiary or its holding company or any fellow subsidiary a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## NON-COMPETITION UNDERTAKING

The controlling Shareholders, including the members of the Taniguchi Consortium, have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 16 March 2015. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the controlling Shareholders and duly enforced since the Listing Date and up to the date of this annual report.

# Report of the Directors

## DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately ¥2 million.

## CONNECTED TRANSACTIONS

The Directors confirm that during the year ended 31 March 2025, the Group did not have any connected transactions and continuing connected transactions as defined under the Listing Rules. The significant related party transactions made during the year that did not constitute connected transactions under the Listing Rules were disclosed in Note 35 to the consolidated financial statements. The Directors therefore confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2025, less than 1.0% of the Group's revenue were attributed by the Group's five largest customers; while 72% and 93% of the Group's total purchases were attributed by the Group's largest and the five largest suppliers, respectively. The largest supplier of the Group supplies G-prize to the Group's pachinko halls and has a business relationship of more than 10 years with the Group. To the knowledge of the Directors, none of the Directors or any Shareholders who owned 5.0% or more of the issued share capital of the Company as at 31 March 2025 or any of their respective associates held any interest in any of the five largest suppliers of the Group.

## REMUNERATION POLICY AND PENSION SCHEME

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and performance of the Group and individual staff (including the Directors). The remuneration policy and remuneration packages of the executive Director and members of the senior management of the Group are reviewed by the Remuneration Committee.

Particulars of the Group's retirement benefit schemes are set out in Note 37 to the consolidated financial statements.

## AUDIT COMMITTEE

The Audit Committee had reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 March 2025.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital (including sale of treasury shares, if any), the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, is held by the public at all times as at the date of this annual report.

# Report of the Directors

## AUDITOR

PricewaterhouseCoopers has acted as auditor of the Company for the year ended 31 March 2025.

The consolidated financial statements have been audited by PricewaterhouseCoopers who shall retire in the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming AGM. There has been no change of auditor in the preceding three years.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The ESG report of the Group is published separately in parallel with the publication of this annual report.

On behalf of the Board
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, 26 May 2025

* *For identification purpose only*

# Independent Auditor's Report

**To the Shareholders of 株式会社ニラク•ジー•シー•ホールディングス Niraku GC Holdings, Inc.***
(incorporated in Japan with limited liability)

## OPINION

### What we have audited

The consolidated financial statements of 株式会社ニラク•ジー•シー•ホールディングス Niraku GC Holdings, Inc.* (the "Company") and its subsidiaries (the "Group"), which are set out on pages 51 to 126, comprise:

- the consolidated statement of financial position as at 31 March 2025;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

* *For identification purpose only*

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong*
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

# Independent Auditor’s Report

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to impairment assessment of property, plant and equipment, right-of-use assets and other non-financial assets.

# Independent Auditor’s Report

| Key Audit Matter | How our audit addressed the Key Audit Matter |
| --- | --- |
| **Impairment assessment of property, plant and equipment, right-of use assets and other non-financial assets** | |
| Refer to Notes 4, 14 and 15 to the consolidated financial statements for the related disclosures.<br><br>As at 31 March 2025, the Group had property, plant and equipment, right-of-use assets and other non-financial assets of ¥17,721 million, ¥21,679 million and ¥2,806 million, respectively. These property, plant and equipment, right-of-use assets and other non-financial assets were related to the cash-generating units (“CGUs”) of each individual pachinko and pachislot hall in Japan, each hotel business in Japan, each restaurant in Japan and each amusement arcade in Southeast Asia.<br><br>The performance of the Group’s operations were impacted by keen competition within the relevant industries. Management reviews for impairment whenever events or changes in circumstances indicate that carrying amount of a CGU may not be recoverable. For the year ended 31 March 2025, management assessed for whether each of the CGU have any impairment indicator by considering whether the CGU recorded operating loss after overhead allocation with a performance below budget (defined as not fulfilling the projected operating cash flow after overhead allocation), or consecutive operating loss after overhead allocation for 2 years, unless the CGU is still in investment stage, and performed impairment review on CGUs with such indicators. | In relation to the impairment assessments of property, plant and equipment, right-of-use assets and other non-current assets performed by management, we assessed the reasonableness of management’s assessments as to whether impairment indicators were identified for CGUs. We challenged management’s criteria for identification of impairment indication by comparing to the historical performance and operational development of the CGUs.<br><br>Our procedures in relation to management’s impairment assessments of property, plant and equipment, right-of-use assets and other non-financial assets included the following:<br><br>• Understanding and evaluating the internal control over impairment assessment process performed by management in order to assess the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity; and<br><br>• Assessing management’s determination of CGUs to evaluate whether they are reasonable based on our understanding of the Group’s business. |

# Independent Auditor's Report

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Impairment assessment of property, plant and equipment, right-of use assets and other non-financial assets (Continued)** | |
| Management performed impairment assessments to assess the recoverable amounts of these CGUs, which were determined as the higher of value-in-use or fair value less cost of disposal. The value-in-use calculations were performed by management and derived from income approach based on future cash flow forecasts of the CGUs. The fair value less cost of disposal calculations were performed by management with reference to valuation prepared by an independent professional qualified valuer.<br><br>Based on management's assessment, provision for impairment loss of ¥150 million and ¥282 million were recorded for property, plant and equipment and right-of-use assets, respectively, during the year ended 31 March 2025. | To evaluate management's value-in-use calculations, we have:<br><br>• Compared current year actual results with prior year forecasts to assess the reliability of management's prior forecasts;<br><br>• Challenged management's assumption on revenue growth rates by comparing the ratio to industry trends, the Group's historical performance and operational development;<br><br>• Assessed management's assumption on discount rates by comparing to the cost of capital and cost of debt of comparable organisations in the relevant industry;<br><br>• Reconciled the data input of the forecasts to supporting evidence, such as approved budgets, historical performance and operational development;<br><br>• Assessed mathematical accuracy of the value-in-use calculations; and<br><br>• Evaluated the sensitivity analysis performed by management around the revenue growth rates and discount rates to ascertain the extent and likelihood of such changes had been appropriately considered. |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
| --- | --- |
| **Impairment assessment of property, plant and equipment, right-of-use assets and other non-financial assets (Continued)** | |
| We focused on this area due to the significance of the carrying values of the property, plant and equipment, right-of-use assets and other non-financial assets to the Group; the high degree of subjectivity relating to the identification of impairment indicators and estimation involved in the determination of recoverable amounts; the complexity of calculations; and the judgements involved in the determination of key assumptions of revenue growth rates and discount rate in value-in-use calculations, and unit price per square meter of land under sales comparison approach and monthly rental per square meter of land and building under income approach in fair value less cost of disposal calculation. | To evaluate management's fair value less cost of disposal calculations, we have:<br><br>• Evaluate the valuer's competence, capabilities and objectivity;<br><br>• Reviewed the fair value less cost of disposal calculation performed by management to assess the appropriateness of methodology used;<br><br>• Assessed the reasonableness of the valuation by comparing rentable value and market quotation of similar properties based on our independent research;<br><br>• Assessed the mathematical accuracy of fair value less cost of disposal calculations; and<br><br>• Evaluated the sensitivity analysis performed by management around per square meter sales price for land and monthly rental per square meter for land and building to ascertain the extent and likelihood of such changes had been appropriately considered.<br><br>We have assessed the adequacy of the disclosures related to impairment of property, plant and equipment, right-of-use assets and other non-financial assets in the context of IFRS Accounting Standards disclosure requirements.<br><br>Based on the procedures performed, we considered that the judgement and estimates adopted by management in relation to the impairment assessment of property, plant and equipment, right-of-use assets and other non-financial assets were supportable by available evidence. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report (consisting of the Niraku GC Holdings, Inc. Annual Report 2025 and Environmental, Social and Governance Report 2025) other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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 consolidated financial statements.

# Independent Auditor's Report

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 Group'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 consolidated financial statements 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

# Independent Auditor's Report

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Hin Gay, Gabriel.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 26 May 2025

* *For identification purpose only*

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2025

| | Note | 2025 ¥ million | 2024 ¥ million |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 5 | **28,316** | 26,955 |
| Other income | 6 | **437** | 518 |
| Other (losses)/gains, net | 6 | **(88)** | 504 |
| Impairment loss on property, plant and equipment | 14 | **(150)** | (112) |
| Impairment loss on right-of-use assets | 15 | **(282)** | (284) |
| Impairment loss on financial assets | 3.1(b) | **–** | (410) |
| Hall operating expenses | 7 | **(21,488)** | (20,654) |
| Administrative expenses | 7 | **(4,211)** | (3,795) |
| **Operating profit** | | **2,534** | 2,722 |
| Finance income | 9 | **73** | 72 |
| Finance costs | 9 | **(955)** | (963) |
| Finance costs, net | 9 | **(882)** | (891) |
| **Profit before income tax** | | **1,652** | 1,831 |
| Income tax expense | 10 | **(1,045)** | (1,166) |
| **Profit for the year from continuing operations** | | **607** | 665 |
| Loss for the year from discontinued operation | 11 | **–** | (547) |
| **Profit for the year** | | **607** | 118 |
| **Profit/(loss) attributable to:** | | | |
| Owners of the Company: | | | |
| Continuing operations | | **607** | 694 |
| Discontinued operation | | **–** | (279) |
| | | **607** | 415 |
| Non-controlling interests: | | | |
| Continuing operations | | **–** | (29) |
| Discontinued operation | | **–** | (268) |
| | | **–** | (297) |
| | | **607** | 118 |
| **Earnings/(loss) per share for profit attributable to owners of the Company** | | | |
| — Basic and diluted (expressed in Japanese Yen per share) | 12 | | |
| From continuing operations | | **0.51** | 0.58 |
| From discontinued operation | | **–** | (0.23) |
| For the year | | **0.51** | 0.35 |

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2025

| | Note | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|---|
| **Profit for the year** | | **607** | 118 |
| **Other comprehensive income/(loss)** | | | |
| *Item that will not be subsequently reclassified to profit or loss* | | | |
| Change in value of financial assets through other comprehensive income | | **(79)** | 19 |
| *Item that have been or may be subsequently reclassified to profit or loss* | | | |
| Currency translation differences | | **37** | (210) |
| **Total comprehensive income/(loss) for the year** | | **565** | (73) |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Owners of the Company | | **554** | 375 |
| Non-controlling interest | | **11** | (448) |
| | | **565** | (73) |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Owners of the Company: | | | |
| Continuing operations | | **543** | 684 |
| Discontinued operation | | **11** | (309) |
| | | **554** | 375 |
| Non-controlling interests: | | | |
| Continuing operations | | **–** | (151) |
| Discontinued operation | | **11** | (297) |
| | | **11** | (448) |
| | | **565** | (73) |

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

# Consolidated Statement of Financial Position

As at 31 March 2025

| | Note | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **17,721** | 17,453 |
| Right-of-use assets | 15 | **21,679** | 23,752 |
| Investment properties | 16 | **1,471** | 668 |
| Intangible assets | 17 | **236** | 285 |
| Interest in an associate | 13 | **–** | – |
| Prepayments, deposits and other receivables | 23 | **4,208** | 4,148 |
| Financial assets at fair value through other comprehensive income | 19 | **418** | 534 |
| Deferred income tax assets | 30 | **5,114** | 5,048 |
| | | **50,847** | 51,888 |
| **Current assets** | | | |
| Inventories | 21 | **53** | 55 |
| Trade receivables | 22 | **199** | 154 |
| Prepayments, deposits and other receivables | 23 | **1,047** | 866 |
| Financial assets at fair value through profit or loss | 19 | **99** | 102 |
| Current income tax recoverable | | **–** | – |
| Bank deposits with maturity over 3 months | 24 | **834** | 345 |
| Cash and cash equivalents | 24 | **10,574** | 12,350 |
| | | **12,806** | 13,872 |
| **Total assets** | | **63,653** | 65,760 |

# Consolidated Statement of Financial Position

As at 31 March 2025

| | Note | 2025 ¥ million | 2024 ¥ million |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 25 | **3,000** | 3,000 |
| Reserves | 26 | **17,406** | 17,163 |
| | | **20,406** | 20,163 |
| Non-controlling interest | | **(1,171)** | (1,182) |
| **Total equity** | | **19,235** | 18,981 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 29 | **4,998** | 5,303 |
| Lease liabilities | 15 | **23,154** | 25,317 |
| Provisions and other payables | 28 | **2,051** | 2,141 |
| Derivative financial instruments | 20 | **–** | 1 |
| | | **30,203** | 32,762 |
| **Current liabilities** | | | |
| Trade payables | 27 | **111** | 196 |
| Borrowings | 29 | **4,842** | 5,129 |
| Lease liabilities | 15 | **2,813** | 2,608 |
| Accruals, provisions and other payables | 28 | **5,721** | 5,657 |
| Current income tax liabilities | | **728** | 427 |
| | | **14,215** | 14,017 |
| **Total liabilities** | | **44,418** | 46,779 |
| **Net current liabilities** | | **(1,409)** | (145) |
| **Total equity and liabilities** | | **63,653** | 65,760 |

The consolidated financial statements on pages 51 to 126 were approved by the Board of Directors on 26 May 2025 and were signed on its behalf.

**Hisanori Taniguchi**
*Director*

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

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2025

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital ¥ million | Capital surplus (Note 26(a)) ¥ million | Capital reserve (Note 26(b)) ¥ million | Legal reserve (Note 26(c)) ¥ million | Investment revaluation reserve (Note 26(d)) ¥ million | Retained earnings ¥ million | Exchange reserve ¥ million | Sub-total ¥ million | Non-controlling interest ¥ million | Total ¥ million |
| **Balances at 1 April 2023** | 3,000 | 13,954 | (16,028) | 107 | (206) | 19,194 | 7 | 20,028 | (734) | 19,294 |
| **Comprehensive income** | | | | | | | | | | |
| Profit/(loss) for the year | – | – | – | – | – | 415 | – | 415 | (297) | 118 |
| **Other comprehensive income/(loss)** | | | | | | | | | | |
| Financial assets at fair value through other comprehensive income, net of tax | – | – | – | – | 19 | – | – | 19 | – | 19 |
| Currency translation difference | – | – | – | – | – | – | (59) | (59) | (151) | (210) |
| **Total comprehensive income/(loss) for the year** | – | – | – | – | 19 | 415 | (59) | 375 | (448) | (73) |
| Final dividend relating to 2023 | – | – | – | – | – | (132) | – | (132) | – | (132) |
| Interim dividend relating to 2024 | – | – | – | – | – | (108) | – | (108) | – | (108) |
| Total transactions with owners | – | – | – | – | – | (240) | – | (240) | – | (240) |
| **Balance at 31 March 2024** | 3,000 | 13,954 | (16,028) | 107 | (187) | 19,369 | (52) | 20,163 | (1,182) | 18,981 |
| **Balances at 1 April 2024** | **3,000** | **13,954** | **(16,028)** | **107** | **(187)** | **19,369** | **(52)** | **20,163** | **(1,182)** | **18,981** |
| **Comprehensive income** | | | | | | | | | | |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **607** | **–** | **607** | **–** | **607** |
| **Other comprehensive income** | | | | | | | | | | |
| Financial assets at fair value through other comprehensive income, net of tax | **–** | **–** | **–** | **–** | **(79)** | **–** | **–** | **(79)** | **–** | **(79)** |
| Currency translation difference | **–** | **–** | **–** | **–** | **–** | **–** | **26** | **26** | **11** | **37** |
| **Total comprehensive income for the year** | **–** | **–** | **–** | **–** | **(79)** | **607** | **26** | **554** | **11** | **565** |
| Final dividend relating to 2024 | **–** | **–** | **–** | **–** | **–** | **(203)** | **–** | **(203)** | **–** | **(203)** |
| Interim dividend relating to 2025 | **–** | **–** | **–** | **–** | **–** | **(108)** | **–** | **(108)** | **–** | **(108)** |
| Total transactions with owners | **–** | **–** | **–** | **–** | **–** | **(311)** | **–** | **(311)** | **–** | **(311)** |
| **Balance at 31 March 2025** | **3,000** | **13,954** | **(16,028)** | **107** | **(266)** | **19,665** | **(26)** | **20,406** | **(1,171)** | **19,235** |

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

# Consolidated Statement of Cash Flows

For the year ended 31 March 2025

| | Note | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 32 | **7,116** | 8,430 |
| Interest paid | | **(141)** | (141) |
| Income tax paid, net | | **(812)** | (194) |
| Net cash generated from operating activities | | **6,163** | 8,095 |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiaries, net of cash acquired | 39 | **(82)** | – |
| Purchase of property, plant and equipment | | **(2,132)** | (2,211) |
| Purchase of investment properties | 16 | **(827)** | – |
| Purchase of intangible assets | | **(3)** | (4) |
| Proceeds from disposal of property, plant and equipment | 32 | **223** | 264 |
| Placement of bank deposits with maturity over 3 months | | **(1,986)** | (436) |
| Proceed from withdrawal of bank deposits with maturity over 3 months | | **1,497** | 619 |
| Interest received | 9 | **15** | 7 |
| Dividend received | 6 | **25** | 24 |
| Net cash used in investing activities | | **(3,272)** | (1,737) |
| **Cash flows from financing activities** | | | |
| Proceeds from bank borrowings | 32 | **5,160** | 4,905 |
| Repayment of bank borrowings | 32 | **(5,900)** | (4,679) |
| Dividend paid | | **(311)** | (240) |
| Principal element of lease payments | | **(2,938)** | (3,727) |
| Interest element of lease payments | 9 | **(684)** | (704) |
| Net cash used in financing activities | | **(4,673)** | (4,445) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(1,780)** | 1,913 |
| Cash and cash equivalents at beginning of the year | | **12,350** | 10,435 |
| Exchange gain on cash and cash equivalents | | **4** | 2 |
| Cash and cash equivalents at end of the year | 24 | **10,574** | 12,350 |

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

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

### 1.1 General information

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

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in pachinko and pachislot hall operations, hotel and restaurant operations in Japan; amusement arcade operations in Southeast Asian countries; and restaurant operations in China. In August 2023, the Group discontinued the restaurant operation in China. Details are set out in Note 11. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in millions of Japanese Yen ("¥"), unless otherwise stated.

These consolidated financial statements have been approved by the Board of Directors of the Company on 26 May 2025.

## 2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative financial instruments) which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Group had net current liabilities of ¥1,409 million as at 31 March 2025. The Directors believed that the Group has adequate cash flows to maintain the Group's operation as the Group has unutilised banking facilities readily available to the Group amounted to ¥1,617 million as at 31 March 2025. Furthermore, the Group obtained additional banking facilities amounted to ¥1,500 million in May 2025.

On 17 April 2025, the Group entered into 2 acquisition contracts for the acquisition of 2 hotel properties, at a total consideration of ¥1,156.8 million, where 25% of the consideration would be funded by a borrowing from the minority shareholder. Details of these subsequent events are set out in Note 40.

Taking into account the above, the Directors are of the opinion that the Group is able to meet in full its financial obligations as they fall due for not less than twelve months from 31 March 2025 and it is appropriate to prepare these consolidated financial statements on a going concern basis.

## 2 BASIS OF PREPARATION (CONTINUED)

### (i) Amendments to IFRS Accounting Standards ("IFRS(s)") adopted by the Group

The following amendments to standards are mandatory for the first time for the financial year beginning 1 April 2024 and currently relevant to the Group:

| | |
|---|---|
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants |
| Amendments to IFRS 16 | Lease Liability in Sale and Leaseback |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements |

The application of the amendments to IFRS in the current year has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### (ii) New and amendments to IFRSs not yet adopted by the Group

| | | **Effective for Accounting Period Beginning on or After** |
|---|---|---|
| Amendments to IAS 21 | Lack of Exchangeability | 1 January 2025 |
| Amendments to IFRS 7 and IFRS 9 | Amendments to the Classification and Measurement of Financial Instruments | 1 January 2026 |
| Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 | Annual Improvements to IFRS Accounting Standards — Volume 11 | 1 January 2026 |
| IFRS 18 | Presentation and Disclosure in Financial Statements | 1 January 2027 |
| IFRS 19 | Subsidiaries without Public Accountability: Disclosures | 1 January 2027 |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

Certain new and amendments to IFRSs have been published that are not mandatory for 31 March 2025 reporting period and have not been early adopted by the Group. These new and amendments to IFRSs are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

*IFRS 18 — Presentation and Disclosure in Financial Statements*

IFRS 18 will replace IAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the Group's financial statements.

The directors are in the process of assessing the impact of IFRS 18 in the period of initial application. The directors anticipate that the application of IFRS 18 has certain impacts on the presentation and disclosure on the Group's financial statements.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge its financial risks.

Risk management is carried out by management of the Group. Formal and informal management meetings are held to identify significant risks and to develop procedures to deal with any risks in relation to the Group's businesses.

*(a) Market risk*

***(i) Foreign exchange risk***

The Group operates principally in Japan and is exposed to foreign exchange risk arising from various foreign currency transactions and foreign, primarily with respect to cash and cash equivalents denominated in Hong Kong dollar ("HK$"), United States dollar ("US$"), Vietnamese Dong ("VND") and Chinese Renminbi ("RMB").

The Group also has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Majority of the cost and revenue of the local operations in Vietnam, China and Hong Kong are primarily transacted in their local functional currency which are VND, RMB and HK$, respectively, and therefore foreign exchange transactional risks are minimal.

At 31 March 2025, if US$ had strengthened/weakened by 5% (2024: 15%) against the ¥, with all other variables held constant, post-tax profit for the year would have been approximately ¥19 million, higher/lower (2024: ¥83 million lower/higher), mainly as a result of foreign exchange differences on translation of US$ denominated cash at bank balance.

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

*(a) Market risk* (Continued)

***(ii) Cash flow and fair value interest rate risk***

The Group's interest rate risk arises from bank balances and borrowings which are carried at variable rates, which expose the Group to cash flow interest rate risk.

As at 31 March 2025, if interest rates were increased or decreased by 25 basis points and all other variables were held constant, the Group's post-tax profit would have increased or decreased by approximately ¥6 million (2024: increased or decreased by ¥7 million).

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps to manage its interest rate exposure. The Group's main interest rate exposure relates to ¥ denominated borrowings. In the opinion of the directors, fair value interest rate risk is low as the amounts of interest rate swaps are insignificant during the year ended 31 March 2025 (2024: Same), and accordingly, sensitivity analysis has not been disclosed.

***(iii) Price risk***

The Group is exposed to equity securities price risk because of investments in listed securities held by the Group which are classified on the consolidated statement of financial position as financial assets at fair value through other comprehensive income.

The table below summarises the impact of increases/decreases of the share prices of underlying financial instruments on the Group's equity. The analysis is based on the assumption that the share prices of the underlying financial instruments had increased or decreased by 5% with all other variables held constant.

| | **2025**<br>**¥ million** | 2024<br>¥ million |
|---|---|---|
| **Impact on other components of equity** | | |
| Share prices: | | |
| — increase by 5% | **15** | 19 |
| — decrease by 5% | **(15)** | (19) |

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

*(b) Credit risk*

Credit risk arises mainly from cash deposited at banks, trade receivables, deposits and other receivables, financial assets at fair value through profit or loss and through other comprehensive income.

***(i) Risk management***

In respect of cash deposited at banks and financial assets at fair value through profit or loss and through other comprehensive income, the credit risk is considered to be low as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Approximately 96% (2024: 96%) of the Group's revenue is settled in cash, hence there is no significant concentration of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Group has set up long-term co-operative relationship with the customers and trade partners. In view of the history of business dealings with these parties and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these customers.

***(ii) Impairment of financial assets***

Trade receivables

The group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance as at 31 March 2025 and 2024 was assessed to be immaterial.

Other receivables

The Company adopts general approach for expected credit losses of other receivables and consider most of the financial assets have not significantly increased in credit risk from initial recognition. Thus, these financial assets are classified in stage one and only consider 12-month expected credit losses. The loss allowance as at 31 March 2025 was assessed to be immaterial. As at 31 March 2024, except for one of the other receivables that are in default and considered credit impaired, management make individual assessment on the recoverability of the balances taking into account the historical settlement records as well as past experience. Therefore, the balance of ¥410 million was fully provided for as at 31 March 2024.

Thus, for remaining financial assets are classified in stage one and only consider 12-month expected credit losses. In measuring the expected credit losses, the credit quality has been assessed with reference to historical credit losses experienced and financial position of the counterparties. On that basis, the remaining loss allowance during the years ended 31 March 2025 and 2024 is assessed to be immaterial.

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

*(c) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding from an adequate amount of committed credit facilities from leading banks and the ability to close out market position.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets and receivables, and long term financing including long-term borrowings. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal to their carrying balances as the impact of discounting is not significant.

| | Within 1 year ¥ million | Between 1 and 2 years ¥ million | Between 2 and 5 years ¥ million | Over 5 years ¥ million | Total contractual cash flow ¥ million | Carrying value ¥ million |
|---|---|---|---|---|---|---|
| **As at 31 March 2025** | | | | | | |
| *Non-derivatives* | | | | | | |
| Trade payables | **111** | **–** | **–** | **–** | **111** | **111** |
| Accruals, provisions and other payables | **1,973** | **6** | **10** | **133** | **2,122** | **2,085** |
| Borrowings | **4,934** | **1,873** | **2,624** | **590** | **10,021** | **9,840** |
| Lease liabilities | **3,451** | **3,284** | **7,448** | **16,581** | **30,764** | **25,967** |
| | **10,469** | **5,163** | **10,082** | **17,304** | **43,018** | **38,003** |
| *Derivatives* | | | | | | |
| Derivative financial instruments, net settled | **–** | **–** | **–** | **–** | **–** | **–** |
| **As at 31 March 2024** | | | | | | |
| *Non-derivatives* | | | | | | |
| Trade payables | 196 | – | – | – | 196 | 196 |
| Accruals, provisions and other payables | 2,344 | 18 | 7 | 173 | 2,542 | 2,494 |
| Borrowings | 5,356 | 2,509 | 3,030 | 45 | 10,940 | 10,432 |
| Lease liabilities | 3,273 | 3,096 | 7,864 | 19,271 | 33,504 | 27,925 |
| | 11,169 | 5,623 | 10,901 | 19,489 | 47,182 | 41,047 |
| *Derivatives* | | | | | | |
| Derivative financial instruments, net settled | 1 | – | – | – | 1 | 1 |

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group uses bank borrowings to finance its operations.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by equity. Total debt is calculated as total borrowings (include bank borrowings and lease liabilities) less cash and cash equivalents. Equity is calculated as 'equity' as shown in the consolidated statement of financial position.

| | **2025**<br>**¥ million** | 2024<br>¥ million |
|---|---|---|
| Borrowings | **9,840** | 10,432 |
| Lease liabilities | **25,967** | 27,925 |
| Less: Cash and cash equivalents | **(10,574)** | (12,350) |
| Total debt | **25,233** | 26,007 |
| Equity | **19,253** | 18,981 |
| Gearing ratio | **1.3** | 1.4 |

### 3.3 Fair value estimation

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

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

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 Fair value estimation (Continued)

| | Level 1<br>¥ million | Level 2<br>¥ million | Level 3<br>¥ million | Total<br>¥ million |
|---|---|---|---|---|
| **As at 31 March 2025** | | | | |
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| — Trust fund | **–** | **99** | **–** | **99** |
| Financial assets at fair value through other comprehensive income | | | | |
| — Listed securities | **418** | **–** | **–** | **418** |
| | **418** | **99** | **–** | **517** |
| **Liabilities** | | | | |
| Derivative financial liabilities | | | | |
| — Interest rate swaps | **–** | **–** | **–** | **–** |
| **As at 31 March 2024** | | | | |
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| — Trust fund | – | 102 | – | 102 |
| Financial assets at fair value through other comprehensive income | | | | |
| — Listed securities | 534 | – | – | 534 |
| | 534 | 102 | – | 636 |
| **Liabilities** | | | | |
| Derivative financial liabilities | | | | |
| — Interest rate swaps | – | 1 | – | 1 |

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 Fair value estimation (Continued)

*(i) Financial instruments in level 1*

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

*(ii) Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at 31 March 2025 and 2024, instruments included in level 2 comprise trust fund and interest rate swaps issued by financial institutions in Japan which were classified as financial assets at fair value through profit or loss.

As at 31 March 2025 and 2024, there were no financial instrument held by the Group was in level 3. There were no transfers between levels 1, 2 and 3 during the years ended 31 March 2025 and 2024.

Management discussed with the respective investment managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective investment managers in order to evaluate whether the fair values as stated in the investment statements at the end of reporting period are appropriate.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (a) Impairment of property, plant and equipment, right-of-use assets and non-financial assets

The Group has substantial investments in property, plant and equipment and right-of-use assets. Judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and value-in-use, which is the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate growth rate; and (4) fair value less costs of disposal calculation requires estimation of market value of the assets with reference to the valuation performed by the independent valuer.

Changing the assumptions used to determine the level, if any, of impairment, including the discount rate, the growth rate and sales assumptions in the value-in-use calculations, unit price per square meter and monthly rental per square meter assumptions in the fair value less costs of disposal calculations, could materially affect the recoverable amount in the impairment test and as a result affect the Group's financial condition and results of operations.

Details of the key assumptions applied by management in assessing impairment of property, plant and equipment, right-of-use assets and other non-financial assets are stated in Note 14, while details of the key assumptions applied in assessing impairment of goodwill are stated in Note 17.

### (b) Income taxes

The Group is subject to income taxes in Japan, Vietnam, Cambodia, Singapore and China. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

## 5 REVENUE AND SEGMENT INFORMATION

**Material accounting policy**

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers controls of the goods or services promised in a contract and the customer obtains control of the goods or services.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If any of the above conditions are not met, the Group recognises revenue at the point in time at which the performance obligation is satisfied.

Specific criteria for each of the Group's activities are described as below.

(i) Revenue from pachinko and pachislot business represents the gross pay-ins, net of the gross pay-outs to customers. Gross pay-ins represents the amount received from customers for rental of pachinko balls and pachislot tokens. Gross pay-outs represents the aggregate cost of G-prizes and general prizes exchanged by customers. G-prizes are decorative cards with a small embedded piece of gold or silver or coin-shaped pendants of gold or silver which can be sold by customers to a G-prize buyer for cash, and general prizes are generally the types of goods sold in convenience stores, such as snacks, drinks and cigarettes.

Customers rent pachinko balls and pachislot tokens to play the games, and the balls or tokens won can be either exchanged for prizes or saved for subsequent visits. The Group offers both general prizes and G-prizes. Customers who opt to claim G-prizes in exchange for the pachinko balls and pachislot tokens may sell their G-prizes to an independent G-prize buyer for cash outside of the pachinko hall. Revenue is recognised over the period of each play.

A contract liability is recognised when the Group has received upfront fees from the customers. The Group records these as unutilised balls and tokens in the liabilities section of the consolidated statement of financial position. Such contract liability is recognised as revenue when they are utilised by customers. Income from expired prepaid integrated circuit and membership cards are recognised as other income upon expiry of the usage period.

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

**Material accounting policy** (Continued)

(ii) Hotel revenue from room rental is recognised over time during the period of stay for the hotel guests.

(iii) Vending machine income is recognised on a straight-line basis over the accounting periods covered by the terms and conditions as stipulated in the agreement. Contingent vending machine income is recognised when the Group sells a product to the customer.

A contract liability is recognised when the Group has received upfront fees from the customers. The Group records these as rental receipt in advance in the liabilities section of the consolidated statement of financial position. Such contract liability is recognised as revenue when such services are rendered to customers.

(iv) Restaurant revenue from provision of food and beverages services is recognised when the related services have been provided to customers.

(v) Amusement arcade business is recognised when the provision of amusement arcade services are rendered, being when the customers utilised the tokens to play the games. A contract liability is recognised when the Group has received upfront fees from the customers. The Group records these as unutilised tokens in the liabilities section of the consolidated statement of financial position. Such contract liability is recognised as revenue when such services are rendered to customers.

(vi) Rental income from investment properties is recognised on a straight-line basis over the term of the leases.

Receipt in advance is recognised when the Group has received upfront fees from the customers. The Group records these as rental receipt in advance in the liabilities section of the consolidated statement of financial position. Such receipt in advance is recognised as other income when such services are rendered to customers.

# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (a) Revenue from continuing operations

An analysis of the revenue of the Group from continuing operations is as follows:

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Gross pay-ins | **145,091** | 131,835 |
| Less: gross pay-outs | **(120,366)** | (107,891) |
| Revenue from pachinko and pachislot hall business | **24,725** | 23,944 |
| Revenue from amusement arcades | **1,648** | 1,687 |
| Vending machine income | **552** | 453 |
| Revenue from hotel operations | **351** | 163 |
| Revenue from restaurant operations | **1,040** | 708 |
| | **28,316** | 26,955 |

During the year ended 31 March 2025, revenue recognised that was included in the contract liabilities balances of receipt in advance relating to vending machines and unutilised balls and tokens relating to pachinko and pachislot hall business and amusement arcades at the beginning of the year amounted to ¥86 million (2024: ¥81 million) and ¥1,927 million (2024: ¥1,667 million), respectively.

As at 31 March 2025, the amount of transaction price allocated to the contract liabilities in relation to receipt in advance relating to vending machines and unutilised balls and tokens relating to pachinko and pachislot hall business and amusement arcades that are unfulfilled were ¥52 million (2024: ¥86 million) and ¥2,296 million (2024: ¥1,972 million), respectively, of which all are expected to be recognised as revenue during the next reporting period.

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information

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

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

In August 2023, the Group has terminated the restaurant operation in China. As a result, the restaurant operation is reported in the current period as discontinued operation. Details are set out in Note 11.

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

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets, investment properties and intangible assets. Unallocated corporate expenses and income tax expenses are not included in segment results. Starting from current year, the Group will exclude inter-company service fee, exchange differences and provision for loss allowance on inter-company balances from segment results and classify these amounts as unallocated corporate expenses. Consequently, comparative figures presented have been restated to conform to the current year's presentation.

# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (Continued)

The segment information provided to the executive directors for the years ended 31 March 2025 and 2024 are as follows:

| | For the year ended 31 March 2025 | | | | | |
|---|---|---|---|---|---|---|
| | Continuing operations | | | | Discontinued operation | |
| | Pachinko and pachislot hall operations | Amusement arcade operations | Other | Total | Restaurant operations | Total |
| | Japan | Southeast Asia | Japan & Hong Kong | | China | |
| | ¥ million | ¥ million | ¥ million | ¥ million | ¥ million | ¥ million |
| **Segment revenue from external customers** | | | | | | |
| Over time | 25,277 | 1,648 | 351 | 27,276 | – | 27,276 |
| At a point in time | – | – | 1,040 | 1,040 | – | 1,040 |
| **Segment revenue from external customers** | 25,277 | 1,648 | 1,391 | 28,316 | – | 28,316 |
| **Segment results** | 2,353 | (49) | (28) | 2,276 | – | 2,276 |
| Unallocated amount | | | | | | (624) |
| Profit before income tax | | | | | | 1,652 |
| Income tax expense | | | | | | (1,045) |
| **Profit for the year** | | | | | | 607 |
| **Other segment items** | | | | | | |
| Depreciation and amortisation expenses | (3,741) | (357) | (74) | (4,172) | – | (4,172) |
| Impairment loss on property, plant and equipment | (142) | (8) | – | (150) | – | (150) |
| Impairment loss on right-of-use assets | (272) | (10) | – | (282) | – | (282) |
| Finance income | 69 | 4 | – | 73 | – | 73 |
| Finance costs | (856) | (90) | (9) | (955) | – | (955) |

# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (Continued)

| | For the year ended 31 March 2024 (Restated) | | | | | |
|---|---|---|---|---|---|---|
| | Continuing operations | | | | Discontinued operation | |
| | Pachinko and pachislot hall operations | Amusement arcade operations | Other | Total | Restaurant operations | Total |
| | Japan | Southeast Asia | Japan & Hong Kong | | China | |
| | ¥ million | ¥ million | ¥ million | ¥ million | ¥ million | ¥ million |
| **Segment revenue from external customers** | | | | | | |
| Over time | 24,397 | 1,687 | 163 | 26,247 | – | 26,247 |
| At a point in time | – | – | 708 | 708 | 80 | 788 |
| **Segment revenue from external customers** | 24,397 | 1,687 | 871 | 26,955 | 80 | 27,035 |
| **Segment results** | 2,317 | (223) | (60) | 2,034 | (547) | 1,487 |
| Unallocated amount | | | | | | (203) |
| Profit before income tax | | | | | | 1,284 |
| Income tax expense | | | | | | (1,166) |
| **Profit for the year** | | | | | | 118 |
| **Other segment items** | | | | | | |
| Depreciation and amortisation expenses | (3,619) | (347) | (51) | (4,017) | – | (4,017) |
| Impairment loss on property, plant and equipment | (112) | – | – | (112) | – | (112) |
| Impairment loss on right-of-use assets | (284) | – | – | (284) | – | (284) |
| Impairment loss on financial assets | – | (410) | – | (410) | – | (410) |
| Finance income | 68 | 4 | – | 72 | – | 72 |
| Finance costs | (893) | (65) | (5) | (963) | (6) | (969) |

# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (Continued)

The segment assets as at 31 March 2025 and 2024 are as follows:

| | Continuing operations | | | Discontinued operation | |
|---|---|---|---|---|---|
| | Pachinko and pachislot hall operations | Amusement arcade operations | Others | Restaurant operations | Total |
| | Japan | Southeast Asia | Japan & Hong Kong | China | |
| | ¥ million | ¥ million | ¥ million | ¥ million | ¥ million |
| **As at 31 March 2025** | | | | | |
| **Segment assets** | **51,829** | **1,895** | **1,487** | **10** | **55,221** |
| Unallocated assets | | | | | **3,318** |
| Deferred income tax assets | | | | | **5,114** |
| **Total assets** | | | | | **63,653** |
| Addition to non-current assets other than financial instruments and deferred tax assets | **3,214** | **747** | **262** | **–** | **4,223** |

| | Pachinko and pachislot hall operations | Amusement arcade operations | Others | Restaurant operations | Total |
|---|---|---|---|---|---|
| | Japan | Southeast Asia | Japan & Hong Kong | China | |
| | ¥ million | ¥ million | ¥ million | ¥ million | ¥ million |
| **As at 31 March 2024** | | | | | |
| **Segment assets** | 53,642 | 1,364 | 1,001 | 11 | 56,018 |
| Unallocated assets | | | | | 4,694 |
| Deferred income tax assets | | | | | 5,048 |
| **Total assets** | | | | | 65,760 |
| Addition to non-current assets other than financial instruments and deferred tax assets | 2,802 | 595 | 154 | – | 3,551 |

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (Continued)

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

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Japan, country of domicile | **40,112** | 41,560 |
| Southeast Asia | **1,135** | 870 |
| | **41,247** | 42,430 |

No single external customer contributed more than 10% revenue to the Group's revenue for the years ended 31 March 2025 and 2024.

## 6 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET FROM CONTINUING OPERATIONS

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| **Other income from continuing operations** | | |
| Rental income | **215** | 231 |
| Income from expired IC and membership cards | **29** | 26 |
| Dividend income | **25** | 24 |
| Compensation and subsidies | **38** | 31 |
| Income from scrap sales of used pachinko and pachislot machines | **97** | 151 |
| Others | **33** | 55 |
| | **437** | 518 |
| **Other (losses)/gains, net from continuing operations** | | |
| (Loss)/gain on fair value for financial assets at fair value through profit or loss | **(4)** | 4 |
| Gain on fair value for derivative financial instruments | **1** | 3 |
| (Loss)/gain on disposal of property, plant and equipment, net | **(12)** | 91 |
| Exchange (loss)/gain, net | **(71)** | 410 |
| Others | **(2)** | (4) |
| | **(88)** | 504 |

# Notes to the Consolidated Financial Statements

## 7 HALL OPERATING EXPENSES AND ADMINISTRATIVE EXPENSES FROM CONTINUING OPERATIONS

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Auditors' remuneration | | |
| — Audit fees | **119** | 113 |
| — Other services | **11** | 7 |
| Employee benefits expenses | | |
| — Hall operations | **4,327** | 4,263 |
| — Administrative and others | **1,679** | 1,560 |
| Operating lease rental expense in respect of land and buildings | **284** | 243 |
| Depreciation of property, plant and equipment (Note 14) | **1,555** | 1,476 |
| Depreciation of right-of-use assets (Note 15) | **2,530** | 2,453 |
| Depreciation of investment properties (Note 16) | **24** | 23 |
| Amortisation of intangible assets (Note 17) | **63** | 65 |
| Other taxes and duties | **359** | 322 |
| Utilities expenses | **1,258** | 1,149 |
| Consumables and cleaning | **1,306** | 1,042 |
| Repairs and maintenance | **982** | 624 |
| Outsourcing service expenses | **783** | 764 |
| Prizes procurement expenses to wholesalers | **1,111** | 1,142 |
| Pachinko and pachislot machines expenses (Note) | **7,751** | 7,890 |
| Advertising expenses | **1,263** | 976 |
| Legal and professional fees | **174** | 94 |
| Others | **120** | 243 |
| | **25,699** | 24,449 |

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

## 8 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Salaries, bonuses and allowances | **4,946** | 4,769 |
| Pension costs — defined contribution plan | **73** | 63 |
| Other employee benefits | **987** | 991 |
| | **6,006** | 5,823 |

### (a) Pension costs — defined contribution plans

The Company and its subsidiaries operate defined contribution plans which covers all full-time employees and directors. No forfeited contribution was incurred during the year (2024: Nil).

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2025 include three directors (2024: three directors) whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining two (2024: two) individuals during the year ended 31 March 2025 and 2024 are as follows:

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Salaries, allowances and other benefits | **50** | 49 |
| Bonuses | **–** | – |
| Pension cost — defined contribution plan | **1** | 1 |
| | **51** | 50 |

The number of highest paid individuals whose remuneration fell within the following band is as follows:

| | Number of individuals | |
|---|---|---|
| | 2025 | 2024 |
| **Emolument bands** | | |
| ¥9,790,000 to ¥19,580,000<br>(equivalent to approximately HK$500,000 to HK$1,000,001) | **1** | – |
| ¥19,580,001 to ¥29,370,000<br>(equivalent to approximately HK$1,000,001 to HK$1,500,000) | **–** | 1 |
| ¥29,370,001 to ¥39,160,000<br>(equivalent to approximately HK$1,500,001 to HK$2,000,000) | **1** | 1 |

## 9 FINANCE COSTS, NET FROM CONTINUING OPERATIONS

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| **Finance income from continuing operations** | | |
| Bank interest income | **15** | 7 |
| Interest income on lease receivables | **31** | 32 |
| Other interest income | **27** | 33 |
| | **73** | 72 |
| **Finance costs from continuing operations** | | |
| Bank borrowings | **(141)** | (141) |
| Lease liabilities | **(684)** | (698) |
| Provision for unwinding discount | **(130)** | (124) |
| | **(955)** | (963) |
| **Finance costs, net from continuing operations** | **(882)** | (891) |

## 10 INCOME TAX EXPENSE

### Material accounting policy

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

*(i)* *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

## 10 INCOME TAX EXPENSE (CONTINUED)

**Material accounting policy** (Continued)

*(ii) Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Current income tax | | |
| — Japan | **1,013** | 721 |
| — Other Asian countries | **61** | 77 |
| | **1,074** | 798 |
| Deferred income tax | **(29)** | 368 |
| Total charge for the year from continuing operations | **1,045** | 1,166 |

## 10 INCOME TAX EXPENSE (CONTINUED)

No provision for Hong Kong profits tax has been made for the years ended 31 March 2025 and 2024 as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 March 2025 and 2024.

Japan corporate income tax include national corporate income tax, inhabitants tax, and enterprise tax, and has been calculated on the estimated assessable profit for the year. During the year ended 31 March 2025, the effective rates of national corporate income tax, inhabitants tax, and enterprise tax resulted in statutory income tax rates of 34.1% (2024: 34.1%).

Income tax for the Group's Vietnam operations has been provided at the rate of 20.0% (2024: 20.0%) on the estimated assessable profit derived from Vietnam for the year. Taxation on other jurisdictions' profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Japan as follows:

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Profit from continuing operations before income tax | **1,652** | 1,831 |
| Loss from discontinued operation before income tax | **–** | (547) |
| | **1,652** | 1,284 |
| Tax calculated at domestic tax rates applicable to profit in the respective countries | **812** | 570 |
| Income not subject to tax | **(2)** | (17) |
| Expenses not deductible for tax purpose | **118** | 495 |
| Unrecognised tax losses | **120** | 149 |
| Unrecognised deductible temporary differences | **79** | 39 |
| Utilisation of previously unrecognised tax losses | **(82)** | (70) |
| | **1,045** | 1,166 |

The weighted average applicable tax rate was 49.2% for the year ended 31 March 2025 (2024: 44.4%). The change is caused by a change in the profitability mix of the Group's subsidiaries in the respective countries.

## 11 DISCONTINUED OPERATION

Due to the spread of COVID-19 and intermittent business suspension policy imposed in China, the restaurant operation in China ("YOKOCHO business") had been suffering from persistent loss. After due and careful consideration, on 27 July 2023, a written resolution was passed by all directors of NPJ Hong Kong Limited (an indirectly non-wholly-owned subsidiary of the Company) to resolve NPJ China Yokocho Co., Ltd. ("NPJ China"), a wholly-owned subsidiary of NPJ Hong Kong Limited) to withdraw from its YOKOCHO business in China in August 2023. The YOKOCHO business officially ceased on 15 August 2023. On 19 September 2023, another written resolution was passed by the Board of NPJ Hong Kong Limited to approve the bankruptcy plan of the YOKOCHO business. On 1 March 2024, another written resolution was passed by the Board of the Company to approve for filing of a bankruptcy liquidation to the court in China. Subsequently on 17 April 2024, a bankruptcy order was granted by the Shenzhen Intermediate People's Court (the "Court") and a trustee was then appointed by the Count on 22 April 2024. The management of the Group believes that the cessation of business operation of NPJ China will improve the financial position of the Group, which is in the interests of the Company and its shareholders as a whole. As at the date of this report, the bankruptcy process is ongoing.

The financial results of the discontinued business are presented in the consolidated statement of comprehensive income as discontinued operation in accordance with IFRS 5 "Non-current Assets Held for Sales and Discontinued Operations".

## 11 DISCONTINUED OPERATION (CONTINUED)

The results of NPJ China for the years are presented below:

| | For the year ended 31 March 2025 ¥ million | 2024 ¥ million |
|---|---|---|
| Revenue | – | 80 |
| Other income and losses, net | – | (24) |
| Loss on early termination of lease agreement (Note) | – | (431) |
| Operating expenses | – | (62) |
| Administrative expenses | – | (104) |
| Finance cost, net | – | (6) |
| **Loss before tax from discontinued operation** | – | (547) |
| Income tax expense | – | – |
| Loss for the year from discontinued operation | – | (547) |
| **Other comprehensive gain/(loss)** | | |
| Exchange differences on translation of discontinued operation | 22 | (59) |
| Total comprehensive income/(loss) for the year from discontinued operation | 22 | (606) |
| **Loss per share attributable to owners of the Company** | | |
| Basic and diluted — discontinued operation | – | (0.23) |

Note: The Company submitted an unilateral early termination request for the lease of restaurants upon cessation of YOKOCHO business. In this regard, the landlord filed an arbitration claim demanding a total compensation of approximately ¥674 million. Taken into account the lease liabilities of ¥243 million recognised on the book, a loss from early termination of ¥431 million is recognised in the consolidated statement of comprehensive income for the year ended 31 March 2024.

## 11 DISCONTINUED OPERATION (CONTINUED)

The net cash flows incurred by NPJ China are as follows:

| | For the year ended 31 March | |
|---|---|---|
| | **2025 ¥ million** | 2024 ¥ million |
| Net cash outflow from operating activities | **–** | (85) |
| Net cash outflow from financing activities | **–** | (41) |
| Net decrease in cash generated by the subsidiary | **–** | (126) |
| Cash and cash equivalents at beginning of the year | **10** | 132 |
| Effect of exchange rate changes on cash and cash equivalents | **–** | 4 |
| | **10** | 10 |

## 12 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 March 2025 and 2024.

| | **2025** | 2024 |
|---|---|---|
| Profit/(loss) attributable to owners of the Company (¥ million) | | |
| Continuing operations | **607** | 694 |
| Discontinued operation | **–** | (279) |
| | **607** | 415 |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share (thousands) | **1,195,850** | 1,195,850 |
| Basic and diluted earnings/(loss) per share (¥) | | |
| Continuing operations | **0.51** | 0.58 |
| Discontinued operation | **–** | (0.23) |
| For the year | **0.51** | 0.35 |

No diluted earnings/(loss) per share is presented as there were no potential dilutive shares during the years ended 31 March 2025 and 2024. Diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share.

## 13 INTEREST IN AN ASSOCIATE

| | **2025** **¥ million** | 2024 ¥ million |
|---|---|---|
| Investment in unlisted shares, at cost | **5** | 5 |
| Share of results: | | |
| At 1 April | **(5)** | (5) |
| Share of loss | **–** | – |
| Interest in an associate | **–** | – |

Details of the associate as at 31 March 2025 and 2024 are as follows:

| **Name** | **Place of incorporation and kind of legal entity** | **Principal activities and place of operation** | **Particulars of issued share capital** | **Interest held** **2025** | **Interest held** 2024 |
|---|---|---|---|---|---|
| Yes! E-Sports Asia Holdings Limited ("YEAH") | Hong Kong, limited liability company | Provision for e-sports events services | 50,000 shares with paid up capital of US$100,000 | **40%** | 40% |

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

## 14 PROPERTY, PLANT AND EQUIPMENT

### Material accounting policy

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

| | |
|---|---|
| — Buildings | 20 to 40 years |
| — Leasehold improvements | Shorter of lease term or useful lives |
| — Equipment and tools | 2 to 20 years |

Non-financial assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

| | Freehold land<br>¥ million | Buildings<br>¥ million | Leasehold improvements<br>¥ million | Equipment and tools<br>¥ million | Construction in progress<br>¥ million | Total<br>¥ million |
|---|---|---|---|---|---|---|
| **At 1 April 2023** | | | | | | |
| Cost | 7,769 | 11,503 | 13,582 | 13,487 | 87 | 46,428 |
| Accumulated amortisation and provision for impairment | (322) | (7,530) | (10,191) | (11,487) | – | (29,530) |
| Net book amount | 7,447 | 3,973 | 3,391 | 2,000 | 87 | 16,898 |
| **Year ended 31 March 2024** | | | | | | |
| Opening net book amount | 7,447 | 3,973 | 3,391 | 2,000 | 87 | 16,898 |
| Additions | – | 106 | 291 | 1,803 | 89 | 2,289 |
| Disposal | – | (56) | (10) | (63) | (44) | (173) |
| Depreciation | – | (330) | (525) | (621) | – | (1,476) |
| Impairment loss | – | (6) | (19) | (87) | – | (112) |
| Transfer between categories | – | – | 44 | — | (44) | - |
| Translation difference | – | – | 9 | 18 | – | 27 |
| **Closing net book amount** | 7,447 | 3,687 | 3,181 | 3,050 | 88 | 17,453 |
| **At 31 March 2024** | | | | | | |
| Cost | 7,769 | 11,544 | 13,822 | 15,090 | 88 | 48,313 |
| Accumulated amortisation and provision for impairment | (322) | (7,857) | (10,641) | (12,040) | – | (30,860) |
| Net book amount | 7,447 | 3,687 | 3,181 | 3,050 | 88 | 17,453 |

## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Freehold land ¥ million | Buildings ¥ million | Leasehold improvements ¥ million | Equipment and tools ¥ million | Construction in progress ¥ million | Total ¥ million |
|---|---|---|---|---|---|---|
| **Year ended 31 March 2025** | | | | | | |
| Opening net book amount | 7,447 | 3,687 | 3,181 | 3,050 | 88 | 17,453 |
| Additions | 23 | 120 | 497 | 1,237 | 109 | 1,986 |
| Acquisition of subsidiaries (Note 39) | 72 | 154 | 2 | 1 | – | 229 |
| Disposal | – | (88) | (108) | (39) | – | (235) |
| Depreciation | – | (340) | (537) | (678) | – | (1,555) |
| Impairment loss | – | (22) | (57) | (71) | – | (150) |
| Transfer between categories | – | – | 145 | 20 | (165) | – |
| Translation difference | – | – | (2) | (5) | – | (7) |
| **Closing net book amount** | 7,542 | 3,511 | 3,121 | 3,515 | 32 | 17,721 |
| **At 31 March 2025** | | | | | | |
| Cost | 7,864 | 11,711 | 14,204 | 15,990 | 32 | 49,801 |
| Accumulated amortisation and provision for impairment | (322) | (8,200) | (11,083) | (12,475) | – | (32,080) |
| Net book amount | 7,542 | 3,511 | 3,121 | 3,515 | 32 | 17,721 |

Depreciation expenses of ¥1,449 million (2024: ¥1,368 million) has been charged in “hall operating expenses” and ¥106 million (2024: ¥108 million) has been charged in “administrative expenses” for the year ended 31 March 2025.

The net carrying amount of the Group’s property, plant and equipment that were pledged for the banking facilities granted to the Group for the years ended 31 March 2025 and 2024 has been disclosed in Note 29.

### Impairment assessment

Non-financial assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group carries out reviews of the recoverable amounts of each cash-generating unit (“CGU”), which is determined as each individual pachinko and pachislot hall in Japan, each hotel in Japan, each restaurant in Japan, each amusement arcade in Southeast Asia and the restaurant operation in China, whenever impairment indicator is noted.

For the year ended 31 March 2025, management assessed for whether each of the CGU have any impairment indicator by considering whether the CGU recorded operating loss after overhead allocation with a performance below budget (defined as not fulfilling the projected operating cashflow after overhead allocation), or consecutive operating loss after overhead allocation for 2 years, unless the CGU is still in investment stage. Management has also considered that impairment indicators may arise from changes in economic conditions, technological advancements, political changes, and other external factors. The management has reviewed the recoverability of the relevant carrying amounts of these CGUs.

## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**Impairment assessment** (Continued)
The recoverable amount of a CGU is determined as the higher of value-in-use or the fair value less cost of disposal.

For pachinko and pachislot business, the value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a one-year period which taken into account the performance of each of the CGU in current year and incorporating management's latest plans for each CGU. Cash flows beyond the one-year period are extrapolated using the estimated growth rates stated below.

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | First year revenue growth rate | Revenue growth rate after the first year | Pre-tax discount rate | First year revenue growth rate | Revenue growth rate after the first year | Pre-tax discount rate |
| Pachinko and pachislot hall operations | **0% to +18%** | **0%** | **9.8%** | −10% to +30% | 0% | 9.3% |

For amusement arcade operations, the value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a two-years period which has taken into account the performance of each of the CGU in current year and incorporating management's latest plans for each CGU. Cash flows beyond the two-years period are extrapolated using the estimated growth rates stated below.

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | First two years revenue growth rate | Revenue growth rate after the second year | Pre-tax discount rate | First two years revenue growth rate | Revenue growth rate after the second year | Pre-tax discount rate |
| Amusement arcade operations | **0% to +15%** | **0% to 9%** | **11.5%** | N/A | N/A | N/A |

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

The fair value less cost of disposal is applied for CGU with significant self-owned property, for impairment assessment purpose. The fair value less cost of disposal calculations are based on valuation carried out by an independent professionally qualified valuer, who holds recognised relevant professional qualifications and have recent experiences in the locations and segments of the properties valued. The valuations were determined using the sales comparison approach or income approach, which largely used observable and unobservable inputs, including unit price per square meter of sales comparable for land and monthly rental per square meter of sales comparable for land and building.

The key assumptions used for fair value less costs of disposal calculations for the years ended 31 March 2025 and 2024 are as follows:

| | 2025 | 2024 |
|---|---|---|
| **Income approach** | | |
| Monthly rental per square meter | **¥1,227** | N/A |
| **Sales comparison approach** | | |
| Land — unit price per square meter | **¥3,730–¥607,000** | ¥644,000 |

## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**Impairment assessment** (Continued)

The Group's finance department includes a team that reviews the valuations performed by the independent valuer on the property or a similar property which management made reference to, for purposes of the fair value less cost of disposal calculation. This team reports directly to the executive directors. Discussions of valuation processes and results are held between the valuation team and the senior management at least annually.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

The management compared the recoverable amounts derived by the value-in-use and fair value less cost of disposal, and applied the higher of the two for the provision for impairment.

For the year ended 31 March 2025, due to intense competition in the relevant industries, impairment indicators were identified in 10 out of 49 CGUs in pachinko and pachislot operations, 5 out of 12 CGUs in amusement arcade operations, and all 3 CGUs in hotel operations. As a result, 5 out of these 18 CGUs were impaired for the year. The recoverable amounts of the impaired CGUs were determined using a value-in-use calculation, with a total recoverable amount of ¥2,087 million.

For the year ended 31 March 2025, as a result of the impairment review of CGUs with impairment indicator, impairment losses of approximately ¥150 million (2024: ¥112 million) and ¥282 million (2024: ¥284 million) have been recognised on property, plant and equipment and right-of-use assets (Note 15), respectively. There was no impairment loss recognised for other non-financial assets for the year ended 31 March 2025 (2024: Nil). For the distribution of the impairment loss by operating segment, please refer to Note 5.

For pachinko and pachislot operations, if the first year revenue growth rate in the value-in-use calculations decreases by 2% (2024: Same) with other assumptions remain constant, impairment loss would be increased by ¥111 million (2024: ¥83 million). If the annual revenue growth rate after the first year decreases by 1% (2024: Nil), with other assumptions remain constant, impairment loss would be increased by ¥54 million (2024: Nil). If the discount rate in the value-in-use calculations increases by 1% (2024: Same) with other assumptions remain constant, impairment loss would be increased by ¥45 million (2024: ¥68 million).

For amusement arcade operations, if the first two years revenue growth rate in the value-in-use calculations decreases by 2% (2024: Nil) with other assumptions remain constant, impairment loss would be increased by ¥40 million (2024: Nil). If the annual revenue growth rate after the first two years decreases by 1% (2024: Nil), with other assumptions remain constant, impairment loss would be increased by ¥41 million (2024: Nil). If the discount rate in the value-in-use calculations increases by 1% (2024: Nil) with other assumptions remain constant, impairment loss would be increased by ¥4 million (2024: Nil).

For restaurant and hotel operations, no reasonably possible change in a key assumption would cause the carrying amount to exceed its recoverable amount (2024: Nil).

If the monthly rental per square meter in the fair value less cost of disposal calculations and the unit price per square meter of land decreases by 2% (2024: Nil), with other assumptions remain constant, additional impairment loss would be immaterial (2024: Nil).

## 15 LEASES

**Material accounting policy**

Leases are recognised as a right-of-use and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease component based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease components.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interest in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any incentive receivables;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

## 15 LEASES (CONTINUED)

**Material accounting policy** (Continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentive received, any initial direct cost and restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the investment properties.

During the year ended 31 March 2025, the Group entered into a number of lease agreements for and recognised additions of right-of-use assets of ¥1,407 million (2024: ¥1,258 million).

### (a) Amounts recognised in the consolidated statement of financial position

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| **Right-of-use assets** | | |
| Buildings | 18,415 | 20,452 |
| Leasehold improvement | 3,020 | 2,996 |
| Equipment and tools | 206 | 255 |
| Vehicle | 38 | 49 |
| Total right-of-use assets | 21,679 | 23,752 |
| **Lease liabilities** | | |
| Current | 2,813 | 2,608 |
| Non-current | 23,154 | 25,317 |
| | 25,967 | 27,925 |

For the year ended 31 March 2025, as a result of the impairment review of CGUs with impairment indicator (Note 14) and annual impairment assessment on goodwill (Note 17), impairment loss of approximately ¥282 million (2024: ¥284 million) has been recognised on right-of-use assets.

## 15 LEASES (CONTINUED)

### (b) Amounts recognised in the consolidated statement of comprehensive income

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| **Depreciation of right-of-used assets from continuing operations** | | |
| Buildings | **2,206** | 2,172 |
| Leasehold improvement | **223** | 184 |
| Equipment and tools | **86** | 82 |
| Vehicle | **15** | 15 |
| | **2,530** | 2,453 |
| Interest expense (included in finance costs) | **684** | 698 |
| Expense relating to short-term leases (included in hall operating expenses) | **284** | 230 |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses) | **15** | 13 |
| Impairment loss of right-of-use assets | **282** | 284 |

The total cash outflow for leases during the year ended 31 March 2025 was ¥3,921 million (2024: ¥4,674 million).

### (c) The Group's leasing activities and how these are accounted for

The Group leases various offices, pachinko and pachislot halls, amusement arcades centres, equipment and vehicles. Rental contracts are typically made for fixed periods of 5 to 20 years but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

### (d) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable under mutual agreement by the Group and the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

# Notes to the Consolidated Financial Statements

## 16 INVESTMENT PROPERTIES

### Material accounting policy

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are stated at historical cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of investment properties, except for the freehold land, which is not subject to depreciation, is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 41 to 45 years.

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| **At 1 April** | | |
| Cost | **1,041** | 1,041 |
| Accumulated depreciation | **(373)** | (350) |
| | **668** | 691 |
| **At cost** | | |
| At beginning of year | **668** | 691 |
| Additions | **827** | – |
| Depreciation | **(24)** | (23) |
| **At end of year** | **1,471** | 668 |
| **At 31 March** | | |
| Cost | **1,868** | 1,041 |
| Accumulated depreciation and provision for impairment | **(397)** | (373) |
| | **1,471** | 668 |

As at 31 March 2025, investment properties of ¥532 million (2024: ¥553 million) was pledged to secure general facilities granted to the Company (Note 29).

The Group had no unprovided contractual obligations for future repairs and maintenance as at 31 March 2025 and 2024.

## 16 INVESTMENT PROPERTIES (CONTINUED)

Investment properties are situated in Japan and rented out under operating lease. Amounts recognised in consolidated statement of comprehensive income for investment properties are as follows:

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Rental income | **92** | 102 |
| Direct operating expenses from property that generated rental income | **(17)** | (17) |

The fair value of Group's investment properties were valued as at 31 March 2025 and 2024 by an independent professionally qualified valuer who holds recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. The valuations were determined using the income approach (term and reversionary method) which largely used observable and unobservable inputs, including market rent and estimation in vacancy rate after expiry of current lease. Such fair values estimation of investment properties are categorised under level 3 of the fair value hierarchy. As at 31 March 2025, the fair value of investment properties amounted to ¥1,694 million (2024: ¥1,046 million).

The key assumptions used for the valuations for the years ended 31 March 2025 and 2024 are as follows:

| | 2025 | 2024 |
|---|---|---|
| **Income approach** | | |
| Monthly rental per square meter | **¥1,651–¥3,330** | ¥2,118–¥3,330 |
| Discount rate | **4.3%–5.6%** | 5.0%–5.8% |
| Vacancy rate after expiry of current lease terms | **4.8%–5.2%** | 4.8%–5.0% |

## 17 INTANGIBLE ASSETS

### Material accounting policy

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

# Notes to the Consolidated Financial Statements

## 17 INTANGIBLE ASSETS (CONTINUED)

| | Goodwill ¥ million | Computer software ¥ million | Trademarks ¥ million | License ¥ million | Contract relationship ¥ million | Total ¥ million |
|---|---|---|---|---|---|---|
| **At 1 April 2023** | | | | | | |
| Cost | 1,202 | 428 | 156 | 54 | 352 | 2,192 |
| Accumulated amortisation and provision for impairment | (1,112) | (388) | (130) | (54) | (186) | (1,870) |
| Net book amount | 90 | 40 | 26 | – | 166 | 322 |
| **Year ended 31 March 2024** | | | | | | |
| Opening net book amount | 90 | 40 | 26 | – | 166 | 322 |
| Additions | – | 4 | – | – | – | 4 |
| Amortisation (Note 7) | – | (20) | (14) | – | (31) | (65) |
| Translation difference | – | – | 8 | – | 16 | 24 |
| **Closing net book amount** | 90 | 24 | 20 | – | 151 | 285 |
| **At 31 March 2024 and 1 April 2024** | | | | | | |
| Cost | 1,202 | 432 | 177 | 54 | 399 | 2,264 |
| Accumulated amortisation and provision for impairment | (1,112) | (408) | (157) | (54) | (248) | (1,979) |
| Net book amount | 90 | 24 | 20 | – | 151 | 285 |
| **Year ended 31 March 2025** | | | | | | |
| Opening net book amount | **90** | **24** | **20** | **–** | **151** | **285** |
| Additions | **–** | **3** | **–** | **–** | **–** | **3** |
| Acquisition of subsidiaries (Note 39) | **8** | **1** | **1** | **1** | **–** | **11** |
| Amortisation (Note 7) | **–** | **(15)** | **(15)** | **–** | **(33)** | **(63)** |
| Translation difference | **–** | **–** | **–** | **–** | **–** | **–** |
| **Closing net book amount** | **98** | **13** | **6** | **1** | **118** | **236** |
| **At 31 March 2025** | | | | | | |
| Cost | **1,210** | **436** | **177** | **55** | **395** | **2,273** |
| Accumulated amortisation and provision for impairment | **(1,112)** | **(423)** | **(171)** | **(54)** | **(277)** | **(2,037)** |
| Net book amount | **98** | **13** | **6** | **1** | **118** | **236** |

# Notes to the Consolidated Financial Statements

## 17 INTANGIBLE ASSETS (CONTINUED)

Amortisation expenses of ¥63 million was charged in "hall operating expenses" for the year ended 31 March 2025 (2024: ¥65 million).

### Impairment test for goodwill

Goodwill arises from the acquisitions of a pachinko and pachislot hall in previous years and a hotel in the current year, and is monitored by management at the level of individual pachinko and pachislot hall and hotel. A segment-level summary of the goodwill allocation is represented below.

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Pachinko and pachislot operations | 90 | 90 |
| Hotel operations | 8 | – |
| | 98 | 90 |

Management reviews annually whether the carrying amount of the CGU or the group of CGUs is higher than the recoverable amount which results in impairment of goodwill. The recoverable amount of a CGU is determined as the higher of value-in-use or fair value less cost of disposal.

The value-in-use calculations are used in both pachinko and pachislot operations and hotel operations, and the calculations use pre-tax cash flow projections based on financial budgets approved by management covering a one year period which taken into account the performance of each of the CGUs in current year and incorporating management's latest plans for each CGU. Cash flows beyond the one year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations for the years ended 31 March 2025 and 2024 are as follows:

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | First year revenue growth rate | Revenue growth rate after the first year | Pre-tax discount rate | First year revenue growth rate | Revenue growth rate after the first year | Pre-tax discount rate |
| Pachinko and pachislot hall operations | +5% | 0% | 9.8% | –2% | 0% | 9.3% |
| Hotel operations | +38% | 0% | 9.8% | N/A | N/A | N/A |

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

The recoverable amount of the CGU containing goodwill under pachinko and pachislot hall operations exceeds its carrying amount by ¥79 million. The recoverable amount of the CGU would be lower than its carrying amounts if a decrease in first year revenue growth rate by more than 1.7% (2024: 3.4%), a decrease in revenue growth rate after the first year by more than 0.8% (2024: 1.3%) or an increase in pre-tax discount rates by more than 1% (2024: 2.1%), all change taken isolation. For the CGU with goodwill under hotel operations, no reasonably possible change in a key assumption would cause the carrying amount to exceed its recoverable amount (2024: Nil).

## 17 INTANGIBLE ASSETS (CONTINUED)

For the year ended 31 March 2025, as a result of the annual impairment review on CGU with goodwill allocated, no impairment loss has been recorded (2024: Same).

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| **Financial assets** | | |
| ***Financial assets at fair value*** | | |
| Fair value through profit or loss | **99** | 102 |
| Fair value through other comprehensive income | **418** | 534 |
| | **517** | 636 |
| ***Financial assets at amortised cost*** | | |
| Trade receivables | **199** | 154 |
| Deposits and other receivables | **4,156** | 4,155 |
| Bank deposits with original maturity over 3 months | **834** | 345 |
| Cash and bank balances | **10,574** | 12,350 |
| | **15,763** | 17,004 |
| | **16,280** | 17,640 |
| **Financial liabilities** | | |
| ***Financial liabilities at fair value*** | | |
| Derivative financial instruments | **–** | 1 |
| ***Financial liabilities at amortised cost*** | | |
| Trade payables | **111** | 196 |
| Other payables | **2,085** | 2,494 |
| Borrowings | **9,840** | 10,432 |
| Lease liabilities | **25,967** | 27,925 |
| | **38,003** | 41,047 |
| | **38,003** | 41,048 |

# Notes to the Consolidated Financial Statements

## 19 FINANCIAL ASSETS AT FAIR VALUE

### (a) Financial assets at fair value through profit or loss

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Unlisted securities | **99** | 102 |

Change in fair value of financial assets at fair value through profit or loss are recorded in "other (losses)/gains, net" in the consolidated statement of comprehensive income (Note 6).

The fair values of these debt and equity securities are determined by discounted cash flow approach. The fair values of these unlisted securities are within level 2 of the fair value hierarchy (Note 3.3).

### (b) Financial assets at fair value through other comprehensive income

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Listed securities | | |
| — Equity securities | **418** | 534 |

Changes in fair values of financial assets at fair value through other comprehensive income are recorded in "investment revaluation reserve" in the consolidated statement of changes in equity. The fair values of all equity securities are based on the current bid prices and recent transaction prices in an active market. The fair values of these equity securities are within level 1 of the fair value hierarchy (Note 3.3).

## 20 DERIVATIVE FINANCIAL INSTRUMENTS

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Interest rate swaps | **–** | 1 |
| Less: non-current portion | **–** | (1) |
| Current portion | **–** | – |

Derivative financial instruments are utilised by the Group in the management of its interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. The Group has entered into interest rate swaps agreement with banks mainly to swap floating interest rate borrowings to fixed interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. As at 31 March 2025, the notional amount of the outstanding interest rate swaps agreement with the banks was denominated in ¥ and amounted to ¥2,000 million (2024: ¥1,907 million).

# Notes to the Consolidated Financial Statements

## 21 INVENTORIES

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Supplies | **53** | 55 |

The cost of inventories recognized as expenses and included in “hall operating expenses” amounted to ¥7,751 million (2024: ¥7,890 million) for the year ended 31 March 2025.

## 22 TRADE RECEIVABLES

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Trade receivables | **199** | 154 |

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

As at 31 March 2025 and 2024, the ageing analysis of the trade receivables, based on invoice date, is as follows:

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Less than 30 days | **199** | 153 |
| Over 30 days | **–** | 1 |
| | **199** | 154 |

The maximum exposure to credit risk at the reporting date is the carrying value of the receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of trade receivables approximate their fair values as at 31 March 2025 and 2024 and are denominated in ¥.

# Notes to the Consolidated Financial Statements

## 23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| **Non-current portion** | | |
| Rental and other deposits | **2,879** | 2,741 |
| Lease receivables | **1,094** | 1,158 |
| Other prepayments and receivables | **235** | 249 |
| | **4,208** | 4,148 |
| **Current portion** | | |
| Prepayment for prizes in operation for pachinko and pachislot halls | **404** | 245 |
| Rental prepayments | **118** | 116 |
| Lease receivables | **28** | 31 |
| Consumption tax receivables | **49** | 4 |
| Other prepayments and receivables | **448** | 470 |
| | **1,047** | 866 |

The carrying amounts of deposits and other receivables approximate their fair values as at 31 March 2025 and 2024.

Certain deposits and other receivables have been pledged to secure general facilities granted to the Company (Note 29).

## 24 CASH AND BANK BALANCES

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| **Current portion** | | |
| Cash on hand | **792** | 1,180 |
| Cash at banks | **9,546** | 10,940 |
| Short term bank deposits | **236** | 230 |
| Cash and cash equivalents | **10,574** | 12,350 |
| Bank deposits with maturity over 3 months | **834** | 345 |
| Total cash and bank balances | **11,408** | 12,695 |
| Maximum exposure to credit risk | **11,408** | 12,695 |

## 24 CASH AND BANK BALANCES (CONTINUED)

Cash and bank balance are denominated in the following currencies:

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| ¥ | **10,438** | 11,354 |
| US$ | **501** | 795 |
| HK$ | **400** | 449 |
| VND | **63** | 92 |
| Others | **6** | 5 |
| | **11,408** | 12,695 |

## 25 SHARE CAPITAL

| | Number of shares | Share Capital<br>¥ million |
|---|---|---|
| **Ordinary shares, issued and fully paid:** | | |
| At 31 March 2024, 1 April 2024 and 31 March 2025 | 1,195,850,460 | 3,000 |

## 26 RESERVES

### (a) Capital surplus

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

### (b) Capital reserve

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

### (c) Legal reserve

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

### (d) Investment revaluation reserve

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

# Notes to the Consolidated Financial Statements

## 27 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice dates as at 31 March 2025 and 2024 were as follows:

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Less than 30 days | **110** | 195 |
| Over 30 days | **1** | 1 |
| | **111** | 196 |

The carrying amounts of trade payables approximate their fair values as at 31 March 2025 and 2024 and were denominated in ¥.

## 28 ACCRUALS, PROVISIONS AND OTHER PAYABLES

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| **Non-current portion** | | |
| Provision for reinstatement costs | **1,901** | 1,958 |
| Rental deposit received | **101** | 142 |
| Other payables | **49** | 41 |
| | **2,051** | 2,141 |
| **Current portion** | | |
| Accrued purchases for pachinko and pachislot machines | **380** | 291 |
| Accrued purchases for property, plant and equipment | **49** | 195 |
| Accrued staff costs | **907** | 871 |
| Contract liabilities: | | |
| Receipt in advance | **52** | 86 |
| Unutilised balls and tokens | **2,296** | 1,972 |
| Other tax payable | **493** | 385 |
| Office expenses and consumables | **522** | 848 |
| Provision for loss on early termination of lease | **680** | 674 |
| Utilities payable | **53** | 48 |
| Other payables | **289** | 287 |
| | **5,721** | 5,657 |

The carrying amounts of other payables approximate their fair values as at 31 March 2025 and 2024 and were denominated in ¥.

## 29 BORROWINGS

**Material accounting policy**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

# Notes to the Consolidated Financial Statements

## 29 BORROWINGS (CONTINUED)

**Material accounting policy** (Continued)

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| **Non-current portion** | | |
| Bank loans | **2,294** | 2,932 |
| Syndicated loans | **2,704** | 2,371 |
| | **4,998** | 5,303 |
| **Current portion** | | |
| Bank loans | **3,057** | 3,184 |
| Syndicated loans | **1,785** | 1,945 |
| | **4,842** | 5,129 |
| Total borrowings | **9,840** | 10,432 |

As at 31 March 2025 and 2024, the Group's borrowings were repayable as follows:

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Within 1 year | **4,842** | 5,129 |
| Between 1 and 2 years | **1,842** | 2,387 |
| Between 2 and 5 years | **2,576** | 2,871 |
| Over 5 years | **580** | 45 |
| | **9,840** | 10,432 |

The average effective interest rates (per annum) at the end of each reporting period were set out as follows:

| | 2025 | 2024 |
|---|---|---|
| Bank loans | **1.64%** | 1.61% |
| Syndicated loans | **1.58%** | 1.08% |

# Notes to the Consolidated Financial Statements

## 29 BORROWINGS (CONTINUED)

**Material accounting policy** (Continued)

At the end of each reporting period, the total borrowings are pledged by certain assets and their carrying values are shown as below:

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Property, plant and equipment | **8,756** | 8,946 |
| Investment properties | **532** | 553 |
| Deposits and other receivables | **154** | 158 |
| | **9,442** | 9,657 |

The undrawn borrowing facilities of the Group at each reporting period are as follows:

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Floating rate | | |
| — Expiring over 1 year | **1,617** | 3,016 |

The carrying amounts of borrowings of the Group approximate their fair values as at 31 March 2025 and 2024 and were denominated in ¥. In May 2025, the Group obtained additional banking facilities amounted to ¥1,500 million.

## 30 DEFERRED INCOME TAX

The analysis of deferred income tax assets is as follows:

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Deferred income tax assets | | |
| — to be recovered after more than 12 months | **13,445** | 14,397 |
| — to be recovered within 12 months | **1,000** | 943 |
| | **14,445** | 15,340 |
| Deferred income tax liabilities | | |
| — to be recovered after more than 12 months | **(9,331)** | (10,292) |
| Deferred income tax assets, net | **5,114** | 5,048 |

## 30 DEFERRED INCOME TAX (CONTINUED)

The net movement on the deferred income tax account is as follows:

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| At 1 April | **5,048** | 5,415 |
| Credited to the consolidated statement of other comprehensive income | **37** | 1 |
| Credited/(charged) to profit or loss | **29** | (368) |
| Deferred income tax assets | **5,114** | 5,048 |

The movement in deferred income tax assets and liabilities during the years ended 31 March 2025 and 2024 is as follows:

### Deferred income tax assets

| | Property, plant and equipment<br>¥ million | Right-of-use assets<br>¥ million | Fair value through other comprehensive income<br>¥ million | Loss carried forward<br>¥ million | Other provisions<br>¥ million | Total<br>¥ million |
|---|---|---|---|---|---|---|
| Balances at 1 April 2023 | 2,744 | 11,884 | 148 | 391 | 1,012 | 16,179 |
| Charged to profit or loss | (18) | (492) | – | (38) | (292) | (840) |
| Credit to other comprehensive income | – | – | 1 | – | – | 1 |
| Balance at 31 March 2024 and 1 April 2024 | **2,726** | **11,392** | **149** | **353** | **720** | **15,340** |
| (Charged)/credited to profit or loss | **(223)** | **(769)** | **–** | **(352)** | **412** | **(932)** |
| Credit to other comprehensive income | **–** | **–** | **37** | **–** | **–** | **37** |
| Balance at 31 March 2025 | **2,502** | **10,623** | **186** | **1** | **1,132** | **14,445** |

## 30 DEFERRED INCOME TAX (CONTINUED)

### Deferred income tax liabilities

| | Property, plant and equipment ¥ million | Right-of-use assets ¥ million | Total ¥ million |
|---|---|---|---|
| Balances at 1 April 2023 | (735) | (10,029) | (10,764) |
| (Charged)/credited to profit or loss | (3) | 475 | 472 |
| Balance at 31 March 2024 and 1 April 2024 | **(738)** | **(9,554)** | **(10,292)** |
| Credited to profit or loss | **254** | **707** | **961** |
| Balance at 31 March 2025 | **(484)** | **(8,847)** | **(9,331)** |

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same taxation authority. The amounts shown in the consolidated statement of financial position are determined after appropriate offsetting.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. As at 31 March 2025, the Group has unrecognised tax losses of approximately ¥1,168 million (2024: ¥1,493 million) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of ¥47 million (2024: ¥116 million) and ¥813 million (2024: ¥598 million) which can be carried forward for 10 years and 5 years, respectively.

Other than the above, there was no material unprovided deferred income tax as at 31 March 2025 and 2024.

## 31 DIVIDENDS

During the year ended 31 March 2025, the Company paid final dividend of ¥203 million (¥0.17 per common share) (2024: ¥132 million (¥0.11 per common share)) and interim dividend of ¥108 million (¥0.09 per common share) (2024: ¥108 million (¥0.09 per common share)) to their shareholders in respect of the years ended 31 March 2024 and 31 March 2025, respectively.

The board of directors of the Company declared a final dividend of ¥0.12 per common share totalling ¥144 million in respect of the year ended 31 March 2025. These consolidated financial statements do not reflect this dividend payable.

# Notes to the Consolidated Financial Statements

## 32 CASH GENERATED FROM OPERATIONS

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Profit before income tax | **1,652** | 1,284 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **1,555** | 1,476 |
| Depreciation of right-of-use assets | **2,530** | 2,453 |
| Depreciation of investment properties | **24** | 23 |
| Amortisation of intangible assets | **63** | 65 |
| Loss/(gain) on disposal of property, plant and equipment | **12** | (91) |
| Impairment loss on property, plant and equipment | **150** | 112 |
| Impairment loss on right-of-use assets | **282** | 284 |
| Impairment loss on financial assets | **–** | 410 |
| Loss on early termination of lease agreement | **–** | 431 |
| Finance income | **(73)** | (72) |
| Finance costs | **955** | 969 |
| Dividend income | **(25)** | (24) |
| Gain on fair value for derivative financial instruments | **(1)** | (3) |
| Loss/(gain) on fair value for financial assets at fair value through profit or loss | **4** | (4) |
| Changes in working capital: | | |
| Inventories | **5** | 13 |
| Trade receivables | **3** | (47) |
| Prepayments, deposits and other receivables | **72** | 55 |
| Trade payables | **(105)** | 72 |
| Accruals, provisions and other payables | **13** | 1,024 |
| Cash generated from operations | **7,116** | 8,430 |

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment and comprise:

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Net book amount | **235** | 173 |
| (Loss)/gain on disposal of property, plant and equipment | **(12)** | 91 |
| Proceeds from disposal of property, plant and equipment | **223** | 264 |

## 32 CASH GENERATED FROM OPERATIONS (CONTINUED)

### Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for the years ended 31 March 2025 and 2024 presented.

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Cash and cash equivalents | **10,574** | 12,350 |
| Bank deposits with maturity over 3 months | **834** | 345 |
| Lease liabilities | **(25,967)** | (27,925) |
| Borrowings | **(9,840)** | (10,432) |
| Net debt | **(24,399)** | (25,662) |

| | Other assets | | Liabilities from financing activities | | |
|---|---|---|---|---|---|
| | Cash and cash equivalents<br>¥ million | Bank deposits with maturity over 3 months<br>¥ million | Lease liabilities<br>¥ million | Borrowings<br>¥ million | Total<br>¥ million |
| At 1 April 2023 | 10,435 | 528 | (29,730) | (10,206) | (28,973) |
| Cash flows | 1,915 | (183) | 3,861 | (226) | 5,936 |
| Accrued interest elements of lease repayment | – | – | (704) | – | (704) |
| Other non-cash movements | – | – | (1,352) | – | (1,921) |
| At 31 March 2024 and 1 April 2024 | **12,350** | **345** | **(27,925)** | **(10,432)** | **(25,662)** |
| Cash flows | **(1,780)** | **489** | **3,622** | **740** | **3,071** |
| Accrued interest elements of lease repayment | **–** | **–** | **(684)** | **–** | **(684)** |
| Other non-cash movements | **4** | **–** | **(980)** | **(148)** | **(1,124)** |
| Net debt at 31 March 2025 | **10,574** | **834** | **(25,967)** | **(9,840)** | **(24,399)** |

## 33 CONTINGENCIES

As at 31 March 2025, the Group did not have any significant contingent liabilities (2024: same).

## 34 COMMITMENTS

### Capital commitments

The outstanding commitments not provided for in the consolidated financial statements as at 31 March 2025 and 2024 are as follows:

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---:|---:|
| Contracted but not provided for | | |
| Purchase of property, plant and equipment | 39 | 858 |

## 35 RELATED PARTY TRANSACTIONS

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

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

### (a) Transactions with related parties

The following transactions were undertaken by the Group with related parties during the years ended 31 March 2025 and 2024:

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---:|---:|
| **Service fee expenses** | | |
| Niraku USA, Inc. | 24 | 32 |

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

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

## 35 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Key management compensation

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

| | 2025<br>¥ million | 2024<br>¥ million |
|---|---|---|
| Directors' fees | **309** | 290 |
| Basic salaries, allowances and other benefits in kind | **32** | 27 |
| Employee's contribution to pension scheme | **6** | 6 |
| | **347** | 323 |

## 36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

| | Note | At 31 March<br>2025<br>¥ million | <br>2024<br>¥ million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Right-of-use assets | | **8** | 20 |
| Deposits and other receivables | | **6** | 5 |
| Loans to subsidiaries | | **2,937** | 2,549 |
| Investments in subsidiaries | | **16,786** | 16,286 |
| | | **19,737** | 18,860 |
| **Current assets** | | | |
| Prepayments, deposits and other receivables | | **425** | 383 |
| Loans to subsidiaries | | **2,517** | 3,002 |
| Financial assets at fair value through profit or loss | | **99** | 102 |
| Bank deposits with maturity over 3 months | | **695** | 351 |
| Cash and cash equivalents | | **1,867** | 3,416 |
| | | **5,603** | 7,254 |
| **Total assets** | | **25,340** | 26,114 |

## 36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

| | Note | At 31 March 2025 ¥ million | 2024 ¥ million |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | | **3,000** | 3,000 |
| Reserves | (a) | **16,356** | 16,585 |
| **Total equity** | | **19,356** | 19,585 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **3,317** | 3,646 |
| Lease liabilities | | **–** | 8 |
| Other payables | | **8** | 7 |
| Derivative financial instruments | | **–** | 1 |
| Deferred tax liabilities | | **44** | 39 |
| | | **3,369** | 3,701 |
| **Current liabilities** | | | |
| Borrowings | | **2,447** | 2,702 |
| Lease liabilities | | **8** | 11 |
| Other payables | | **148** | 110 |
| Current income tax liabilities | | **12** | 5 |
| | | **2,615** | 2,828 |
| Total liabilities | | **5,984** | 6,529 |
| Total equity and liabilities | | **25,340** | 26,114 |

## 36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserves movement of the Company

| | Share capital ¥ million | Capital surplus ¥ million | Retained earnings ¥ million | Total ¥ million |
|---|---|---|---|---|
| **Balance at 1 April 2023** | 3,000 | 13,954 | 2,360 | 19,314 |
| Profit for the year | – | – | 511 | 511 |
| Final dividend related to 2023 | – | – | (132) | (132) |
| Interim dividend related to 2024 | – | – | (108) | (108) |
| **Balances at 31 March 2024 and 1 April 2024** | **3,000** | **13,954** | **2,631** | **19,585** |
| Profit for the year | **–** | **–** | **82** | **82** |
| Final dividend related to 2024 | **–** | **–** | **(203)** | **(203)** |
| Interim dividend related to 2025 | **–** | **–** | **(108)** | **(108)** |
| **Balances at 31 March 2025** | **3,000** | **13,954** | **2,402** | **19,356** |

## 37 BENEFITS AND INTERESTS OF DIRECTORS

### Directors and chief executive's emoluments

The remuneration of every director of the Company paid/payable by the Group for the years ended 31 March 2025 and 2024 is set out below:

**For the year ended 31 March 2025**

| Name | Fee ¥ million | Salaries, allowances and other benefits ¥ million | Defined contribution pension costs ¥ million | Total ¥ million |
|---|---|---|---|---|
| **Directors** | | | | |
| Hisanori Taniguchi (also the Chief Executive) | **152** | **–** | **1** | **153** |
| Akinori Ohishi (Note 1) | **4** | **–** | **–** | **4** |
| Masataka Watanabe | **14** | **–** | **1** | **15** |
| **Non-executive director** | | | | |
| Hiroshi Bannai | **4** | **–** | **–** | **4** |
| **Independent non-executive directors** | | | | |
| Michio Minakata | **6** | **–** | **–** | **6** |
| Yoshihiro Koizumi | **4** | **–** | **–** | **4** |
| Kuraji Kutsuwata | **4** | **–** | **–** | **4** |
| Akihito Tanaka | **4** | **–** | **–** | **4** |
| Reiko Hachisuka (Note 2) | **1** | **–** | **–** | **1** |
| | **193** | **–** | **2** | **195** |

## 37 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

**Directors and chief executive's emoluments** (Continued)
**For the year ended 31 March 2024**

| Name | Fee<br>¥ million | Salaries, allowances and other benefits<br>¥ million | Defined contribution pension costs<br>¥ million | Total<br>¥ million |
|---|---|---|---|---|
| **Directors** | | | | |
| Hisanori Taniguchi (also the Chief Executive) | 152 | – | 1 | 153 |
| Akinori Ohishi | 31 | – | 1 | 32 |
| Masataka Watanabe | 14 | – | 1 | 15 |
| **Non-executive director** | | | | |
| Hiroshi Bannai | 4 | – | – | 4 |
| **Independent non-executive directors** | | | | |
| Michio Minakata | 6 | – | – | 6 |
| Yoshihiro Koizumi | 4 | – | – | 4 |
| Kuraji Kutsuwata | 4 | – | – | 4 |
| Akihito Tanaka | 4 | – | – | 4 |
| | 219 | – | 3 | 222 |

Note 1 Mr. Akinori Ohishi was retired as an executive director on 29 June 2024.

Note 2 Ms. Reiko Hachisuka was appointed as independent non-executive director on 18 December 2024.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or their capacity as directors of the Company during the years ended 31 March 2025 and 2024.

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 March 2025 and 2024.

During the year ended 31 March 2025, the Group did not pay consideration to any third parties for making available directors' services (2024: Nil).

As at 31 March 2025, there is no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2024: Nil).

Save as disclosed in Note 35, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2024: Nil).

# Notes to the Consolidated Financial Statements

## 38 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 March 2025 and 2024:

| Name | Principal country of operation and date of incorporation | Principal activities | Type of legal status | Issued and paid up capital | Effective interest held as at 31 March | | Ownership held by non-controlling interest as at 31 March | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 2025 | 2024 | 2025 | 2024 |
| **Directly held** | | | | | | | | |
| Niraku Corporation | Japan, 27 August 1969 | Pachinko and pachislot hall operations | Limited liability company | ¥257 million | 100% | 100% | – | – |
| Nexia Inc. | Japan, 19 June 2009 | Property investment | Limited liability company | ¥30 million | 100% | 100% | – | – |
| NBI Holdings Co., Ltd. | Japan, 20 August 2024 | Property and security management & consultation | Limited liability company | ¥50 million | 100% | – | – | – |
| Dream Games Singapore Pte. Ltd. | Singapore, 3 November 2014 | Wholesale of computer games, sporting and other recreational goods | Limited liability company | US$2,912,412 | 100% | 100% | – | – |
| NGCH Hong Kong Limited | Hong Kong, 4 May 2017 | Investment holding | Limited liability company | HK$700,000 | 100% | 100% | – | – |
| NGC Dinning | Japan, 19 April 2024 | Food and beverage operation and management | Limited liability company | ¥10 million | 100% | – | – | – |
| **Indirectly held** | | | | | | | | |
| Niraku Merrist Corporation | Japan, 24 February 2010 | Provision of cleaning service | Limited liability company | ¥5 million | 100% | 100% | – | – |
| OOCube Inc. | Japan, 21 July 2021 | Human resources management company | Limited liability company | ¥20 million | 100% | 100% | – | – |
| KUROTAKE Co., Ltd. | Japan, 23 August 2024 | Hotel management | Limited liability company | ¥30 million | 100% | – | – | – |
| Kurotake Co., Ltd | Japan, 23 August 2024 | Hotel management | Limited liability company | ¥30 million | 100% | – | – | – |
| NBI Regional Revitalization Investment Co., Ltd. | Japan, 25 February 2025 | Equity management and consultation | Limited liability company | ¥3 million | 75% | – | – | – |
| Dream Games Cambodia Co., Ltd | Cambodia, 1 February 2011 | Amusement centre operation | Limited liability company | 9,100,000,000 Riels (equivalents to US$2,275,000) | 100% | 100% | – | – |

## 38 SUBSIDIARIES (CONTINUED)

| Name | Principal country of operation and date of incorporation | Principal activities | Type of legal status | Issued and paid up capital | Effective interest held as at 31 March | | Ownership held by non-controlling interest as at 31 March | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 2025 | 2024 | 2025 | 2024 |
| **Indirectly held (Continued)** | | | | | | | | |
| Dream Games (Japan) CO., Ltd. | Japan, 9 April 2013 | Investment holding | Limited liability company | ¥100 million | 100% | 100% | – | – |
| Dream Games Vietnam Co., Ltd. | Socialist Republic of Vietnam, 10 April 2013 | Amusement centre operation | Limited liability company | VND35,145,000,000 (equivalents to US$1,650,000) | 100% | 100% | – | – |
| NPJ Hong Kong Limited | Hong Kong, 10 May 2017 | Investment holding | Limited liability company | HK$700,000 | 51% | 51% | 49% | 49% |
| NPJ China Yokocho Co., Ltd. (Note) | China, 31 January 2018 | Restaurant operation | Limited liability company | US$2,100,000 | 51% | 51% | 49% | 49% |

Note: As at 31 March 2025, this subsidiary is under bankruptcy proceedings as disclosed in Note 11.

## 39 BUSINESS COMBINATION

### Acquisition of hotel properties

On 23 August 2024, a wholly-owned subsidiary of the Company entered into share purchase agreements with a third-party seller, HATAS Holdings Co., Ltd* (ハタス株式会社) for the acquisition of 100% issued share capital of two companies (the “Acquisition”), namely KUROTAKE Co., Ltd.* (玄竹株式会社) and Kurotake Co., Ltd* (クロタケ株式会社) (together, “the Acquired Companies”) which hold certain hotel properties. The Acquisition was completed on the same date at a cash consideration of ¥1 for each company and the advance of a loan amounted to ¥100 million to the Acquired Companies to facilitate their repayment of loan payable to the seller. Upon completion of the Acquisition, the Acquired Companies became indirect wholly-owned subsidiaries of the Company.

The hotel properties held by the Acquired Companies are both established onsen inns in locations attractive to leisure tourists travelling to Japan. With the addition of these two onsen inns to the Group’s hotel portfolio, the management of the Group is of the view that the Group will be better positioned to capture the business opportunities brought by the recovery and development potential of the tourism industry in Japan.

## 39 BUSINESS COMBINATION (CONTINUED)

**Acquisition of hotel properties** (Continued)

The following table summarises the consideration paid for the Acquisition, and the fair value of the assets acquired and liabilities assumed at the acquisition date.

| | As at the date of acquisition ¥ million |
|---|---|
| Recognised amounts of identifiable assets acquired and liabilities assumed: | |
| Cash and cash equivalents | 18 |
| Prepayments, deposits and other receivables | 64 |
| Inventories | 4 |
| Property, plant and equipment | 229 |
| Intangible assets | 3 |
| Accruals, provisions and other payables | (31) |
| Borrowings | (148) |
| Deferred income tax liabilities | (38) |
| Current income tax liabilities | (9) |
| Total identifiable net assets | 92 |
| Goodwill | 8 |
| Net assets acquired | 100 |
| Purchase consideration | |
| Cash consideration | –* |
| Loan# | 100 |

* less than one million

\# loan amounted to ¥100 million to the Acquired Companies was provided to facilitate their repayment of loan payable to the seller.

## 40 SUBSEQUENT EVENTS

On 17 April 2025, NBI Regional Revitalization Investment Co., Ltd. ("NBII"), an indirect non-wholly-owned subsidiary of the Company, entered into a Purchase and Sale Agreement with an independent third party seller for the acquisition of land and building (a 10-storey building which was constructed as a hot spring ryokan inn) located at Shizukuishi-cho, Iwate-gun, Japan at a total consideration of ¥358.4 million. The acquisition was completed on 30 April 2025.

In addition, NBII entered into another Purchase and Sale Agreement with an independent third party seller on 18 April 2025 for the acquisition of land and buildings (a two-storey building and 12 annexed single-storey buildings constructed as a hot spring ryokan inn with 11 private villas) located at Kokonoe-machi, Kusu-gun, Japan at a total consideration of ¥798.4 million. The acquisition was subsequently completed on 1 May 2025.

As the tourism industry in Japan has been undergoing a strong revival since the COVID-19 pandemic, the management of the Group considers that these acquisitions present a great opportunity for the Group to further expand its hospitality business.

## 41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

### 41.1 Principles of consolidation and equity accounting

*(i) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 41.2).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively. No separate disclosure of summary of financials of the non-controlling interests is presented due as it is not financially significance to the Group.

*(ii) Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

*(iii) Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 14.

## 41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 41.1 Principles of consolidation and equity accounting (Continued)

*(iv) Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### 41.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.

Acquisition-related costs are expensed as incurred.

## 41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 41.2 Business combinations (Continued)

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

### 41.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 41.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM is identified as the executive directors of the Company.

The board of the Company has appointed a strategic steering committee which assesses the financial performance and position of the Group, and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.

## 41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 41.5 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in Japanese Yen ("¥"), which is the Company's functional currency and the Group's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gains, net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position;

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

## 41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 41.5 Foreign currency translation (Continued)

*(iii)* *Group companies* (Continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 41.6 Property, plant and equipment

Land and buildings comprise mainly pachinko and pachislot halls and offices. All property, plant and equipment are stated at historical cost less accumulated depreciation, except freehold land which is not subject to depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress is stated at cost less impairment loss. It is not depreciated until completion of the construction and the relevant assets are available for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

## 41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 41.7 Intangible assets

(i) *Goodwill*

Goodwill is measured as described in Note 41.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

(ii) *Trademarks, licences and customer contracts*

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licences and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 7 to 10 years.

(iii) *Computer software*

Computer software is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 5 years.

## 41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 41.8 Financial assets

*(i) Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

*(ii) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

*(iii) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

***Debt instruments***

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

## 41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 41.8 Financial assets (Continued)

*(iii) Measurement* (Continued)

***Debt instruments*** (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognized in other gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains, net and impairment expenses are presented as separate line item in the statement of comprehensive income.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains, net in the period in which it arises.

***Equity instruments***

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains, net in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

*(iv) Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1 for further details.

### 41.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. As at 31 March 2025 and 2024, there were no financial assets or financial liabilities which were subject to offsetting, enforceable master netting or similar agreements.

## 41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 41.10 Inventories

Inventories represent supplies, including uninstalled pachinko and pachislot machines with useful life typically less than one year, and other consumables which are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method.

### 41.11 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1 for a description of the Group's impairment policies.

### 41.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 41.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### 41.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 41.15 Employee benefits

(i) *Pension obligations*

The Group operates a defined contribution plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has established a defined contribution plan for its eligible employees. The assets of the plan are held in separate trustee-administered funds. Contributions to the plan by the Group are calculated as a percentage of employees' monthly basic salaries. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) *Bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

### 41.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# Notes to the Consolidated Financial Statements

## 41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 41.17 Interest income

Interest income from financial assets at FVTPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI is calculated using the effective interest method and is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### 41.18 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognised as other income in the consolidated statement of comprehensive income when the right to receive payment is established.

### 41.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

### 41.20 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

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