

NIRAKU GC HOLDINGS

(Hong Kong Stock Exchange : 1245)

Consolidated Fiscal Year (Million Yen)		Revenue	Operating profit	Profit before income tax	Profit for the year	EPS (Yen)	DPS (Yen)
FY03/2016		30,995	1,471	633	181	0.150	0.10
FY03/2017		29,180	1,433	902	492	0.411	0.12
FY03/2018		26,554	723	213	(60)	(0.013)	0.12
FY03/2017	YoY	(5.9%)	(2.6%)	42.5%	171.8%	-	-
FY03/2018	YoY	(9.0%)	(49.5%)	(76.4%)	-	-	-

Consolidated Half Year (Million Yen)		Revenue	Operating profit	Profit before income tax	Profit for the half year	EPS (Yen)	DPS (Yen)
H1 FY03/2017		14,847	872	576	363	-	0.09
H2 FY03/2017		14,333	561	326	129	-	0.03
H1 FY03/2018		13,108	128	(104)	(221)	-	-
H2 FY03/2018		13,446	595	317	161	-	0.12
H1 FY03/2018	YoY	(11.7%)	(85.3%)	-	-	-	-
H2 FY03/2018	YoY	(6.2%)	6.1%	(2.8%)	24.8%	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (20 August 2018)

Rock Bottom

NIRAKU GC HOLDINGS, running pachinko hall chain comprising 55 halls based in East Japan with focus on those in Fukushima-prefecture, is seeing rock bottom with its earnings. Given increases of payout ratio (gross pay-outs divided by gross pay-ins) and successful management strategy, the Company sees increases for the number playing visitors, while gross pay-ins are starting to stop declining as well as revenue from pachinko and pachislot hall business after deduction of gross pay-outs at the same time. In other words, the Company still sees marginal decreases of revenue from pachinko and pachislot hall business, but seeing a recovery on earnings in line with lowering expenses to run the 55 pachinko halls. While having closed down loss-making halls, the Company has opened up new halls as well as planning to get involved with new operations to run halls through capital tie-up with peers. On top of this, the Company is going for business developments in ex-Japan Asia for the sake of long-term growth in the form for itself to be able to pursue synergy. In fact, the Company has already started up its operations to run amusement arcades in Vietnam and Cambodia. This generated some loss in FY03/2018, but the Company is too see a turnaround in FY03/2019. On top of this, the Company has a plan to start running Japanese dish food court in urban shopping mall based in Shenzhen, China, in March 2019, which is also expected to drive long-term earnings with the Company.

In FY03/2018, revenue came in at ¥26,554m (down 9.0% YoY), operating profit ¥723m (down 49.5%) and operating profit margin 2.7% (down 2.2% points), while revenue ¥13,446m (down 6.2%), operating profit ¥595m (up 6.1%) and operating profit margin 4.4% (up 0.5% points) as far as H2 is concerned. Thus, the Company saw decelerating rate of decreases for revenue in H2 over H1 and saw increases of operating profit over the same period in the previous year in H2. Meanwhile, the business performance as a whole for the Company hinges on that of operations to run pachinko hall chain, which is the overwhelming earnings source with the Company. In H2, the Company saw hall operating expenses coming down to ¥11,162m (down 7.8% YoY) due mainly to lowering procurement of pachinko and pachislot machines to be installed in pachinko halls. It has been the case for many years that replacement of pachinko and pachislot machines, every three months in the shortest cycle, was the key measure to maintain and/or increase the number of playing visitors in the pachinko hall industry and with the Company as well. However, as far as most recent situations with the Company are concerned, the replacement cycle is rather extended. More importantly, however, the number of playing visitors is on the rise as found in Chairman's Statement of 2018 Annual Report.

According to the Japan Productivity Center "Leisure White Paper 2017", the participating population was 9.4m (down 12.1% YoY) in regards to the pachinko hall industry. Given increases of playing visitors for the Company with limited spending on expenses on the other hand, this suggests that the Company is doing rather better than the industry as a whole. Meanwhile, the Company saw revenue of ¥417m and segment profit of negative ¥74m in Amusement Arcade Operations, stemming from consolation of Dream Games Singapore Pte. Ltd (Dream Games Company) by means of procuring all the shares outstanding, enforced on 20 November 2017, while its business performance through 20 November 2017 to 31 March 2018 being reflected here. Dream Games Company, based in Singapore, is involved with operations to run collective 7 amusement arcades, which are Japanese-style ones including gaming machines using tokens, comprising 6 in Vietnam and one in Cambodia (as of the end of FY03/2018). Going forward, the Company is planning to open one new arcade in FY03/2019, going for prospective revenue of ¥1,300m on a full-year basis and a turnaround for segment profit. Still, there remains a concern that the Company may suffer from extraordinary loss, stemming from planned closedown of one of the existing arcades. More importantly, the Company is to accelerate new openings of arcades, starting in FY03/2020, calling for prospective operations to run 30 to 40 arcades in the foreseeable future. At this stage, the Company well takes advantage of own knowhow on operations of pachinko hall chain, resulting in creation of synergy on a full-fledged basis.

IR Representative: Hirokazu Nishimura, Executive Secretary (nishimura@niraku.co.jp)

2.0 Company Profile

Running Pachinko Hall Chain

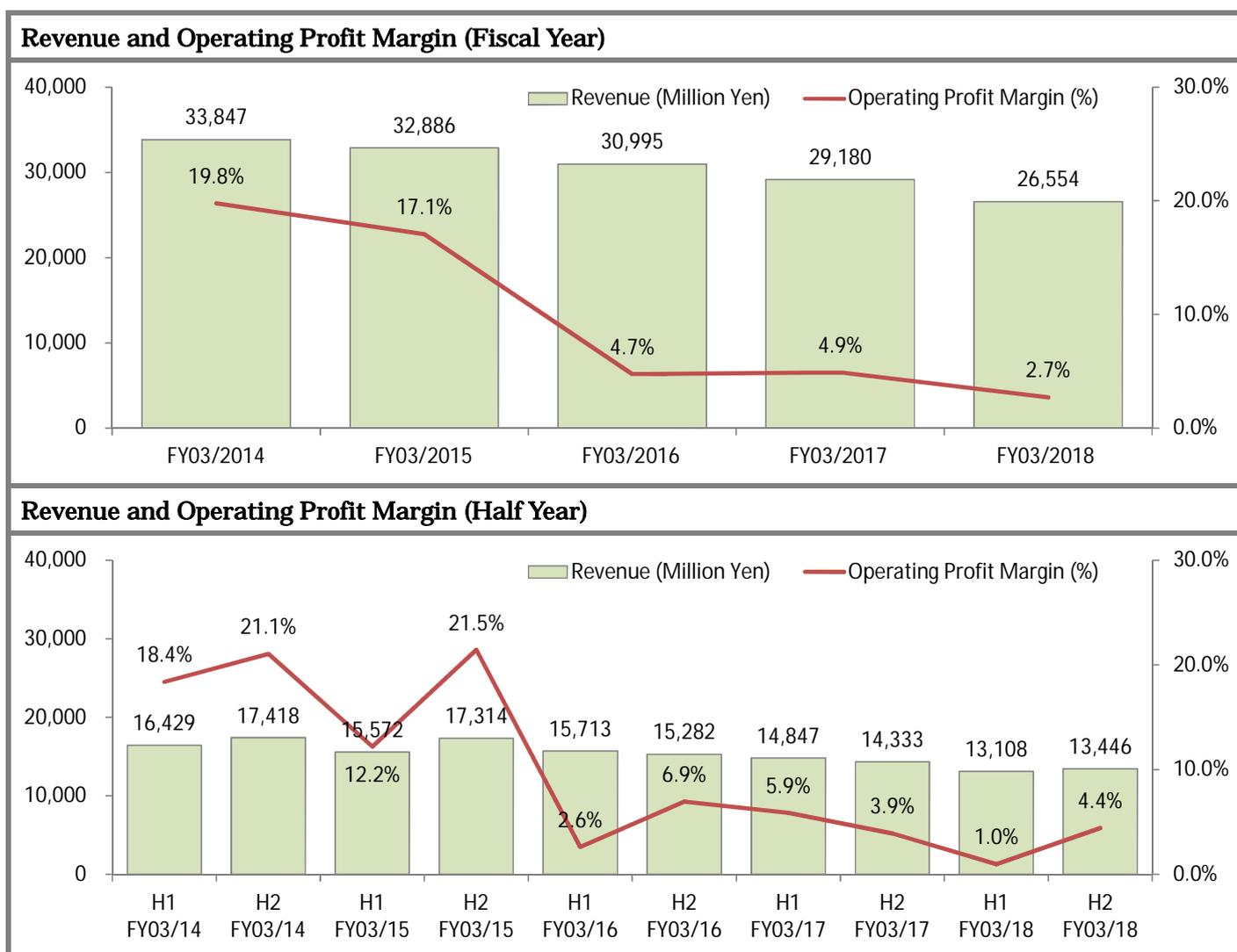
Company Name	NIRAKU GC HOLDINGS, INC. Website IR Information Share Price 
Established	10 January 2013
Listing	8 April 2015: Hong Kong Stock Exchange Mainboard (CODE: 1245)
Capital	¥3,000m (as of the end of March 2018)
No. of Shares	1,195,850,460 shares (as of the end of March 2018)
Main Features	<ul style="list-style-type: none"> ● Running pachinko hall chain, comprising collective 55 halls, through subsidiary NIRAKU CORPORATION ● 21 halls in Fukushima-prefecture, 10 in Tokyo and 24 in other areas of East Japan (as of the end of March 2018) ● Looking to long-term growth by means of pursuing synergy with merger and acquisition
Business Segments	<ul style="list-style-type: none"> . Pachinko and Pachislot Hall Operations . Amusement Arcade Operations . Others
Top Management	Chairman, Executive Director, Chief Executive Officer: Hisanori Taniguchi
Shareholders	HKSCC nominees Limited 31.05%, SMBC Trust and Banking Co., Ltd. 19.16%, Hisanori Taniguchi 17.80%, Tatsuo Taniguchi 13.52% (as of the end of March 2018)
Headquarters	Koriyama-city, Fukushima-prefecture, JAPAN
No. of Employees	Consolidated: 1,377, full-time employees 767 and part-time employees 610 (as of the end of March 2018)

Source: Company Data

3.0 Recent Trading and Prospects

FY03/2018 Results

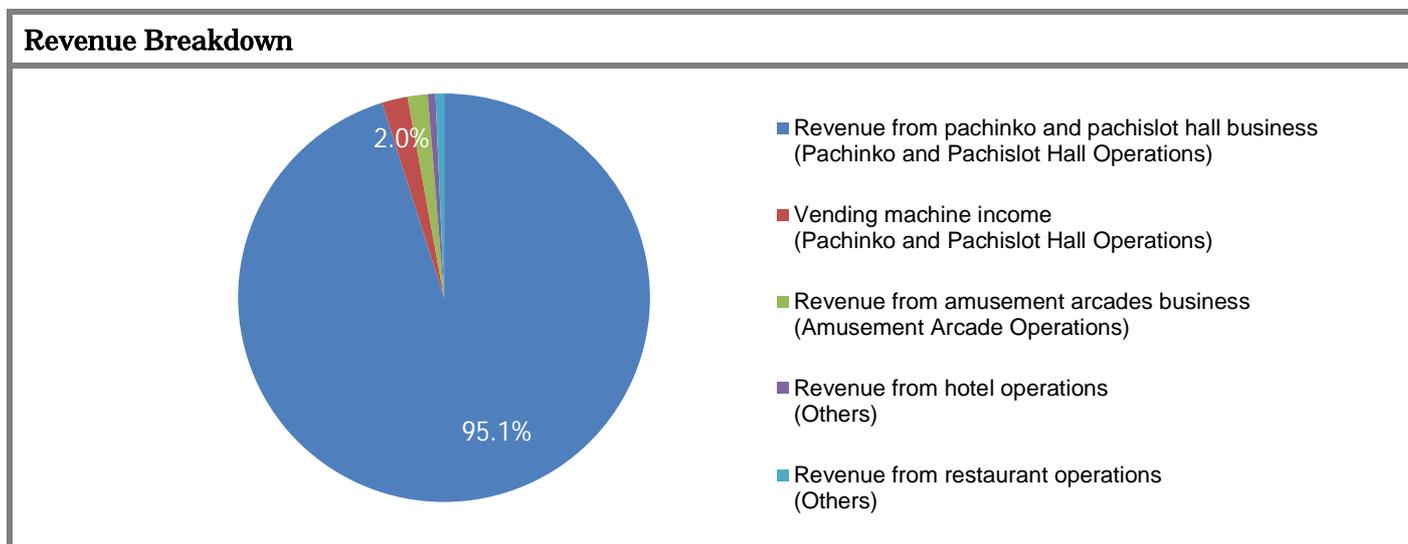
In FY03/2018, revenue came in at ¥26,554m (down 9.0% YoY), operating profit ¥723m (down 49.5%), profit before income tax ¥213m (down 76.4%) and profit for the year negative ¥60m (versus ¥492m in the previous year), while operating profit margin 2.7% (down 2.2% points). In spite of the loss for the year, the Company pays dividend of ¥0.12 per share (nil as of the end of H1 and ¥0.12 as of the end of fiscal year) as in ¥0.12 (¥0.09 as of the end of H1 and ¥0.03 as of the end of fiscal year) of the FY03/2017 results.



Source: Company Data, WRJ Calculation

Over the past five years, the Company suffered from persistent decreases of revenue and thus major adjustments of operating profit margin at the same time. However, the Company saw a recovery in H2 FY03/2018 over H1 FY03/2018. Revenue increased by 2.6% to ¥13,446m from ¥13,108m, while operating profit by no less than 4.6 times to ¥595m from ¥128m and thus operating profit margin up 3.4% points to 4.4% from 1.0%.

Meanwhile, by business segment, Pachinko and Pachislot Hall Operations saw revenue of ¥25,799m (down 10.9%), segment profit of ¥1,223m (down 22.4%) and segment profit margin of 4.7% (down 0.7% points) on a full-year basis, while revenue of ¥417m, segment profit of negative ¥74m and segment profit margin of negative 17.7% for Amusement Arcade Operations to reflect business performance of Dream Games Company consolidated in H2. In regards to Others, the Company saw revenue of ¥338m (up 53.6%), segment profit of negative ¥213m (versus negative ¥118m in the previous year) and segment profit margin of negative 63.0% (down 9.4% points).



Source: Company Data, WRJ Calculation

Revenue of Pachinko and Pachislot Hall Operations comprises revenue from pachinko and pachislot hall business of ¥25,263m (down 11.0%) and vending machine income of ¥536m (down 5.0%). The former comes from gross pay-ins deducted by gross pay-outs and the latter represents revenue stemming from vending machines such as those of drinks installed in the Company's pachinko halls. Meanwhile, revenue of Others comprises revenue from hotel operations of ¥158m (up 21.5%) and revenue from restaurant operations of ¥180m (up 100.0%).

Collectively, the three business segments saw revenue of ¥26,554m (down 9.0%) and segment profit of ¥936m (down 35.8%), out of which Pachinko and Pachislot Hall Operations accounted for 97.1% in terms of revenue and 130.7% in terms of segment profit, implying this business segment is the overwhelming source of earnings with the Company.

In the first place, consistently slowing sentiment in the market to which Pachinko and Pachislot Hall Operations is exposed led to consolation of Dream Games Company by means of procuring all the shares outstanding (the amount of contribution: ¥1,753m) enforced on 20 November 2017. The Company is not doing too badly, seeing increases for playing visitors with limited spending on expenses in the market where the participating population is coming down, while having started to invest in the future growth. Now, on top of Dream Games Company, further investment to beef up own operations in ex-Japan Asia is going on. For example, the Company has a plan to start up running Japanese dish food court in urban shopping mall "Shenzhen Upper Hills", based in Shenzhen, China, incorporating a concept of "YOKOCHO", in March 2019. Associated with this, the Company has already started up spending on frontloaded investment.

Dream Games Company: Amusement Arcade of Tan Phu Celadon (Ho Chi Minh)



Source: Company Data

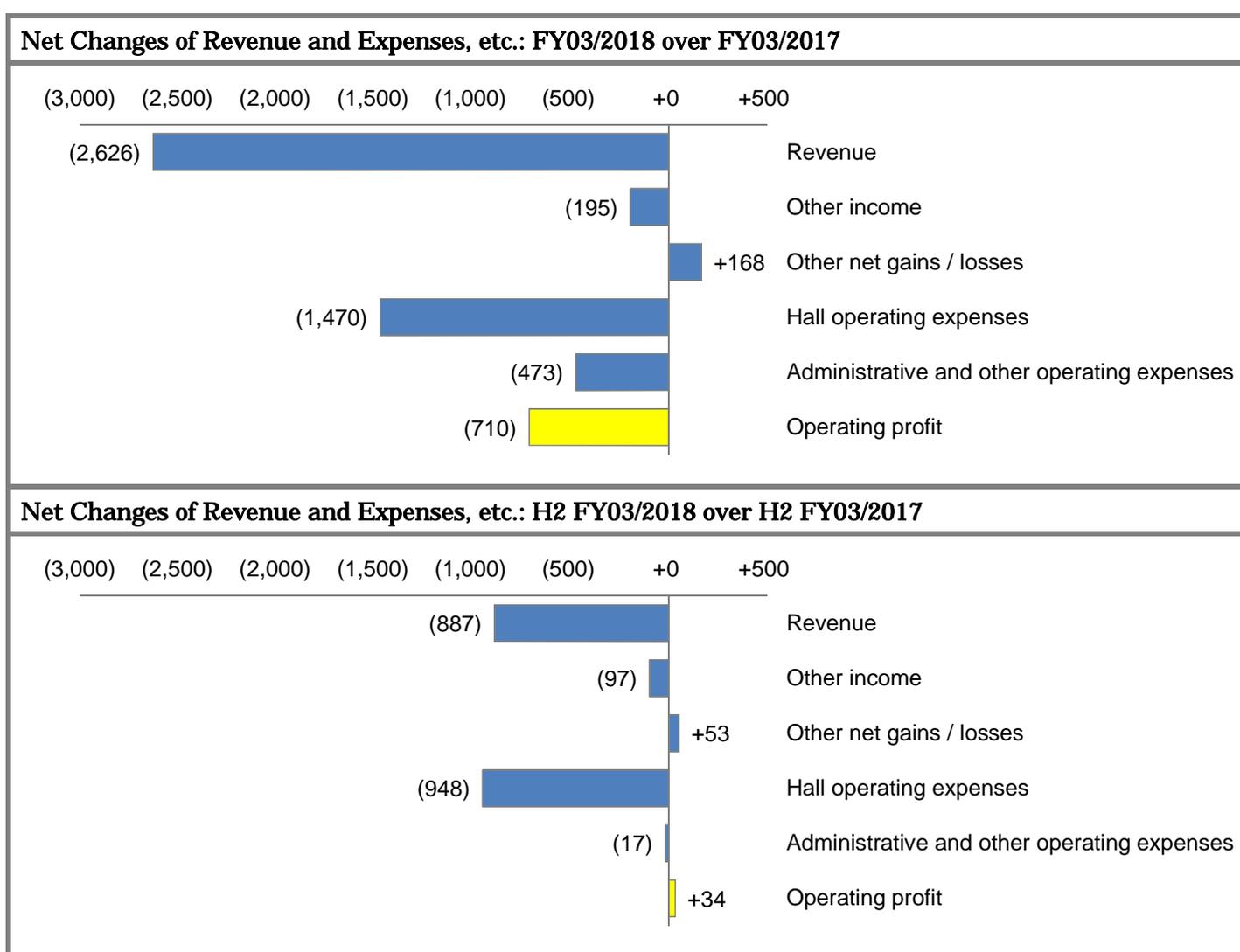
In regards to Dream Games Company, the Company used to go for net add-ons for the Company even in the first year, i.e., FY03/2018, but revenue fell short and thus earnings. This has a lot to do with an issue that the Company had to suspend operations of the mainstay gaming machines using tokens for a while due to some reason.

Meanwhile, the Company persistently suffers from decreasing gross pay-ins on the mainstay Pachinko and Pachislot Hall Operations side. In FY03/2018, gross pay-ins came in at ¥138,493m (down 3.2%), having resulted in revenue from pachinko and pachislot hall operation business of ¥25,263m (down 11.0%) as mentioned above, after deducting gross pay-outs of ¥113,230m (down 1.3%). The ratio of gross pay-outs against gross pay-ins (payout ratio) is rather on the rise, being one of the key reasons to increase the number of playing visitors, but revenue per playing visitor is on the decreases as far as we could see.

In line with tightening of regulations by the authorities (the competent authorities), i.e., the National Police Agency, gambling property (factor to gain profit by luck not by self-help effort) on pachinko and pachislot has been coming down, being one of the key reasons why revenue per playing visitor comes down as far as we could see. The authorities intends to provide gamble addition regarded as a problem in the society with solutions. For example, changeover has been consistently made to low gambling property pachinko and pachislot machines from those of excess gambling property, based on persuasion by the authorities, while the upper limit of pachinko balls won during a specified period of time massively cut back so far. With all those changes, playing visitors with primary objective to pursue gambling property have been reducing their involvements with pachinko and pachislot to date as far as we could see.

However, the Company saw gross pay-ins in H2 almost equating to the levels during the same period in the previous year, i.e., ¥68,257m (down 1.2% YoY) versus ¥70,236m (down 5.2%) in H1. Meanwhile, the Company saw revenue from pachinko and pachislot hall business, after deduction of gross pay-outs, ¥12,587m (down 9.8%) and ¥12,676m (down 12.2%), respectively, implying decelerating decreases as time goes by. This is attributable to rise of payout ratio and the Company's diverse measures coming into effect more than a certain level in spite of severe market sentiment as far as we could see.

On top of this, the Company is keen on cutting back expenses. Over the previous year, the Company saw net decreases by ¥2,626m in revenue as a whole versus net decreases by ¥1,470m in hall operating expenses and net decreases by ¥473m in administrative and other operating expenses, having failed to more than compensate for the net decreases of revenue but having come down sharply. Given Pachinko and Pachislot Hall Operations as overwhelming earnings source, this should be the situations on this business segment.



Source: Company Data

Net decreases by ¥1,470m for hall operating expenses are basically attributable to those of expenses on pachinko and pachislot machines, i.e., net decreases by ¥1,137m to ¥7,699m from ¥8,836m. Meanwhile, given hall operating expenses came in at ¥24,110m in FY03/2017 and ¥22,640m in FY03/2018, expenses on pachinko and pachislot machines accounted for 33.6% of hall operating expenses and 34.0%, respectively, implying they are one of the key constituents of hall operating expenses, while representing expenses spent on purchasing of pachinko and pachislot machines installed in the Company's pachinko halls. In the tax law, all those expenses are supposed to be capitalized to get depreciated in three years and they are, but all booked as hall operating expenses at the purchases during the accounting period in the accounts disclosed by the Company, as they are hardly utilized for more than one year in reality.

Expenses on pachinko and pachislot machines came down sharply, partly because of a reaction to increases of the said expenses in FY03/2017 when the Company opened one new pachinko hall and aggressively increased the number of pachinko and pachislot machines in existing halls. On top of this, new pachinko and pachislot machines launched in the market were not quite appealing, presumably in line with tightening of regulations by the authorities, having hardly generated major incentives for replacement. It has been the case for many years that replacement of pachinko and pachislot machines, every three months in the shortest cycle, was the key measure to maintain and/or increase the number of playing visitors in the pachinko hall industry and with the Company as well. However, as far as most recent situations with the Company are concerned, the replacement cycle is rather extended. More importantly, however, the number of playing visitors is on the rise, implying the Company's measures to do so coming into effect.

Meanwhile, the net decreases of hall operating expenses due mainly to those of expenses on pachinko and pachislot machines took place extensively in H2. The said expenses saw net decreases by ¥948m in H2 versus ¥1,470m on a full year basis as above mentioned. On the other hand, revenue saw net decreases by ¥887m and ¥2,262m, respectively. Thus, the net decreases of revenue decelerated in H2 over H1, while net decreases of hall operating expenses accelerated, having resulted in net increases by ¥34m for operating profit in H2 versus net decreases by ¥710m on a full-year basis. At the end of the day, a turnaround in terms of net changes for operating profit took place in H2 over H1 in a sense.

In regards to net decreases by ¥473m for administrative and other operating expenses, the Company suggests that it has a lot to do with non-reappearance of impairment loss of ¥271m to have appeared in FY03/2017. The Company did not suffer from any impairment loss associated with operations of loss-making pachinko halls at all. Meanwhile, the Company spots that general cost reductions also reduced the said expenses.

At the non-operating levels, the Company saw net finance costs of ¥510m, having resulted in profit before income tax of ¥213m (down 74.6%) versus operating profit of ¥723m (down 49.5%). Net finance costs came down marginally over the previous year, but profit before income tax came down more than operating profit in terms of rate of changes due to high gearing in line with small absolute value of operating profit. Then, after income tax expense of ¥273m, the Company saw profit for the year of negative ¥60m (¥492m in the previous year), implying the rate of tax charges of 128.2%. In line with the decreases of profit before income tax during the accounting period, tax charges to cope with this also decreased. Still, as the Company saw basically flat size-based taxation, having resulted in high rate of tax charges more than 100%.

Meanwhile, profit for the year of negative ¥60m comprises profit attributable to owners of the Company of negative ¥15m and profit attributable to non-controlling interest of negative ¥45m. While the former is the basis for EPS of negative ¥0.013, the latter equates to expenses on frontloaded investment associated with future opening of aforementioned food court in Shenzhen, where the operations are accounted for by the equity method for the Company.

Consolidated Statement of Comprehensive Income (Half Year)

Consolidated Statement of Comprehensive Income (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	H1 03/2016	H2 03/2016	H1 03/2017	H2 03/2017	H1 03/2018	H2 03/2018	Net Chg.
Revenue	15,713	15,282	14,847	14,333	13,108	13,446	(887)
Other income	512	258	421	380	323	283	(97)
Other net gains / losses	(200)	(72)	(116)	69	(1)	122	+53
Hall operating expenses	13,261	11,946	12,000	12,110	11,478	11,162	(948)
Administrative and other operating expenses	2,354	2,461	2,280	2,111	1,824	2,094	(17)
Operating profit	410	1,061	872	561	128	595	+34
Net finance costs	337	501	296	235	232	278	+43
Profit before income tax	73	560	576	326	(104)	317	(9)
Income tax expense	31	421	213	197	117	156	(41)
Profit for the year	42	139	363	129	(221)	161	+32
Profit attributable to Owners of the Company	42	139	363	129	(221)	206	+77
Profit attributable to non-controlling interest	0	0	0	0	0	(45)	(45)
Other net comprehensive income	(261)	20	(37)	175	(88)	(184)	(359)
Total comprehensive net income for the year	(177)	117	326	304	(309)	(23)	(327)
Revenue YoY	+0.9%	(11.7%)	(5.5%)	(6.2%)	(11.7%)	(6.2%)	-
Operating profit YoY	(78.4%)	(71.4%)	+112.7%	(47.1%)	(85.3%)	+6.1%	-
Profit before income tax YoY	(95.5%)	(83.4%)	+689.0%	(41.8%)	-	(2.8%)	-
Profit attributable to Owners of the Company YoY	(95.5%)	(93.4%)	+764.3%	(7.2%)	-	+24.8%	-
Hall operating expenses / Revenue	84.4%	78.2%	80.8%	84.5%	87.6%	83.0%	(1.5%)
Administrative and other operating expenses / Revenue	15.0%	16.1%	15.4%	14.7%	13.9%	15.6%	+0.8%
Operating profit margin	2.6%	6.9%	5.9%	3.9%	1.0%	4.4%	+0.5%
Profit before income tax margin	0.5%	3.7%	3.9%	2.3%	(0.8%)	2.4%	+0.1%
Profit for the year margin	0.3%	0.9%	2.4%	0.9%	(1.7%)	1.2%	+0.3%
Profit before income tax / Income tax expense	42.5%	75.2%	37.0%	60.4%	-	49.2%	(11.2%)

Source: Company Data, WRJ Calculation

Segmented Information (Half Year)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	H1	H2	H1	H2	H1	H2	
	03/2016	03/2016	03/2017	03/2017	03/2018	03/2018	Net Chg.
Pachinko and Pachislot Hall Operations	15,608	15,175	14,735	14,225	12,948	12,851	(1,374)
Amusement Arcade Operations	-	-	-	-	-	417	+417
Others	105	107	112	108	160	178	+70
Revenue	15,713	15,282	14,847	14,333	13,108	13,446	(887)
Pachinko and Pachislot Hall Operations	(79.5%)	-	(5.6%)	(6.3%)	(12.1%)	(9.7%)	-
Amusement Arcade Operations	-	-	-	-	-	-	-
Others	+31.3%	+12.6%	+6.7%	+0.9%	+42.9%	+64.8%	-
Revenue (YoY)	(88.5%)	-	(5.5%)	(6.2%)	(11.7%)	(6.2%)	-
Pachinko and Pachislot Hall Operations	99.3%	99.3%	99.2%	99.2%	98.8%	95.6%	-
Amusement Arcade Operations	0.0%	0.0%	0.0%	0.0%	0.0%	3.1%	-
Others	0.7%	0.7%	0.8%	0.8%	1.2%	1.3%	-
Revenue (composition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-
Pachinko and Pachislot Hall Operations	651	1,052	1,004	572	242	981	+409
Amusement Arcade Operations	-	-	-	-	-	(74)	(74)
Others	(26)	(95)	(38)	(80)	(62)	(151)	(71)
Segment profit	625	957	966	492	180	756	+264
Pachinko and Pachislot Hall Operations	(66.6%)	(74.0%)	+54.2%	(45.6%)	(75.9%)	+71.5%	-
Amusement Arcade Operations	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Segment profit (YoY)	(84.0%)	(53.2%)	+54.6%	(48.6%)	(81.4%)	+53.7%	-
Pachinko and Pachislot Hall Operations	104.2%	109.9%	103.9%	116.3%	134.4%	129.8%	-
Amusement Arcade Operations	0.0%	0.0%	0.0%	0.0%	0.0%	(9.8%)	-
Others	(4.2%)	(9.9%)	(3.9%)	(16.3%)	(34.4%)	(20.0%)	-
Segment profit (composition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-
Pachinko and Pachislot Hall Operations	4.2%	6.9%	6.8%	4.0%	1.9%	7.6%	+3.6%
Amusement Arcade Operations	-	-	-	-	-	(17.7%)	-
Others	(24.8%)	(88.8%)	(33.9%)	(74.1%)	(38.8%)	(84.8%)	(10.8%)
Segment profit / Revenue	4.0%	6.3%	6.5%	3.4%	1.4%	5.6%	+2.2%

Source: Company Data, WRJ Calculation

Revenue (Half Year)

Revenue	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY
(Million Yen)	H1	H2	H1	H2	H1	H2	Net Chg.
	03/2016	03/2016	03/2017	03/2017	03/2018	03/2018	
Gross pay-ins	80,218	77,877	74,057	69,073	70,236	68,257	(816)
Less: gross pay-outs	64,905	62,995	59,617	55,117	57,560	55,670	+553
Revenue from pachinko and pachislot hall business	15,313	14,882	14,440	13,956	12,676	12,587	(1,369)
Revenue from amusement arcades business	-	-	-	-	-	417	+417
Vending machine income	295	293	295	269	272	264	(5)
Revenue from hotel operations	85	79	82	48	83	75	+27
Revenue from restaurant operations	20	28	30	60	77	103	+43
Revenue	15,713	15,282	14,847	14,333	13,108	13,446	(887)
Gross pay-ins	(11.8%)	(8.0%)	(7.7%)	(11.3%)	(5.2%)	(1.2%)	-
Less: gross pay-outs	(14.4%)	(6.9%)	(8.1%)	(12.5%)	(3.5%)	+1.0%	-
Revenue from pachinko and pachislot hall business	+0.8%	(12.1%)	(5.7%)	(6.2%)	(12.2%)	(9.8%)	-
Revenue from amusement arcades business	-	-	-	-	-	-	-
Vending machine income	(2.0%)	+0.7%	+0.0%	(8.2%)	(7.8%)	(1.9%)	-
Revenue from hotel operations	+6.3%	+6.8%	(3.5%)	(39.2%)	+1.2%	+56.3%	-
Revenue from restaurant operations	-	+33.3%	+50.0%	+114.3%	+156.7%	+71.7%	-
Revenue (YoY)	(79.4%)	-	(5.5%)	(6.2%)	(11.7%)	(6.2%)	-
Revenue from pachinko and pachislot hall business	97.5%	97.4%	97.3%	97.4%	96.7%	93.6%	-
Revenue from amusement arcades business	0.0%	0.0%	0.0%	0.0%	0.0%	3.1%	-
Vending machine income	1.9%	1.9%	2.0%	1.9%	2.1%	2.0%	-
Revenue from hotel operations	0.5%	0.5%	0.6%	0.3%	0.6%	0.6%	-
Revenue from restaurant operations	0.1%	0.2%	0.2%	0.4%	0.6%	0.8%	-
Revenue (Composition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Consolidated Statement of Cash Flows (Half Year)

Consolidated Statement of Cash Flows	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY
(Million Yen)	H1	H2	H1	H2	H1	H2	Net Chg.
	03/2016	03/2016	03/2017	03/2017	03/2018	03/2018	
Cash flows from operating activities (A)	817	1,341	3,381	1,939	1,676	1,274	(665)
Cash flows from investing activities (B)	(628)	506	(19)	(254)	(676)	(2,022)	(1,768)
Free cash flows (A)+(B)	189	1,847	3,362	1,685	1,000	(748)	(2,433)
Cash flows from financing activities	1,079	(285)	(2,241)	(1,712)	(252)	2,194	+3,906

Source: Company Data, WRJ Calculation

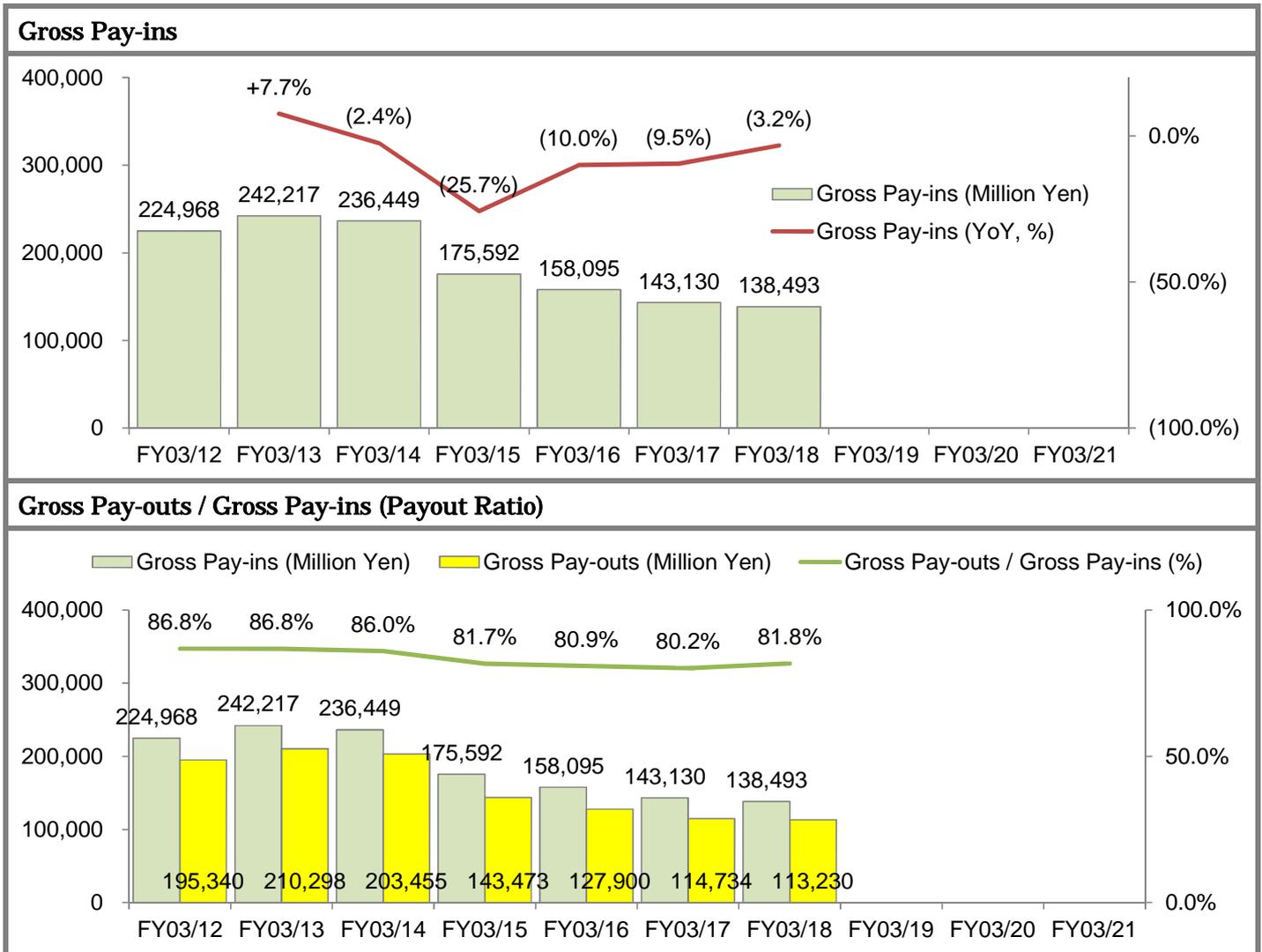
Consolidated Statement of Financial Position (Half Year)

Consolidated Statement of Financial Position		Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)		H1	H2	H1	H2	H1	H2	Net Chg.
		03/2016	03/2016	03/2017	03/2017	03/2018	03/2018	
Property, plant and equipment		28,329	28,470	27,319	26,406	26,053	26,207	(199)
Investment properties		674	697	687	678	671	662	(16)
Intangible assets		221	210	196	182	166	1,571	+1,389
Prepayments, deposits and other receivables		4,258	4,198	3,999	3,866	3,780	3,751	(115)
Amounts due from directors and a shareholder		-	-	-	-	-	-	-
Financial assets at fair value through profit or loss		100	106	106	104	52	52	(52)
Fi. assets at fair value through other com. income		989	1,013	961	1,210	1,084	953	(257)
Deferred income tax assets		1,927	1,781	1,751	1,656	1,728	1,565	(91)
Long-term bank deposits		155	185	215	35	41	47	+12
Non-current assets		36,653	36,660	35,234	34,137	33,575	34,808	+671
Inventories		34	413	9	20	15	57	+37
Trade receivables		64	64	72	88	54	57	(31)
Prepayments, deposits and other receivables		1,824	1,456	1,530	1,457	1,220	1,312	(145)
Current income tax recoverable		201	957	202	55	50	300	+245
Financial assets at fair value through profit or loss		200	100	-	-	-	-	-
Bank deposits with maturity over 3 months		2,017	297	159	252	232	43	(209)
Cash and cash equivalents		10,748	12,310	13,431	13,404	14,152	15,594	+2,190
Current assets		15,088	15,597	15,403	15,276	15,723	17,363	+2,087
Total assets		51,741	52,257	50,637	49,413	49,298	52,171	+2,758
Share capital		3,000	3,000	3,000	3,000	3,000	3,000	-
Reserves		23,938	24,097	24,303	24,499	24,154	24,176	(323)
Non-controlling interest		-	-	-	-	5	(40)	(40)
Total equity		26,938	27,097	27,303	27,499	27,159	27,136	(363)
Borrowings		9,061	9,732	9,079	8,656	8,440	10,854	+2,198
Obligations under finance leases		4,981	5,070	4,565	4,048	3,603	3,247	(801)
Provisions and other payables		1,674	2,057	2,072	1,989	2,018	2,111	+122
Derivative financial instruments		20	14	21	11	10	8	(3)
Non-current liabilities		15,736	16,873	15,737	14,704	14,071	16,220	+1,516
Trade payables		134	132	125	123	251	247	+124
Borrowings		4,272	3,295	2,741	2,394	3,096	3,886	+1,492
Obligations under finance leases		1,459	1,530	1,324	1,160	1,039	888	(272)
Accruals, provisions and other payables		3,171	3,326	3,262	3,532	3,681	3,793	+261
Derivative financial instruments		13	2	2	1	1	1	-
Current income tax liabilities		18	2	143	-	-	-	-
Current liabilities		9,067	8,287	7,597	7,210	8,068	8,815	+1,605
Total liabilities		24,803	25,160	23,334	21,914	22,139	25,035	+3,121
Total equity and liabilities		51,741	52,257	50,637	49,413	49,298	52,171	+2,758
Interest bearing debt		19,773	19,627	17,709	16,258	16,178	18,875	+2,617
Net debt		7,008	7,020	4,119	2,602	1,794	3,281	+679
Equity ratio		52.1%	51.9%	53.9%	55.7%	55.1%	52.0%	-
Net debt equity ratio		26.0%	25.9%	15.1%	9.5%	6.6%	12.1%	-
ROE (12 months)		8.9%	0.7%	1.9%	1.8%	(0.3%)	(0.2%)	-
ROA (12 months)		6.8%	1.2%	2.2%	1.8%	0.4%	0.4%	-
Quick ratio		141%	153%	180%	191%	179%	178%	-
Current ratio		166%	188%	203%	212%	195%	197%	-

Source: Company Data, WRJ Calculation

Long-Term Prospects

The Company's business performance has been basically in line with the trends of pachinko hall industry in Japan. Going forward, the Company is planning to implement capital tie-up with peers to get involved with new operations of pachinko halls as well as aggressively pursue opportunities to propel own operations in ex-Japan Asia in the form for itself to be able to create synergy. So far, the Company has not materialized the former yet, but has already started up operations to run amusement arcades on the latter.



Source: Company Data, WRJ Calculation

The market for gross pays-ins which the pachinko hall industry confronts has consistently come down. As far as the Company is concerned, gross pays-in peaked in FY03/2013 and saw consistent decreases by FY03/2018 or 5 years in a row. In the first place, Japan has been suffering from decreases of population while leisure having been diversified and thus the participating population in regards to the pachinko hall industry continues coming down. Meanwhile, tightening of regulations by the authorities go on, reducing gambling property, cutting back gross pay-ins in the industry as well as with the Company.

In December 2016, “Act on Promotion of Development of Specified Complex Tourist Facilities Areas”, also known as “IR (Integrated Resorts) Promotion Law”, was established and passing through the diet, which is the trigger for the most recent difficulties. Even prior to this, the market for gross pay-ins was on the decreases, including those of the Company, while this played a role to further cut them back in FY03/2017. For example, the Company saw gross pay-ins of ¥143,130m (down 9.5%) in FY03/2017.

This act requires the government submit act necessary to set up areas of specified complex tourist facilities, i.e., casinos within one year after enforcement, while this has promoted “gamble addiction issues” taken up more seriously than before. The pachinko hall industry has been actively dealing with “gamble addiction issues”, perceiving them as “problems brought forth by excess obsession”. However, with the said act passing through the diet, it has been demanded even more seriously than before to cope with “gamble addiction issues” in regards to all kinds of existing legitimate gambles across the board, including pachinko and pachislot.

As mentioned earlier, it has been decided and implemented to gradually increase the ratio of installation for low gambling property pachinko and pachislot machines on the expenses of high gambling ones, for example. Based on features of each, it is obvious that the former sees gross pay-ins less than the latter. As is taken for granted, this has cut back gross pay-ins in the pachinko hall industry and with the Company, compared with the levels prior to this.

Then, in FY03/2018, the Company saw gross pay-ins of ¥138,493m (down 3.2%). Although the decreases of gross pay-ins persisted, the rate of decreases got smaller than past years. Meanwhile, as far as H2 is concerned, the Company saw gross pay-ins of ¥68,257m (down 1.2%), implying the levels almost as high as those during the same period in the previous year.

In FY03/2013, gross pay-ins peaked and payout ratio or gross pay-outs divided by gross pay-ins also peaked at the same time, having had continued coming down by FY03/2017. Meanwhile, the Company raised payout ratio as one of the measures to drive the number of playing visitors in FY03/2018, having resulted in the increases of the said number and contributed to decelerating decreases of gross pay-ins as far as we could see. At the same time, decelerating decreases are seen for revenue for pachinko and pachislot hall business after deduction of gross pay-outs. On top of this, expenses are also on the decreases, having resulted in operating profit having increased in H2 over the same period in the previous year, albeit not much. Eventually, this could be a critical point for a turnaround for changes of earnings for the future with the Company.

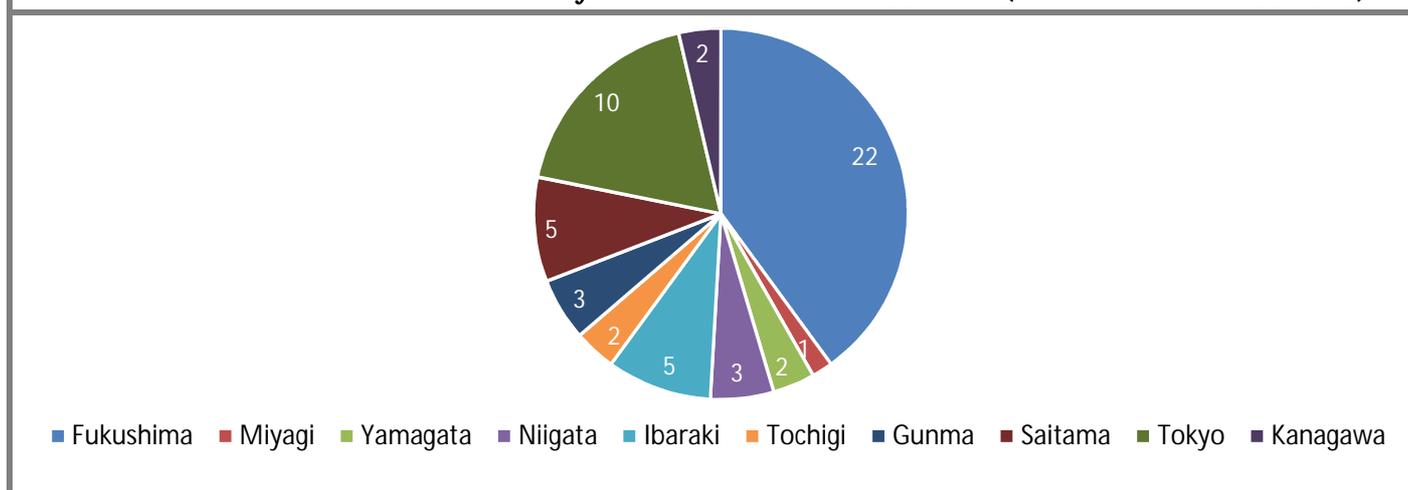
4.0 Business Model

Running Pachinko Hall Chain

The Company is a holding company, holding all the shares of NIRAKU CORPORATION, NGCH Hong Kong Limited and Dream Games Singapore Pte. Ltd. (Dream Games Company) to run them as own consolidated subsidiaries under management. The business performance of the Company as a whole exclusively hinge on that of NIRAKU CORPORATION to run pachinko hall chain with halls located in East Japan primarily in Fukushima-prefecture. Meanwhile, NGCH Hong Kong Limited is positioned as bridgehead for business development in ex-Japan Asia, while Dream Games Company runs amusement arcades in ex-Japan Asia.

As of the end of March 2018, the number of pachinko halls run by NIRAKU CORPORATION stood at collective 55, comprising 21 in in Fukushima-prefecture, 10 in Tokyo and 23 in other areas of East Japan. On top of this, “Tomioka Hall” based in Fukushima-prefecture exists, but the operations have been suspended since 11 March 2011 when Great East Japan earthquake took place and gave impacts to the operations. The number of pachinko halls stands at 56 collectively, when this is included, but the Company suggests no prospects to restart the operations in the foreseeable future.

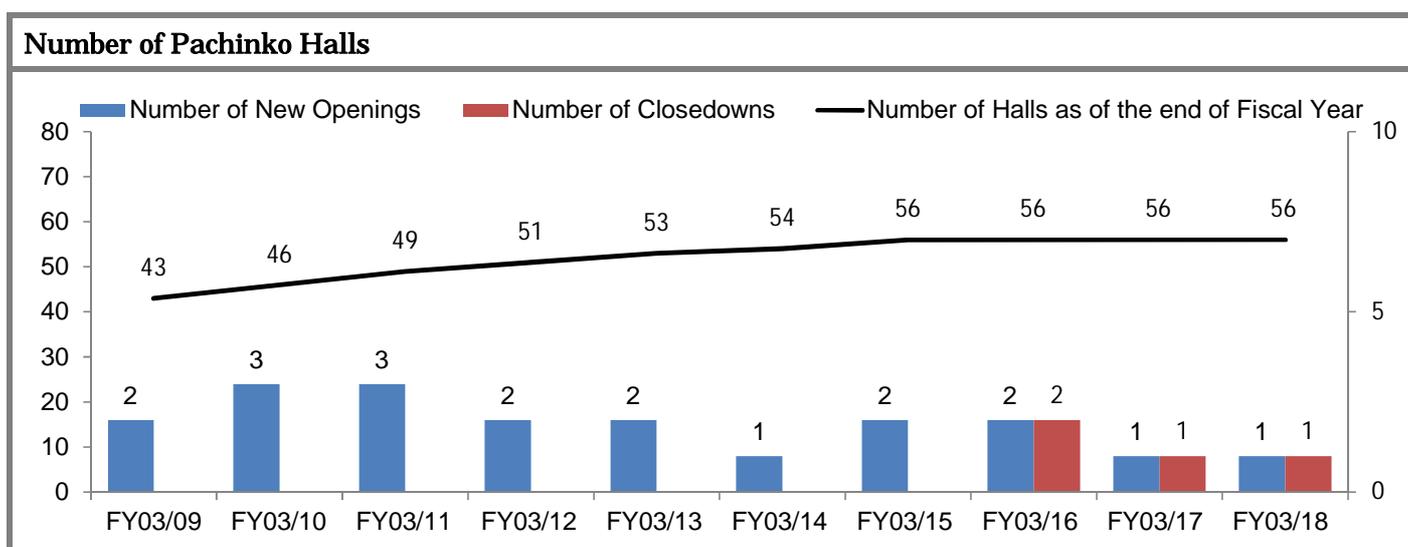
Number of Pachinko Halls in Utilization by Prefecture: Collective 55 Halls (as of the end of FY03/2018)



Source: Company Data

According to data provided by the Company, the number of pachinko hall operators stands at as many as some 4,000 in Japan, while the Company is one of the top 10 operators in terms of gross pay-ins. Still, they collectively account for no more than 2% of the market as a whole in terms of gross pay-ins. Thus, the market has remained so fragmented, implying a huge room of consolidation in the future. Meanwhile, all those top 10 operators are not exceptions in that they generally suffer from worsening market conditions and thus from decreasing gross pay-ins. However, some of them are seeing increases of gross pay-ins, driven by add-ons through gaining operations from peers through merger and acquisition.

Meanwhile, over the past 10 years (FY03/2009 to FY03/2018), the Company opened one to three new halls a year, suggesting positive attitude to pursue expansion of business scale by means of newly opening own halls. For example, in April 2016, “Fukushima-taiheiji Hall” was newly opened in Fukushima-city of Fukushima-prefecture. This is one of the largest halls in term of the number of pachinko and pachislot machines installed (1,280) in the Tohoku region. Then, this was followed by new opening of “Hitachi-ohmiya Hall” (standard one with 560 machines) based in Ibaraki-prefecture in December 2017. Still, the Company also closed down pachinko halls over the past three years, given worsening conditions of the market and thus worsening earnings with some of own pachinko halls. Specifically, the Company closed down “Umeyashiki Hall” and “Nakano-shimbashi Hall” both based in Tokyo in FY03/2016, which was followed by closedown of “Maebashi-ohshima Hall” based in Gunma-prefecture in FY03/2017 and “Annaka-itahana Hall” based in Gunma-prefecture in FY03/2018.



Source: Company Data

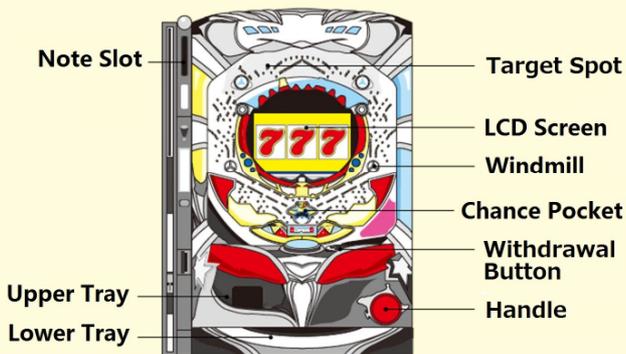
As a result, the number of halls as of the end of fiscal year has remained unchanged at 56 over the past three years, i.e., through FY03/2016 to FY03/2018. During the same period, as “Tomioka Hall” based in Fukushima-prefecture has been suspended for its operations since the beginning, the number of halls in utilization has remained unchanged at 55.

“Fukushima-taiheiji Hall” (Opened in April 2016)



Pachinko Machine

Basic components of Pachinko Machine



*Each component may differ by the model

Installation of Pachinko Machines



Inside of the Hall

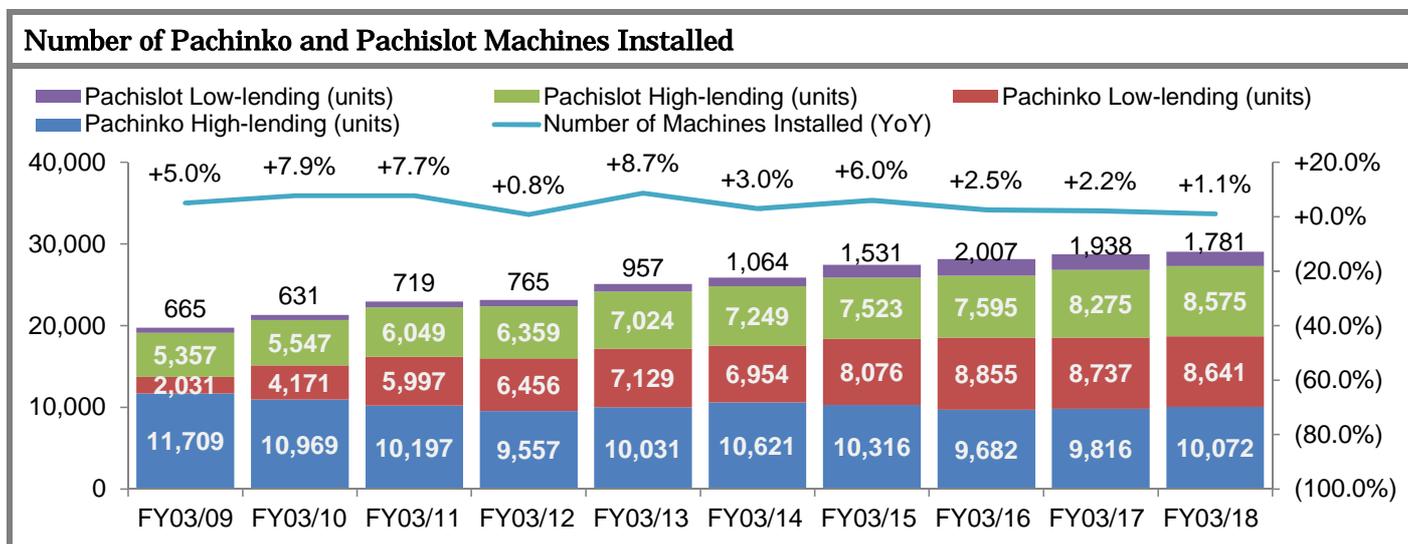


Premiums Corner



Source: Company Data

Meanwhile, the number of pachinko and pachislot machines installed has been edging up over the past 10 years (FY03/2009 to FY03/2018). As of the end of FY03/2018, the said number stood at 29,069 (up 1.1% YoY), implying 519 machines per hall on a simple average of 56-hall basis, while exposed to pachinko by 64.4% and the remaining 35.6% for pachislot as well as the ratio of low-lending machines by 46.2% and by 17.2%, respectively.



Source: Company Data

For example, it has been basically the case that playing visitors borrow balls by ¥4 per unit in the existing scheme of pachinko, while low-lending machines represent those of lending balls by ¥1 per unit and those on an existing scheme basis are referred to as high-lending as opposed to low-lending. With no changes of spending, playing visitors are able to play much longer with so-called one-yen pachinko than so-called four-yen pachinko, which is said to beef up the number of playing visitors. Still, gross pay-ins associated with one-yen pachinko can never exceed those of four-yen pachinko and thus it would be so important to pursue the best balance between the two, according to the Company. Most recently, the Company is gradually making a shift to four-yen pachinko from one-yen pachinko as found in “Number of Pachinko and Pachinko Machines Installed”, displayed above.

Apart from operations to run pachinko hall chain as discussed so far, NIRAKU CORPORATION is also involved with operations to run “LIZARRN”-brand Spanish restaurant franchise in Tokyo (collectively 2 restaurants as of the end of FY03/2018), while running “Koriyama City Hotel” in Koriyama-city, Fukushima-prefecture at the same time. On top of this, NIRAKU CORPORATION also runs two 100% subsidiaries, i.e., NIRAKU MERRIST CORPORATION and NEXIA INC. The former is in charge of propelling employment of people with disabilities, while the latter dealing with real estate business associated with operations of pachinko halls.

Spanish Restaurant (Shinbashi)	Koriyama-ekimae Hall	Koriyama City Hotel
		

Source: Company Data

In regards to operations of “LIZARRN”-brand Spanish restaurant franchise, although restaurant of “Akasakamitsuke (Minato-ku, Tokyo)” suffered from cumulative loss and was closed down in February 2018, sales are surging due to opening of new restaurant of “Nishishinjuku Kotakibashi-dori (Shinjuku-ku, Tokyo)” in September 2016, which was followed by “Shimbashi (Minato-ku, Tokyo)” in August 2017. Still, it appears expenses to open new restaurants are giving major impacts to earnings at the same time. Meanwhile, “Koriyama City Hotel” is run with capacity of 84 in terms of the number of rooms, based in upper floors of an 11-story building near JR Koriyama station. The said building has “Koriyama-ekimae Hall” or own pachinko hall as another tenant. Then, in FY03/2019, the Company started up operations to run “KOMEDA coffee shop”, together with opening of the first one within the grounds of “Kazo-atago Hall” based in Saitama-prefecture or own pachinko hall in June 2018.

5.0 Financial Statements

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income (Million Yen)	Cons.Act FY 03/2014	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	YoY Net Chg.
Revenue	33,847	32,886	30,995	29,180	26,554	(2,626)
Other income	378	1,039	770	801	606	(195)
Other net gains / losses	(97)	3	(272)	(47)	121	+168
Hall operating expenses	22,798	22,982	25,207	24,110	22,640	(1,470)
Administrative and other operating expenses	4,636	5,336	4,815	4,391	3,918	(473)
Operating profit	6,694	5,610	1,471	1,433	723	(710)
Net finance costs	686	616	838	531	510	(21)
Profit before income tax	6,008	4,994	633	902	213	(689)
Income tax expense	2,310	1,964	452	410	273	(137)
Profit for the year	3,698	3,030	181	492	(60)	(552)
Profit attributable to Owners of the Company	3,698	3,030	181	492	(15)	(507)
Profit attributable to non-controlling interest	0	0	0	0	(45)	(45)
Other net comprehensive income	433	(155)	(241)	138	(272)	(410)
Total comprehensive net income for the year	4,131	2,875	(60)	630	(332)	(962)
Revenue YoY	+3.3%	(2.8%)	(5.8%)	(5.9%)	(9.0%)	-
Operating profit YoY	(6.3%)	(16.2%)	(73.8%)	(2.6%)	(49.5%)	-
Profit before income tax YoY	(7.4%)	(16.9%)	(87.3%)	+42.5%	(76.4%)	-
Profit attributable to Owners of the Company YoY	(1.8%)	(18.1%)	(94.0%)	+171.8%	-	-
Hall operating expenses / Revenue	67.4%	69.9%	81.3%	82.6%	85.3%	+2.6%
Administrative and other operating expenses / Revenue	13.7%	16.2%	15.5%	15.0%	14.8%	(0.3%)
Operating profit margin	19.8%	17.1%	4.7%	4.9%	2.7%	(2.2%)
Profit before income tax margin	17.8%	15.2%	2.0%	3.1%	0.8%	(2.3%)
Profit for the year margin	10.9%	9.2%	0.6%	1.7%	(0.2%)	(1.9%)
Profit before income tax / Income tax expense	38.4%	39.3%	71.4%	45.5%	128.2%	+82.7%

Source: Company Data, WRJ Calculation

Segmented Information

Segmented Information	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	YoY Net Chg.
(Million Yen)	03/2014	03/2015	03/2016	03/2017	03/2018	
Pachinko and Pachislot Hall Operations	33,698	32,711	30,783	28,960	25,799	(3,161)
Amusement Arcade Operations	-	-	-	-	417	+417
Others	149	175	212	220	338	+118
Revenue	33,847	32,886	30,995	29,180	26,554	(2,626)
Pachinko and Pachislot Hall Operations	+3.2%	(2.9%)	(5.9%)	(5.9%)	(10.9%)	-
Amusement Arcade Operations	-	-	-	-	-	-
Others	+77.4%	+17.4%	+21.1%	+3.8%	+53.6%	-
Revenue (YoY)	+3.3%	(2.8%)	(5.8%)	(5.9%)	(9.0%)	-
Pachinko and Pachislot Hall Operations	99.6%	99.5%	99.3%	99.2%	97.1%	-
Amusement Arcade Operations	0.0%	0.0%	0.0%	0.0%	1.6%	-
Others	0.4%	0.5%	0.7%	0.8%	1.3%	-
Revenue (composition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-
Pachinko and Pachislot Hall Operations	6,115	5,997	1,703	1,576	1,223	(353)
Amusement Arcade Operations	-	-	-	-	(74)	(74)
Others	1	(56)	(121)	(118)	(213)	(95)
Segment profit	6,116	5,941	1,582	1,458	936	(522)
Pachinko and Pachislot Hall Operations	(6.0%)	(1.9%)	(71.6%)	(7.5%)	(22.4%)	-
Amusement Arcade Operations	-	-	-	-	-	-
Others	-	-	-	-	-	-
Segment profit (YoY)	(5.8%)	(2.9%)	(73.4%)	(7.8%)	(35.8%)	-
Pachinko and Pachislot Hall Operations	100.0%	100.9%	107.6%	108.1%	130.7%	-
Amusement Arcade Operations	0.0%	0.0%	0.0%	0.0%	(7.9%)	-
Others	0.0%	(0.9%)	(7.6%)	(8.1%)	(22.8%)	-
Segment profit (composition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-
Pachinko and Pachislot Hall Operations	18.1%	18.3%	5.5%	5.4%	4.7%	(0.7%)
Amusement Arcade Operations	-	-	-	-	(17.7%)	-
Others	0.7%	(32.0%)	(57.1%)	(53.6%)	(63.0%)	(9.4%)
Segment profit / Revenue	18.1%	18.1%	5.1%	5.0%	3.5%	(1.5%)

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	YoY Net Chg.
(Yen)	03/2014	03/2015	03/2016	03/2017	03/2018	
No. of shares FY end (million shares)	-	896	1,196	1,196	1,196	-
Earnings per share	-	3.380	0.150	0.411	(0.013)	(0.424)
Dividend per share	-	0.76	0.10	0.12	0.12	-
Payout ratio	-	22.5%	66.7%	29.2%	-	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	YoY Net Chg.
(Yen)	03/2014	03/2015	03/2016	03/2017	03/2018	
Share split factor	-	1	1	1	1	-
Earnings per share	-	3.380	0.150	0.411	(0.013)	(0.424)
Dividend per share	-	0.76	0.10	0.12	0.12	-

Source: Company Data, WRJ Calculation

Revenue

Revenue (Million Yen)	Cons.Act FY 03/2014	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	YoY Net Chg.
Gross pay-ins	236,449	175,592	158,095	143,130	138,493	(4,637)
Less: gross pay-outs	203,455	143,473	127,900	114,734	113,230	(1,504)
Revenue from pachinko and pachislot hall business	32,994	32,119	30,195	28,396	25,263	(3,133)
Revenue from amusement arcades business	-	-	-	-	417	+417
Vending machine income	704	592	588	564	536	(28)
Revenue from hotel operations	149	154	164	130	158	+28
Revenue from restaurant operations	-	21	48	90	180	+90
Revenue	33,847	32,886	30,995	29,180	26,554	(2,626)
Gross pay-ins	(2.4%)	(25.7%)	(10.0%)	(9.5%)	(3.2%)	-
Less: gross pay-outs	(3.3%)	(29.5%)	(10.9%)	(10.3%)	(1.3%)	-
Revenue from pachinko and pachislot hall business	+3.4%	(2.7%)	(6.0%)	(6.0%)	(11.0%)	-
Revenue from amusement arcades business	-	-	-	-	-	-
Vending machine income	(5.9%)	(15.9%)	(0.7%)	(4.1%)	(5.0%)	-
Revenue from hotel operations	+77.4%	+3.4%	+6.5%	(20.7%)	+21.5%	-
Revenue from restaurant operations	-	-	+128.6%	+87.5%	+100.0%	-
Revenue (YoY)	+3.3%	(2.8%)	(5.8%)	(5.9%)	(9.0%)	-
Revenue from pachinko and pachislot hall business	97.5%	97.7%	97.4%	97.3%	95.1%	-
Revenue from amusement arcades business	0.0%	0.0%	0.0%	0.0%	1.6%	-
Vending machine income	2.1%	1.8%	1.9%	1.9%	2.0%	-
Revenue from hotel operations	0.4%	0.5%	0.5%	0.4%	0.6%	-
Revenue from restaurant operations	0.0%	0.1%	0.2%	0.3%	0.7%	-
Revenue (Composition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows (Million Yen)	Cons.Act FY 03/2014	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	YoY Net Chg.
Cash flows from operating activities (A)	6,280	5,929	2,158	5,320	2,950	(2,370)
Cash flows from investing activities (B)	(1,390)	(1,949)	(122)	(273)	(2,698)	(2,425)
Free cash flows (A)+(B)	4,890	3,980	2,036	5,047	252	(4,795)
Cash flows from financing activities	(3,390)	(2,909)	794	(3,953)	1,942	+5,895

Source: Company Data, WRJ Calculation

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position (Million Yen)	Cons.Act FY 03/2014	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	YoY Net Chg.
Property, plant and equipment	25,817	27,126	28,470	26,406	26,207	(199)
Investment properties	676	681	697	678	662	(16)
Intangible assets	167	189	210	182	1,571	+1,389
Prepayments, deposits and other receivables	4,251	4,772	4,198	3,866	3,751	(115)
Amounts due from directors and a shareholder	304	-	-	-	-	-
Financial assets at fair value through profit or loss	601	201	106	104	52	(52)
Fi. assets at fair value through other com. income	1,574	1,378	1,013	1,210	953	(257)
Deferred income tax assets	1,462	1,771	1,781	1,656	1,565	(91)
Long-term bank deposits	84	125	185	35	47	+12
Non-current assets	34,936	36,243	36,660	34,137	34,808	+671
Inventories	21	719	413	20	57	+37
Trade receivables	54	52	64	88	57	(31)
Prepayments, deposits and other receivables	1,546	1,602	1,456	1,457	1,312	(145)
Current income tax recoverable	121	495	957	55	300	+245
Financial assets at fair value through profit or loss	100	100	100	-	-	-
Bank deposits with maturity over 3 months	1,706	2,286	297	252	43	(209)
Cash and cash equivalents	8,409	9,480	12,310	13,404	15,594	+2,190
Current assets	11,969	14,734	15,597	15,276	17,363	+2,087
Total assets	46,905	50,977	52,257	49,413	52,171	+2,758
Share capital	10	10	3,000	3,000	3,000	-
Reserves	21,790	22,846	24,097	24,499	24,176	(323)
Non-controlling interest	-	-	-	-	(40)	(40)
Total equity	21,800	22,856	27,097	27,499	27,136	(363)
Borrowings	9,270	11,318	9,732	8,656	10,854	+2,198
Obligations under finance leases	5,366	3,981	5,070	4,048	3,247	(801)
Provisions and other payables	1,485	1,676	2,057	1,989	2,111	+122
Derivative financial instruments	33	26	14	11	8	(3)
Non-current liabilities	16,154	17,001	16,873	14,704	16,220	+1,516
Trade payables	201	106	132	123	247	+124
Borrowings	3,109	3,930	3,295	2,394	3,886	+1,492
Obligations under finance leases	2,253	1,886	1,530	1,160	888	(272)
Accruals, provisions and other payables	2,344	4,209	3,326	3,532	3,793	+261
Derivative financial instruments	15	15	2	1	1	-
Current income tax liabilities	1,029	974	2	-	-	-
Current liabilities	8,951	11,120	8,287	7,210	8,815	+1,605
Total liabilities	25,105	28,121	25,160	21,914	25,035	+3,121
Total equity and liabilities	46,905	50,977	52,257	49,413	52,171	+2,758
Interest bearing debt	19,998	21,115	19,627	16,258	18,875	+2,617
Net debt	9,883	9,349	7,020	2,602	3,238	+636
Equity ratio	46.5%	44.8%	51.9%	55.7%	52.0%	-
Net debt equity ratio	45.3%	40.9%	25.9%	9.5%	11.9%	-
ROE (12 months)	18.7%	13.6%	0.7%	1.8%	(0.2%)	-
ROA (12 months)	13.5%	10.2%	1.2%	1.8%	0.4%	-
Quick ratio	114%	106%	153%	191%	178%	-
Current ratio	134%	133%	188%	212%	197%	-

Source: Company Data, WRJ Calculation

6.0 Other Information

Happy Enjoyable Fun

The Company's history started with setup of a pachinko hall in Mito-city, Ibaraki-prefecture by Tetsuyoshi Taniguchi, the founder, in 1950. In almost 70 years since then, the Company currently runs firm pachinko hall chain, comprising collective 55 halls in East Japan. Meanwhile, according to Hisanori Taniguchi, current chief executive officer with the Company, having succeeded management from Tetsuyoshi Taniguchi, the founder, with a period of management by Masataka Taniguchi in-between, the Company is spicy with its main characteristics, i.e., it has established own dominant strategy in Fukushima-prefecture, while being able to quickly implement diverse measures as the organization not being bloated up.

In 1954, the Company newly opened "Niraku Hall" in Koriyama-city, Fukushima-prefecture where the Company is currently based, which was followed by growth of the Company driven by booming pachinko market and by economic prosperity after the Second World War. Since the early days, the Company has been standing by its corporate slogan of "Happy Enjoyable Fun" to date, while having consistently strived to ensure a joyful experience and kindness for playing visitors. This playing visitor first principle made it possible to well cope with ever-changing trends of pachinko market and playing visitor preference, having established pachinko chain currently comprising collective 55 halls. The Company will remain placing the utmost emphasis on the playing visitor first principal, trying to beef up own corporate value as an entity to create happiness among people.

Meanwhile, "NIRAKU GC HOLDINGS, INC." was established on 10 January 2013, which was followed by absorption of NIRAKU CORPORATION to have been running above-mentioned pachinko hall chain as consolidated subsidiary under management in April of the same year. Then, on 8 April 2015, "NIRAKU GC HOLDINGS, INC." got listed on the mainboard of Hong Kong Stock Exchange, while having started up operations in ex-Japan Asia by means of consolidation of Dream Games Company on 20 November 2017 with procurement of 100% of the shares outstanding.

Company History

Date	Events
1954	Opened first hall in Koriyama-city of Fukushima-prefecture, under “NIRAKU” brand
August 1969	Established Niraku Shoji Corporation (Nakano-ku of Tokyo)
July 1979	The “Niraku Hall” was renamed as “Daiwa”, while opened “Koriyama City Hotel”
1980s	Opened four halls in Fukushima-prefecture (three halls in Koriyama-city)
1990 to 1997	Opened 10 halls
December 1991	Opened Nikku club (Changed to the training facilities in 2000)
August 1992	Opened the 10th hall in Nakano-shimbashi
August 1998	Changed the company name to “NIRAKU CORPORATION”
2001	Opened 5 halls
2002	Renamed the name of the halls from “Daiwa” to “NIRAKU”
2002 to 2005	Opened 15 halls
February 2003	Opened the 20th pachinko hall in Soma
2006 to 2010	Opened 16 new halls in Tokyo, Fukushima-prefecture and their neighboring and conjoining prefectures
February 2010	Established a special subsidiary company “NIRAKU MERRIST CORPORATION “
November 2010	Opened the 20th hall in Fukushima-prefecture (in Sasakino)
May 2011	Opened the 50th hall (Koriyama-arai in Fukushima-prefecture)
January 2013	Established ‘NIRAKU GC HOLDINGS, INC.’
April 2013	‘NIRAKU GC HOLDINGS, INC.’ becomes a holding company of “NIRAKU CORPORATION”
October 2014	Opened the first Spanish restaurant in Tokyo under the brand “LIZARRAN”
April 2015	NIRAKU GC HOLDINGS INC. listed on the mainboard of Hong Kong Stock Exchange
November 2017	Consolidated Dream Games Singapore Pte. Ltd. as subsidiary

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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