

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)	
FY03/2017	29,180	1,433	902	492	0.411	0.12	
FY03/2018	26,554	723	213	(60)	(0.013)	0.12	
FY03/2019	28,325	1,553	1,093	544	0.510	0.15	
FY03/2017	YoY	(5.9%)	(2.6%)	42.5%	171.8%	-	-
FY03/2018	YoY	(9.0%)	(49.5%)	(76.4%)	-	-	-
FY03/2019	YoY	6.7%	114.8%	413.1%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (4 October 2019)


The No.1 in Asia

NIRAKU GC HOLDINGS, running Pachinko hall chain comprising 53 halls based in East Japan with focus on those of Fukushima-prefecture, has business target to become the No. 1 “total entertainment company” in Asia going forward. With respect to operations to run Pachinko hall chain or the overwhelming source of earnings so far, the Company saw increased gross pay-ins in FY03/2019 versus decreases till then, having resulted in increased revenue and earnings as a whole for the Company during the same period. Going forward, the Company will continue making “bold strategic investment” in Pachinko and Pachislot Hall Operations, while planning to increase exposure to operations to run amusement arcades (in Asia) and restaurants (in Japan and Asia) at the same time. For example, the Company is to continue acquiring Pachinko halls run by peers or implementing mergers and acquisitions to do so with an objective to beef up own market share. Meanwhile, the Company is seeing favorable startup for its operations to run token-game-oriented amusement arcades, etc. in Vietnam and Cambodia as well as having just begun full operations for its food court of Japanese dishes in Shenzhen, China. On top of this, the Company is currently setting up e-sports platform across Asia through its joint company in Hong Kong. Thus, the Company is well getting prepared for achieving business target to become the No. 1 “total entertainment company” in Asia.

IR Representative: Hirokazu Nishimura, General Affairs (nishimura@niraku.co.jp)

2.0 Company Profile

Running Pachinko Hall Chain

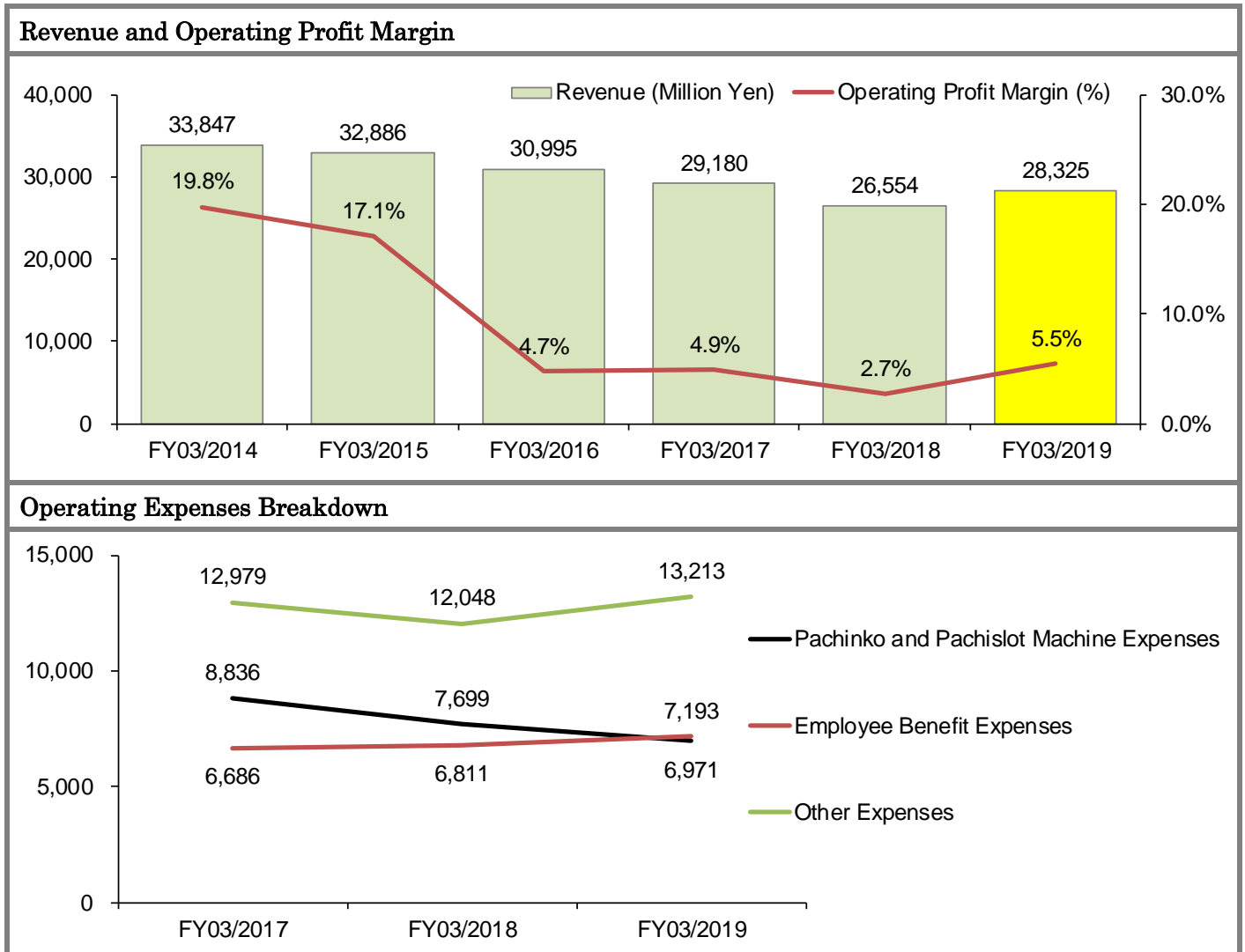
Company Name	NIRAKU GC HOLDINGS, INC. Website IR Information Share Price (Japanese) 
Established	10 January 2013
Listing	8 April 2015: Hong Kong Stock Exchange Mainboard (code: 1245)
Capital	¥3,000m (as of the end of March 2019)
No. of Shares	1,195,850,460 shares (as of the end of March 2019)
Main Features	<ul style="list-style-type: none"> ● Running Pachinko hall chain, comprising collective 53 halls, through its subsidiary NIRAKU CORPORATION ● 21 halls in Fukushima-prefecture, 9 in Tokyo and 23 in other East Japan area (as of the end of March 2019) ● Propelling “globalization of business portfolio”
Business Segments	I . Pachinko and Pachislot Hall Operations II . Amusement Arcade Operations III. Other
Top Management	Chief Executive Officer: Hisanori Taniguchi
Shareholders	HKSCC nominees Limited 31.05%, SMBC Trust and Banking Co., Ltd. 19.16%, Hisanori Taniguchi 17.81%, Tatsuo Taniguchi 13.52% (as of the end of March 2019)
Headquarters	Koriyama-city, Fukushima-prefecture, JAPAN
No. of Employees	Consolidated: 1,846, unconsolidated: 16 (as of the end of March 2019)

Source: Company Data

3.0 Recent Trading and Prospects

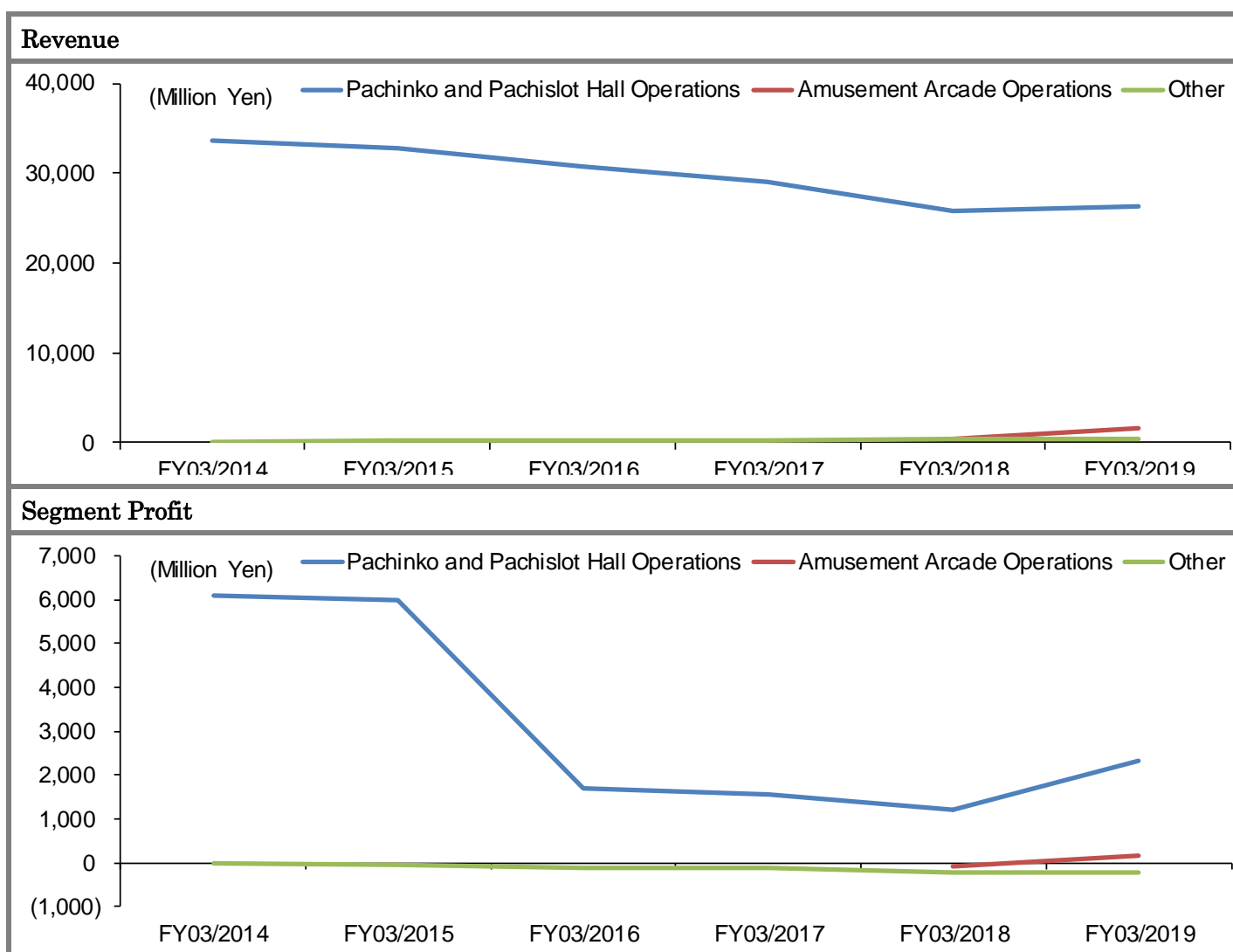
FY03/2019 Results

In FY03/2019, revenue came in at ¥28,325m (up 6.7% YoY), operating profit ¥1,553m (up 114.8%), profit before income tax ¥1,093m (up 413.1%) and profit for the year ¥544m (versus minus ¥60m in the previous year), while operating profit margin 5.5% (up 2.8% points). Meanwhile, the Company paid dividend of ¥0.08 per share as of the end of H1 and ¥0.07 as of the end of the fiscal year, collectively ¥0.15 on a full-year basis, implying payout ratio of 29.4%. Compared with ¥0.12 (nil and ¥0.12, respectively) on a full-year basis in FY03/2018, the Company increased dividend by ¥0.03, presumably due to increased earnings.



Source: Company Data, WRJ Calculation

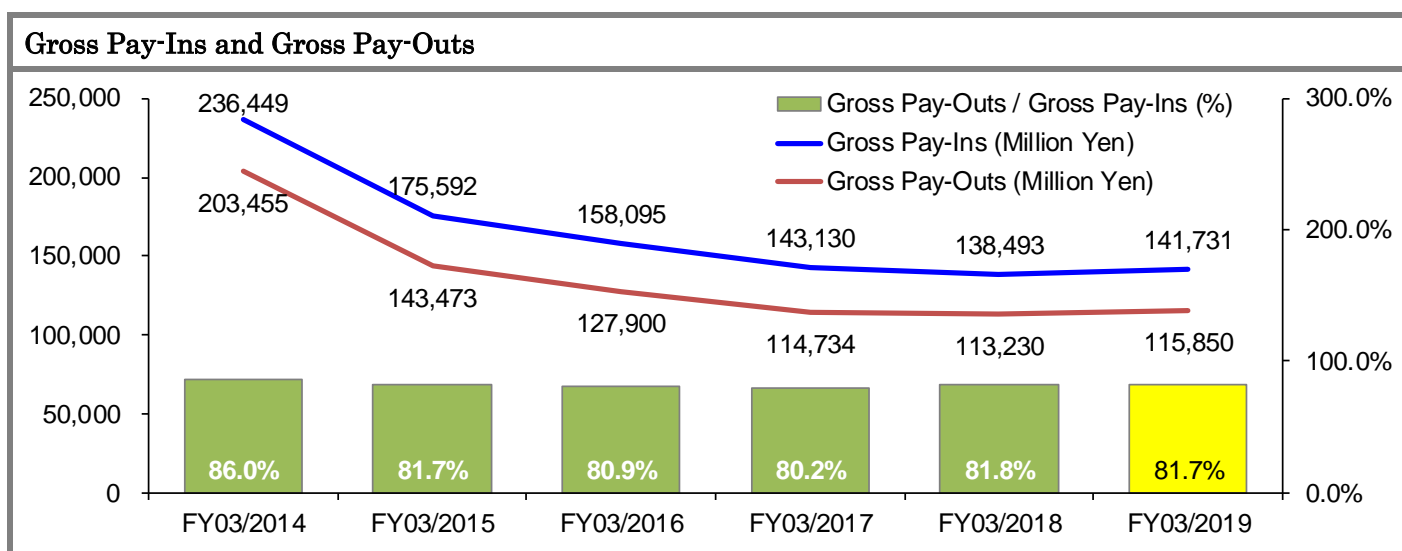
Compared with revenue of ¥28,325m (up 6.7%), hall operating expenses plus administrative and other operating expenses collectively came in at ¥27,377m (up 3.1%), implying that the rate of increases for operating expenses was rather smaller than that of revenue. As a result, the Company benefited from increased revenue a lot, having resulted in substantial improvement with operating profit margin. Hall operating expenses came in at ¥22,875m (up 1.0%) and administrative and other operating expenses ¥4,502m (up 14.9%), implying the ratio to revenue of 80.8% (down 4.5% points) and 15.9% (up 1.1% points), respectively. Meanwhile, in a view of operating expenses comprising hall operating expenses plus administrative and other operating expenses, employee benefit expenses (personnel expenses) increased in line with raise of fiscal yearend bonus for employees, while Pachinko and Pachislot machine expenses have continued to come down due to decreased number of machines purchased (¥400,000 to ¥500,000 per unit). The former was well offset by the latter, having suppressed increases of operating expenses as a whole.



Source: Company Data, WRJ Calculation

With respect to the mainstay Pachinko and Pachislot Hall Operations, the Company runs Pachinko halls (collectively 53 as of the end of FY03/2019) in East Japan area with focus on Fukushima-prefecture (Koriyama-city) where the Company is based. In FY03/2019, revenue came in at ¥26,388m (up 2.3%), segment profit ¥2,314m (up 89.2%) and segment profit margin 8.8% (up 4.0% points). Over the past 5 years, earnings as a whole for the Company hinged on Pachinko and Pachislot Hall Operations and it was also the case in FY03/2019, having been the overwhelming source of earnings with the Company to date.

Revenue of ¥26,388m (up 2.3%) from Pachinko and Pachislot Hall Operations comprised revenue from Pachinko and Pachislot hall business of ¥25,881m (up 2.4%) and vending machine income of ¥507m (down 5.4%). The latter represents income stemming from vending machines of diverse drinks, etc. installed at own Pachinko halls and the Company suffered from decreased income in line with decreased number of vending machines installed. Meanwhile, the former equates to collective gross pay-ins of Pachinko halls run by the Company, deducted by collective gross pay-outs, while the ratio of gross pay-outs against gross pay-ins is called as payout ratio. In FY03/2019, gross pay-ins came in at ¥141,731m (up 2.3%) versus gross pay-outs of ¥115,850m (up 2.3%) and thus payout ratio 81.7% (down 0.1% point).



Source: Company Data, WRJ Calculation

Over the past 5 years (FY03/2014 to FY03/2018), gross pay-ins had consistently come down and thus inevitably revenue of Pachinko and Pachislot Hall Operations. In FY03/2015, gross pay-ins came in at ¥175,592m (down 25.7%). The Company failed to quickly cope with changes of environments associated with raise of consumption tax rate, etc., having resulted in decreased number of customers. This was followed by further decreases of the number of customers over the next three years (FY03/2016 to FY03/2018) and thus revenue of Pachinko and Pachislot Hall Operations. More importantly, however, the Company came up with a set of remedies to see a recovery of gross pay-ins as well as having implemented them. As a result, the rate of decreases became smaller for gross pay-ins every year, having decreased by 10.0% over the previous year in FY03/2016, by 9.5% in FY03/2017 and by 3.2% in FY03/2018. Then, this was followed by increases for gross pay-ins in FY03/2019, having resulted in increased revenue and earnings with the Company as a whole. In FY03/2019, gross pay-ins came in at ¥141,731m (up 2.3%). In October 2019, consumption tax rate will be further raised, while the Company has already implemented the remedies (of tax-exclusive prices) not to follow the footsteps in FY03/2015. As far as Pachislot machines are concerned out of the gaming machines, the Company had already implemented the remedies (of tax-exclusive prices) for 70% of the machines installed as of December 2018.

The market to which the Company is exposed with Pachinko and Pachislot Hall Operations has been suffering from difficulties in many respects, but the Company has been successful to more than a certain extent with its measures to hold on to existing customers as well as with those of maintaining and/or increasing the number of customers as far as we could see. In the first place, given that the population of Japan is not on the rise, it is not easy to see increases in the number of customers, while leisure time is consistently diversified. On top of this, the authorities are strengthening regulations, being a major factor to suppress increases of the number of customers. Meanwhile, in FY03/2019, the Company did not see any new openings of new Pachinko halls, while having seen closedowns of two, having inevitably resulted in marginal decreases of the number of gaming machines installed. Still, the Company saw increased gross pay-ins, implying that gross pay-ins per gaming machine was on the rise. In FY03/2019, the Company saw 28,189 units (down 3.0%) for the number of gaming machines installed, implying gross pay-ins of ¥5.0m (up 5.5%) per gaming machine on a simple calculation basis. Thus, the Company is seeing improved efficiency with its operations, while the Company suggests that it sees increased market share at the moment.

Meanwhile, Pachinko and Pachislot machine expenses, accounting for one forth of operating expenses (hall operating expenses plus administrative and other operating expenses) as a whole for the Company, are consistently coming down, driving earnings with Pachinko and Pachislot Hall Operations. According to the Company, manufacturers of gaming machines are currently in off-crop season for developing and launching new products coping with regulations of the authorities and of the industry, resulting in limited number of gaming machines to purchase in the first place.

More importantly, the Company to advocate making “bold strategic investment” in Pachinko and Pachislot Hall Operations has acquired a large-scale Pachinko hall (960 gaming machines installed, comprising 520 Pachinko machines and 440 Pachislot machines) based in front of Koriyama station, i.e., the location with the utmost emphasis placed by the Company, including land (10,869 square meters) and buildings with spending of ¥3,768m (concluded on 28 March 2019). The Company runs collective 53 Pachinko halls in East Japan area, 21 in Fukushima-prefecture and 10 in Koriyama-city being designated as the core city in Fukushima-prefecture. In fact, the Company has strengths on strategic dominance in Koriyama-city, which has the largest scale of economy in Tohoku region second only to Sendai-city.

That is to say, the Company is trying to get at thorough strategic dominance in Koriyama-city, having acquired the said Pachinko hall. The Company has already concluded the acquisition, but ex-owner is to continue running the existing operations for the first 10 months (April 2019 to January 2020) after the deal, providing the Company with rental fees of ¥24m per month during the same period.

On top of Pachinko and Pachislot Hall Operations, meanwhile, the Company is also involved with Amusement Arcade Operations and Other. Amusement Arcade Operations saw revenue of ¥1,535m (up 268.1%), segment profit of ¥153m (versus minus ¥74m in the previous year) and segment profit margin of 10.0% (up 27.7% points), while revenue of ¥402m (up 18.9%), segment profit of minus ¥237m (minus ¥213m) and operating profit margin of minus 59.0% (up 4.1% points) in Other. Thus, total segment profit with the Company as a whole equates to ¥2,230m, comprising that of Pachinko and Pachislot Hall Operations, that of Amusement Arcade Operations and that of Other. After adjustments on corporate expenses of ¥1,132m and share of results of an associate of minus ¥5m, the Company sees profit before income tax of ¥1,093m. With respect to share of results of an associate of minus ¥5m, the Company mentions that this is attributable to new operations by joint company locally set up in Hong Kong. This joint company is trying to propel e-sports business in Asia across the board by means of setting up e-sports platform to cross-regionally cover Hong Kong, China (including Macau), Taiwan, Japan, Korea, Singapore, Malaysia, Thailand, Vietnam, etc. Prospects are good, but the Company is to suffer from loss on expenses stemming from frontloaded investment for the time being.

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



Source: Company Data

Amusement Arcade Operations is of Dream Games Company (based in Singapore) having been consolidated as subsidiary since November 2017 through merger and acquisition. Dream Games Company runs operations of token-game-oriented amusement arcades, etc. in Vietnam and Cambodia, while revenue surged in both of them, respectively, ¥1,247m (versus ¥349m in the previous year) and ¥261m (¥68m). This is due mainly to a factor that this subsidiary was consolidated for four months in FY03/2018 versus 12 months or on a full-year basis in FY03/2019, while the Company saw a turnaround to profit from loss in FY03/2019. The Company is trying to get at further increased revenue and earnings here in FY03/2020 by means of opening new amusement arcades in Vietnam. Moreover, the Company has opened two playground facilities for kids (Dream Kids Coop) in Vietnam, while suggesting that this is also starting up not badly.

Dream Games Company: Dream Kids Coop of Van Hanh Mall (Ho Chi Minh)



Source: Company Data

With respect to Other, the Company saw revenue of ¥132m (down 16.5%) on hotel and ¥270m (up 50.0%) on restaurants. The Company suffered from lowered utilization rate for hotel due to intensified competition and thus revenue inevitably came down. Meanwhile, revenue on restaurants increased fast due mainly to new openings of two shops of “Komeda’s Coffee Shop” as far as we could see. With respect to existing operations to run “LIZARRAN” brand restaurants, positive impacts on revenue stemming from new opening of Shimbashi Shop (August 2017) was roughly offset by negative impacts from closedown of Akasaka-Mitsuke shop (late in February 2018). Meanwhile, it appears that Nishishinjuku-Kotakibashi-Dori Shop saw increased revenue. Most recently, the Company saw new opening of Takadanobaba Shop (March 2019), implying steadily increased revenue on “LIZARRAN” brand restaurants in FY03/2020. On top of this, the Company started up full operations for its food court in Shenzhen, China, on 20 July 2019. This is based in one of the commercial buildings of “Shenzhen Upper Hills”, comprising Japanese restaurants as many as 16 shops, while incorporating atmosphere designed based on “Yokocho” as concept. The Company suggests some add-ons from here with its revenue and earnings in FY03/2020.

Consolidated Statement of Comprehensive Income (Half Year)

Consolidated Statement of Comprehensive Income (Million Yen)	Cons.Act H1 03/2017	Cons.Act H2 03/2017	Cons.Act H1 03/2018	Cons.Act H2 03/2018	Cons.Act H1 03/2019	Cons.Act H2 03/2019	YoY Net Chg.
Revenue	14,847	14,333	13,108	13,446	14,438	13,887	+441
Other income	421	380	323	283	319	232	(51)
Other net gains / losses	(116)	69	(1)	122	36	18	(104)
Hall operating expenses	12,000	12,110	11,478	11,162	11,166	11,709	+547
Administrative and other operating expenses	2,280	2,111	1,824	2,094	2,011	2,491	+397
Operating profit	872	561	128	595	1,616	(63)	(658)
Net finance costs	296	235	232	278	223	232	(46)
Share of Results of an Associate	0	0	0	0	0	(5)	(5)
Profit before income tax	576	326	(104)	317	1,393	(300)	(617)
Income tax expense	213	197	117	156	538	11	(145)
Profit for the year	363	129	(221)	161	855	(311)	(472)
Profit attributable to Owners of the Company	363	129	(221)	206	878	(268)	(474)
Profit attributable to non-controlling interest	0	0	0	(45)	23	(89)	(44)
Other net comprehensive income	(37)	175	(88)	(184)	0	70	+254
Total comprehensive net income for the year	326	304	(309)	(23)	855	(241)	(218)
Revenue YoY	(5.5%)	(6.2%)	(11.7%)	(6.2%)	+10.1%	+3.3%	-
Operating profit YoY	+112.7%	(47.1%)	(85.3%)	+6.1%	-	-	-
Profit before income tax YoY	+689.0%	(41.8%)	-	(2.8%)	-	-	-
Profit attributable to Owners of the Company YoY	+764.3%	(7.2%)	-	+24.8%	-	-	-
Hall operating expenses / Revenue	80.8%	84.5%	87.6%	83.0%	77.3%	84.3%	+1.3%
Administrative and other operating expenses / Revenue	15.4%	14.7%	13.9%	15.6%	13.9%	17.9%	+2.4%
Operating profit margin	5.9%	3.9%	1.0%	4.4%	11.2%	(0.5%)	(4.9%)
Profit before income tax margin	3.9%	2.3%	(0.8%)	2.4%	9.6%	(2.2%)	(4.5%)
Profit for the year margin	2.4%	0.9%	(1.7%)	1.2%	5.9%	(2.2%)	(3.4%)
Profit before income tax / Income tax expense	37.0%	60.4%	-	49.2%	38.6%	-	-

Source: Company Data, WRJ Calculation

Segmented Information (Half Year)

Segmented Information	Cons.Act H1	Cons.Act H2	Cons.Act H1	Cons.Act H2	Cons.Act H1	Cons.Act H2	YoY Net Chg.
(Million Yen)	03/2017	03/2017	03/2018	03/2018	03/2019	03/2019	
Pachinko and Pachislot Hall Operations	14,735	14,225	12,948	12,851	13,475	12,913	+62
Amusement Arcade Operations	-	-	-	417	768	767	+350
Other	112	108	160	178	195	207	+29
Revenue	14,847	14,333	13,108	13,446	14,438	13,887	+441
Pachinko and Pachislot Hall Operations	(5.6%)	(6.3%)	(12.1%)	(9.7%)	+4.1%	+0.5%	-
Amusement Arcade Operations	-	-	-	-	-	+83.9%	-
Other	+6.7%	+0.9%	+42.9%	+64.8%	+21.9%	+16.3%	-
Revenue (YoY)	(5.5%)	(6.2%)	(11.7%)	(6.2%)	+10.1%	+3.3%	-
Pachinko and Pachislot Hall Operations	99.2%	99.2%	98.8%	95.6%	93.3%	93.0%	-
Amusement Arcade Operations	0.0%	0.0%	0.0%	3.1%	5.3%	5.5%	-
Other	0.8%	0.8%	1.2%	1.3%	1.4%	1.5%	-
Revenue (composition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-
Pachinko and Pachislot Hall Operations	1,004	572	242	981	1,586	728	(253)
Amusement Arcade Operations	-	-	-	(74)	79	74	+148
Other	(38)	(80)	(62)	(151)	(49)	(188)	(37)
Segment profit	966	492	180	756	1,616	614	(142)
Pachinko and Pachislot Hall Operations	+54.2%	(45.6%)	(75.9%)	+71.5%	+555.4%	(25.8%)	-
Amusement Arcade Operations	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Segment profit (YoY)	+54.6%	(48.6%)	(81.4%)	+53.7%	+797.8%	(18.8%)	-
Pachinko and Pachislot Hall Operations	103.9%	116.3%	134.4%	129.8%	98.1%	118.6%	-
Amusement Arcade Operations	0.0%	0.0%	0.0%	(9.8%)	4.9%	12.1%	-
Other	(3.9%)	(16.3%)	(34.4%)	(20.0%)	(3.0%)	(30.6%)	-
Segment profit (composition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-
Pachinko and Pachislot Hall Operations	6.8%	4.0%	1.9%	7.6%	11.8%	5.6%	(2.0%)
Amusement Arcade Operations	-	-	-	(17.7%)	10.3%	9.6%	+27.4%
Other	(33.9%)	(74.1%)	(38.8%)	(84.8%)	(25.1%)	(90.8%)	(6.0%)
Segment profit margin	6.5%	3.4%	1.4%	5.6%	11.2%	4.4%	(1.2%)

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.
	03/2017	03/2017	03/2018	03/2018	03/2019	03/2019	
Gross pay-ins	74,057	69,073	70,236	68,257	71,189	70,542	+2,285
Less: gross pay-outs	59,617	55,117	57,560	55,670	57,972	57,878	+2,208
Revenue from pachinko and pachislot hall business	14,440	13,956	12,676	12,587	13,217	12,664	+77
Revenue from amusement arcades business	-	-	-	417	768	767	+350
Vending machine income	295	269	272	264	258	249	(15)
Revenue from hotel operations	82	48	83	75	77	55	(20)
Revenue from restaurant operations	30	60	77	103	118	152	+49
Revenue	14,847	14,333	13,108	13,446	14,438	13,887	+441
Gross pay-ins	(7.7%)	(11.3%)	(5.2%)	(1.2%)	+1.4%	+3.3%	-
Less: gross pay-outs	(8.1%)	(12.5%)	(3.5%)	+1.0%	+0.7%	+4.0%	-
Revenue from pachinko and pachislot hall business	(5.7%)	(6.2%)	(12.2%)	(9.8%)	+4.3%	+0.6%	-
Revenue from amusement arcades business	-	-	-	-	-	+83.9%	-
Vending machine income	+0.0%	(8.2%)	(7.8%)	(1.9%)	(5.1%)	(5.7%)	-
Revenue from hotel operations	(3.5%)	(39.2%)	+1.2%	+56.3%	(7.2%)	(26.7%)	-
Revenue from restaurant operations	+50.0%	+114.3%	+156.7%	+71.7%	+53.2%	+47.6%	-
Revenue (YoY)	(5.5%)	(6.2%)	(11.7%)	(6.2%)	+10.1%	+3.3%	-
Revenue from pachinko and pachislot hall business	97.3%	97.4%	96.7%	93.6%	91.5%	91.2%	-
Revenue from amusement arcades business	0.0%	0.0%	0.0%	3.1%	5.3%	5.5%	-
Vending machine income	2.0%	1.9%	2.1%	2.0%	1.8%	1.8%	-
Revenue from hotel operations	0.6%	0.3%	0.6%	0.6%	0.5%	0.4%	-
Revenue from restaurant operations	0.2%	0.4%	0.6%	0.8%	0.8%	1.1%	-
Revenue (Compsition 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.
	03/2017	03/2017	03/2018	03/2018	03/2019	03/2019	
Cash flows from operating activities (A)	3,381	1,939	1,676	1,274	3,746	819	(455)
Cash flows from investing activities (B)	(19)	(254)	(676)	(2,022)	(567)	(4,419)	(2,397)
Free cash flows (A)+(B)	3,362	1,685	1,000	(748)	3,179	(3,600)	(2,852)
Cash flows from financing activities	(2,241)	(1,712)	(252)	2,194	(1,291)	1,297	(897)

Source: Company Data, WRJ Calculation

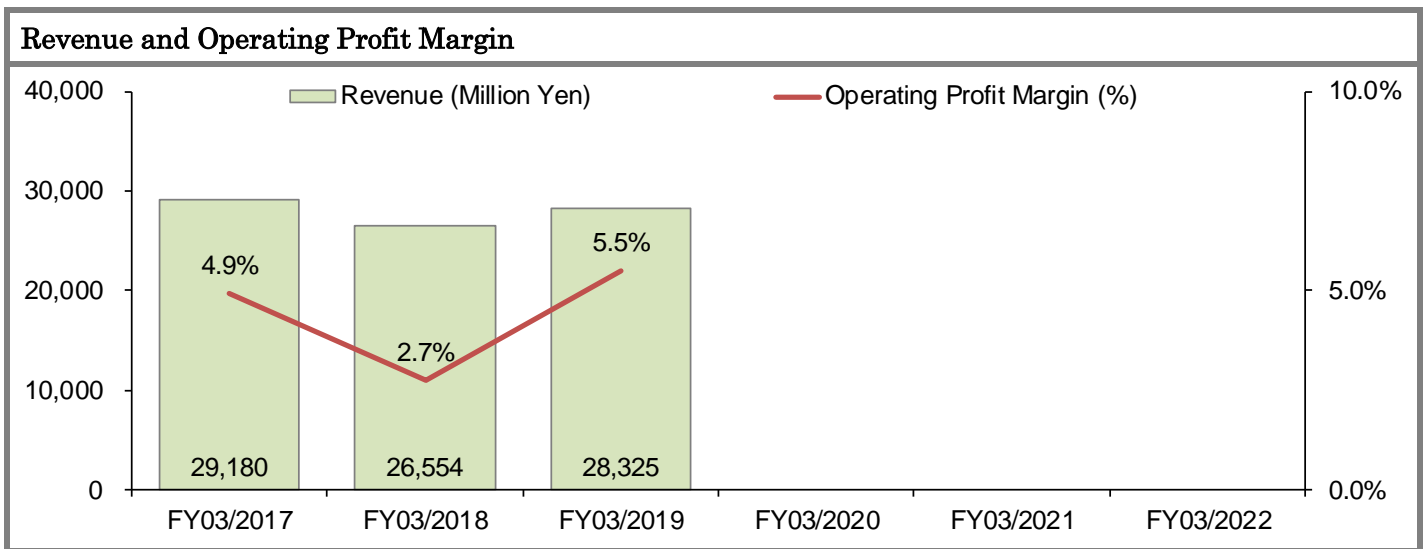
Consolidated Statement of Financial Position (Half Year)

Consolidated Statement of Financial Position (Million Yen)	Cons.Act H1 03/2017	Cons.Act H2 03/2017	Cons.Act H1 03/2018	Cons.Act H2 03/2018	Cons.Act H1 03/2019	Cons.Act H2 03/2019	YoY Net Chg.
Property, plant and equipment	27,319	26,406	26,053	26,207	25,401	28,523	+2,316
Investment properties	687	678	671	662	659	650	(12)
Intangible assets	196	182	166	1,571	1,662	1,662	+91
Prepayments, deposits and other receivables	3,999	3,866	3,780	3,751	3,617	4,208	+457
Financial assets at fair value through profit or loss	106	104	52	52	100	100	+48
FAs at fair value through other comprehensive income	961	1,210	1,084	953	945	911	(42)
Deferred income tax assets	1,751	1,656	1,728	1,565	1,558	1,588	+23
Long-term bank deposits	215	35	41	47	-	-	(47)
Non-current assets	35,234	34,137	33,575	34,808	33,942	37,642	+2,834
Inventories	9	20	15	57	279	109	+52
Trade receivables	72	88	54	57	60	53	(4)
Prepayments, deposits and other receivables	1,530	1,457	1,220	1,312	1,127	1,020	(292)
Current income tax recoverable	202	55	50	300	-	-	(300)
Bank deposits with maturity over 3 months	159	252	232	43	123	43	-
Cash and cash equivalents	13,431	13,404	14,152	15,594	17,491	15,176	(418)
Current assets	15,403	15,276	15,723	17,363	19,080	16,401	(962)
Total assets	50,637	49,413	49,298	52,171	53,022	54,043	+1,872
Share capital	3,000	3,000	3,000	3,000	3,000	3,000	-
Reserves	24,303	24,499	24,154	24,176	25,082	24,617	+441
Non-controlling interest	-	-	5	(40)	(66)	(106)	(66)
Total equity	27,303	27,499	27,159	27,136	28,016	27,511	+375
Borrowings	9,079	8,656	8,440	10,854	10,080	11,792	+938
Obligations under finance leases	4,565	4,048	3,603	3,247	2,888	2,717	(530)
Provisions and other payables	2,072	1,989	2,018	2,111	2,150	2,226	+115
Derivative financial instruments	21	11	10	8	6	27	+19
Non-current liabilities	15,737	14,704	14,071	16,220	15,124	16,762	+542
Trade payables	125	123	251	247	308	294	+47
Borrowings	2,741	2,394	3,096	3,886	4,106	4,290	+404
Obligations under finance leases	1,324	1,160	1,039	888	770	703	(185)
Accruals, provisions and other payables	3,262	3,532	3,681	3,793	4,352	4,353	+560
Derivative financial instruments	2	1	1	1	1	4	+3
Current income tax liabilities	143	-	-	-	345	126	+126
Current liabilities	7,597	7,210	8,068	8,815	9,882	9,770	+955
Total liabilities	23,334	21,914	22,139	25,035	25,006	26,532	+1,497
Total equity and liabilities	50,637	49,413	49,298	52,171	53,022	54,043	+1,872
Interest bearing debt	17,709	16,258	16,178	18,875	17,844	19,502	+627
Net debt	4,119	2,602	1,794	3,281	230	4,283	+1,002
Equity ratio	53.9%	55.7%	55.1%	52.0%	52.8%	50.9%	-
Net debt equity ratio	15.1%	9.5%	6.6%	12.1%	0.8%	15.6%	-
ROE (12 months)	1.9%	1.8%	(0.3%)	(0.2%)	3.7%	2.0%	-
ROA (12 months)	2.2%	1.8%	0.4%	0.4%	3.3%	2.1%	-
Quick ratio	180%	191%	179%	178%	179%	156%	-
Current ratio	203%	212%	195%	197%	193%	168%	-

Source: Company Data, WRJ Calculation

Long-Term Prospects

According to the Company, revenue is likely to remain roughly flat over the previous year in FY03/2020, while earnings are inevitably to marginally come down. Nevertheless, the Company discloses that it has formulated medium-term management strategy to build a robust foundation for becoming the No. 1 “total entertainment company” in Asia in the future. With medium-term management strategy, the Company is going for establishment of solid business operation base for Pachinko and Pachislot Hall Operations by means of making “bold strategic investment” with the utmost emphasis. At the same time, the Company is to place emphasis also on making further progress with “globalization of business portfolio”, trying to set up solid business operation base here too so that the Company should be able to secure stable source of earnings as well as seeking for opportunities of growth.



Source: Company Data, WRJ Calculation

Towards January 2021, the Company suggests that replacement is to persist for gaming machines with high gambling property based on existing standards by those of low gambling property based on new standards. Impacts stemming from here are expected to gradually appear, but eventually cutting back on gross pay-ins per gaming machine which is currently on the rise. As far as assuming flat payout ratio, revenue per gaming machine will be also reduced. In other words, it will be hard for the Company to see increased revenue, given overwhelmingly high exposure to Pachinko and Pachislot Hall Operations at the moment, even when it consistently succeeds in holding on to existing customers as well as maintaining and/or increasing the number of customers as far as we could see. Meanwhile, the Company should have opportunities to beef up gross pay-ins and thus revenue, when it succeeds in starting up operations of new Pachinko halls by means of making “bold strategic investment” in Pachinko and Pachislot Hall Operations as above-mentioned. For example, the Company has newly acquired large-scale Pachinko hall with almost 1,000 gaming machines installed (Koriyama-city, Fukushima-prefecture) as mentioned earlier. Still, this is not to start booking gross pay-ins with the Company by FY03/2021.

Meanwhile, on the expenses side, the Company suggests that Pachinko and Pachislot machine expenses, whose decreases used to drive increases of earnings, are now expected to see a turnaround to the increases. This is raised as the key negative factor. Over the past two years or so, the Company did not diligently implement replacement of gaming machine to new ones, having resulted in increased ratio for gaming machines installed and utilized for a long time to this extent as far as we could gather. As a result, in FY03/2020, the Company is to see increased replacement of gaming machines, i.e., increased purchase of gaming machines. Still, the Company is to see Pachinko and Pachislot machine expenses increased in line with assumptions so far. It appears that the Company copes with this as planned as well as flexibly reflecting market sentiment.

With respect to “globalization of business portfolio”, the Company sees favorable takeoff on token-game-oriented amusement arcades in Vietnam and Cambodia. Meanwhile, the Company has just begun full operations for its food court of Japanese dishes in Shenzhen, China as well as making progress with operations to set up e-sports platform across Asia.

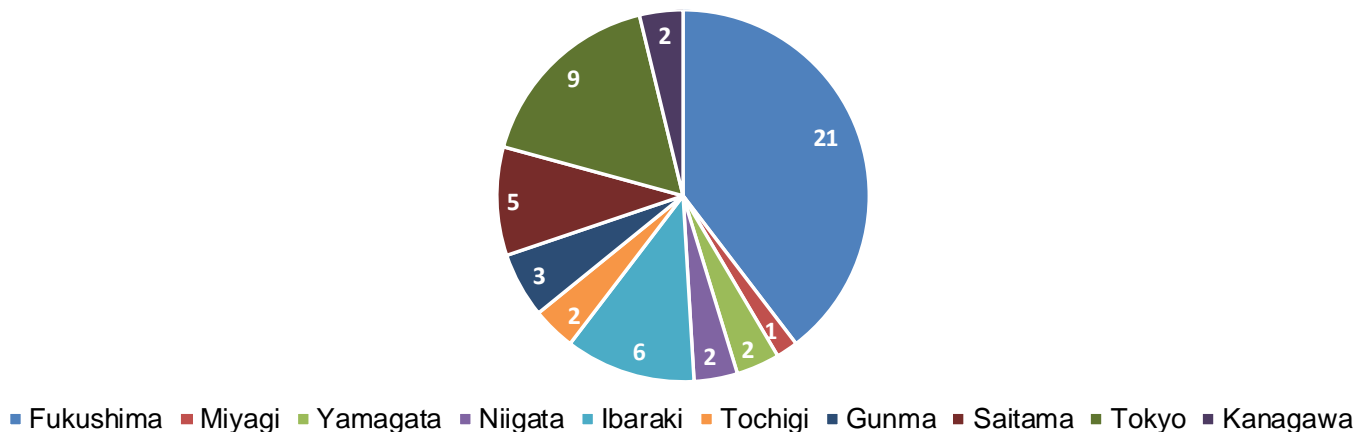
4.0 Business Model

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. NGCH Hong Kong Limited is positioned as bridgehead for business development in Asia, while Dream Games Company runs token-game-oriented amusement arcades, etc. in Vietnam and Cambodia.

As of the end of March 2019, the number of Pachinko halls run by NIRAKU CORPORATION stood at collective 53, comprising 21 in Fukushima-prefecture (10 in Koriyama-city), 9 in Tokyo and 23 in other areas of East Japan. On top of this, Tomioka Hall (Futaba-machi, Fukushima-prefecture) exists, but the operations here have been suspended since 11 March 2011 due to Great East Japan earthquake. Thus, the number of Pachinko halls stands at 54 collectively, when this is included, but the Company suggests no prospects to restart the operations here in the foreseeable future.

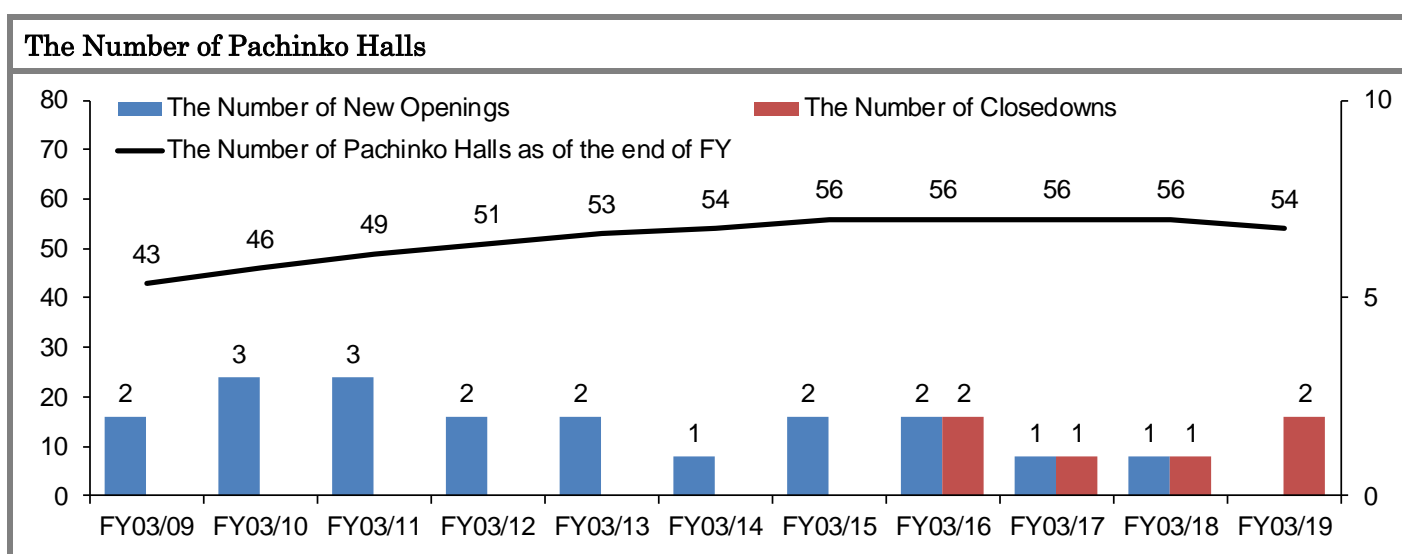
Number of Pachinko Halls in Utilization by Prefecture: Collective 53 Halls (as of the end of FY03/2019)



Source: Company Data

The market is now getting rather smaller with its scale, while the Company is trying to get at the increases of the number of Pachinko halls under own operations so that it should secure revenue and enhance market share, resulting in establishment of business operation base more solid than before. The bulk of operators of Pachinko halls are small-sized ones and they are inclined to suffer from closedowns of own Pachinko halls going forward, according to the Company, while the Company finds it as a good opportunity to expand own operations as far as we could gather.

Over the past 10 years (FY03/2009 to FY03/2018), the Company opened one to three new Pachinko halls a year, suggesting positive attitude to pursue expansion of business scale by means of newly opening own halls. Still, the market condition has become unfavorable since FY03/2016, having resulted in one to two closedowns of loss-making halls every year. In FY03/2019, the Company saw no new openings and two closedowns. In FY03/2017, the Company opened Fukushima-Taiheiji Hall (Fukushima-city, Fukushima-prefecture) or one of the largest ones in Tohoku region with no less than 1,280 units of gaming machines (640 units of Pachinko machines and 640 units of Pachislot machines) installed, while having closed down Maebashi-Ohshima Hall (Maebashi-city, Gunma-prefecture). Then, in FY03/2018, the Company opened Hitachi-Ohmiya Hall (Hitachi-Ohmiya-city, Ibaraki-prefecture) with 600 units of gaming machines (360 units of Pachinko machines and 240 units of Pachislot machines), while having closed down Annaka-Itahana Hall (Annaka-city, Gunma-prefecture). Then, in FY03/2019, the Company closed own Mizuho Hall (Nishitama-District, Tokyo) and Nakakido Hall (Niigata-city, Niigata-prefecture).



Source: Company Data

As a result, there was a change in the situations for the number of Pachinko halls in FY03/2019 to only two closedowns from no changes where new openings and closedowns were balancing, having resulted in 54 for the number of Pachinko halls as of the end of the fiscal year. Meanwhile, given that Tomioka Hall is not utilizing as mentioned earlier, the number of Pachinko Halls in utilization stood at 53.

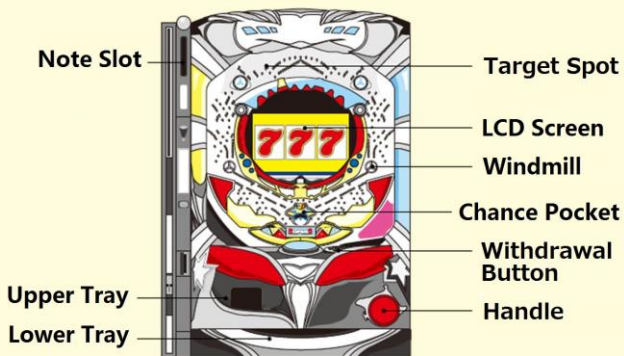
Fukushima-Taiheiji Hall (Fukushima-city, Fukushima-prefecture: opened in April 2016)



Pachinko Machine

Installation of Pachinko Machines

Basic components of Pachinko Machine



*Each component may differ by the model



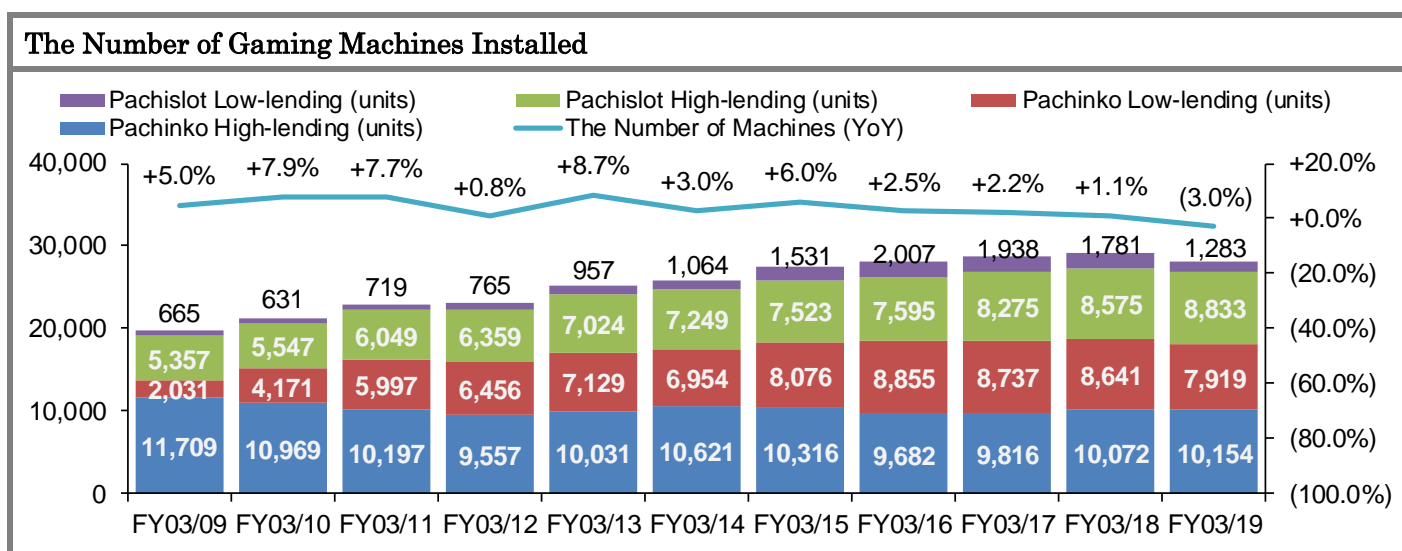
Inside of Pachinko Hall

Premiums Corner



Source: Company Data

Meanwhile, the number of gaming machines installed had been edging up over the past 10 years (FY03/2009 to FY03/2018), but came down in FY03/2019. Given two halls having been closed down and no new halls opened, the number of gaming machines stood at 28,189 units (down 3.0% YoY) as of the end of the fiscal year, i.e., having decreased over the previous year versus consistent increases till then. Pachinko machines stood at 18,073 units (down 3.4%) and Pachislot machines 10,116 units (down 2.3%). With respect to Pachinko machines, high-lending ones stood at 10,154 units (up 0.8%) and low-lending ones 7,919 units (down 8.4%). Meanwhile, with respect to Pachislot machines, high-lending ones stood at 8,833 units (up 3.0%) and low-lending ones 1,283 units (down 28.0%).



Source: Company Data

For example, it has been basically the case that customers borrow Pachinko balls by ¥4 per unit in the existing scheme of Pachinko, while low-lending machines represent those of lending balls by ¥1 per unit (or less than ¥4 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, customers 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 customers. With an objective to do so, the Company has introduced and installed low-lending Pachinko machines and Pachislot machines since FY03/2009. Still, gross pay-ins associated with one-yen Pachinko are consequently far too lower than those of four-yen Pachinko and thus it would be so important to pursue the best balance between the two, according to the Company. Over the past several years, the Company has been making a gradual shift to four-yen Pachinko from one-year Pachinko as a strategy, given that the negative impacts to gross pay-ins stemming from installation of low-lending Pachinko machines and Pachislot machines are becoming larger than positive impacts from increased customers and that removal of gaming machines with high gambling property is going on due to voluntary restraint by the industry as well as changeover to ones with low gambling property in line with changes of gaming machine standards. At the end of the day, in FY03/2019, the Company saw increased installation of high-lending machines for both Pachinko and Pachislot, while having cut back on the number of low-lending machines installed. This should be one of the reasons why gross pay-ins with the Company increased.

On top of operations to run Pachinko halls as above-mentioned, NIRAKU CORPORATION is also involved with operations to run franchise chain for “LIZARRN” brand Spanish restaurants in the Tokyo metropolitan area (Shimbashi, Takadanobaba and Nishishinjuku-Kotakibashi-Dori) as well as with operations to run Koriyama City Hotel in Koriyama-city, Fukushima-prefecture at the same time. Moreover, NIRAKU CORPORATION 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 own Pachinko halls.

“LIZARRN” brand Spanish Restaurants



Takadanobaba Shop



Shimbashi Shop



Nishishinjuku-Kotakibashi-Dori Shop

Source: Company Data

With respect to operations to run franchise chain for “LIZARRN” brand Spanish restaurants, Akasaka-Mitsuke Shop was closed down in late February 2018 due to accumulated loss from the operations by then. Meanwhile, Nishishinjuku-Kotakibashi-Dori Shop was opened in September 2016 and Shimbashi Shop in August 2017, which was followed by opening of Takadanobaba Shop in March 2019. It appears initial costs for the new operations are incurred, but revenue from overall operations here are to be buoyant with this in FY03/2020. Meanwhile, Koriyama City Hotel is run with capacity of 84 rooms, based in the 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. In FY03/2019, intensified competition led to decreased rate of utilization, having resulted in decreased revenue, according to the Company. The other issue in FY03/2019 is that new operations to run “Komeda’s Coffee Shop” started up. The first shop was opened in June 2018 on the premises of Kazo-Atago Hall (Kazo-city, Saitama-prefecture), which was followed by the second one on the premises of Iruma-Shinko Hall (Iruma-city, Saitama-prefecture).

Koriyama City Hotel	“Komeda’s Coffee Shop”	
	 <p data-bbox="679 501 906 533" style="text-align: center;">Kazo-Atago Shop</p>	 <p data-bbox="1142 501 1401 533" style="text-align: center;">Iruma-Shinko Shop</p>

Source: Company Data

Meanwhile, NGCH Hong Kong Limited, being positioned as bridgehead for business development in Asia, holds 51% of shares outstanding of NPJ Hong Kong Limited and 40% of Yes! E-Sports Asia Holdings Limited, while NPJ Hong Kong Limited holds 100% of NPJ China YOKOCHO Co., Ltd. which is charge of operations to run food court of Japanese dishes with “Yokocho” as concept in one of the commercial buildings of “Shenzhen Upper Hills”. Prior to startup of full operations on 20 July 2019, the Company used to suffer from expenses stemming from frontloaded investment. On the other hand, Yes! E-Sports Asia Holdings Limited is running operations to make progress with e-sports business by means of setting up e-sports platform across Asia. With respect to this, the Company also suffers from expenses stemming from frontloaded investment, having resulted in loss at share of results of an associate with final statements with the Company.

Dream Games Company has operations to run token-game-oriented amusement arcades and playground facilities for kids (under 12- year old) in Vietnam and Cambodia through its 100% local subsidiaries based in the two countries. As of the end of FY03/2019, the number of operation bases stood at collective 9, comprising 7 in Vietnam (5 amusement arcades and two playground facilities for kids) and two (two amusement arcades) in Cambodia. In both of the two countries where growth of economy is high with lots of young people, the Company has opened operation bases in shopping malls with high capability to attract customers represented by AEON MALL, while planning to open new ones in Vietnam in FY03/2020. In both of the countries, growing economy leads to increased needs to enjoy leisure time going forward, while the Company is trying to steadily incorporate needs to be generated from here.

5.0 Financial Statements

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income (Million Yen)	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.Act FY 03/2019	YoY Net Chg.
Revenue	32,886	30,995	29,180	26,554	28,325	+1,771
Other income	1,039	770	801	606	551	(55)
Other net gains / losses	3	(272)	(47)	121	54	(67)
Hall operating expenses	22,982	25,207	24,110	22,640	22,875	+235
Administrative and other operating expenses	5,336	4,815	4,391	3,918	4,502	+584
Operating profit	5,610	1,471	1,433	723	1,553	+830
Net finance costs	616	838	531	510	455	(55)
Share of Results of an Associate	0	0	0	0	(5)	(5)
Profit before income tax	4,994	633	902	213	1,093	+880
Income tax expense	1,964	452	410	273	549	+276
Profit for the year	3,030	181	492	(60)	544	+604
Profit attributable to Owners of the Company	3,030	181	492	(15)	610	+625
Profit attributable to non-controlling interest	0	0	0	(45)	(66)	(21)
Other net comprehensive income	(155)	(241)	138	(272)	70	+342
Total comprehensive net income for the year	2,875	(60)	630	(332)	614	+946
Revenue YoY	(2.8%)	(5.8%)	(5.9%)	(9.0%)	+6.7%	-
Operating profit YoY	(16.2%)	(73.8%)	(2.6%)	(49.5%)	+114.8%	-
Profit before income tax YoY	(16.9%)	(87.3%)	+42.5%	(76.4%)	+413.1%	-
Profit attributable to Owners of the Company YoY	(18.1%)	(94.0%)	+171.8%	-	-	-
Hall operating expenses / Revenue	69.9%	81.3%	82.6%	85.3%	80.8%	(4.5%)
Administrative and other operating expenses / Revenue	16.2%	15.5%	15.0%	14.8%	15.9%	+1.1%
Operating profit margin	17.1%	4.7%	4.9%	2.7%	5.5%	+2.8%
Profit before income tax margin	15.2%	2.0%	3.1%	0.8%	3.9%	+3.1%
Profit for the year margin	9.2%	0.6%	1.7%	(0.2%)	1.9%	+2.1%
Profit before income tax / Income tax expense	39.3%	71.4%	45.5%	128.2%	50.2%	(77.9%)

Source: Company Data, WRJ Calculation

Segmented Information

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	FY	FY	FY	FY	FY	Net Chg.
(Million Yen)	03/2015	03/2016	03/2017	03/2018	03/2019	Net Chg.
Pachinko and Pachislot Hall Operations	32,711	30,783	28,960	25,799	26,388	+589
Amusement Arcade Operations	-	-	-	417	1,535	+1,118
Other	175	212	220	338	402	+64
Revenue	32,886	30,995	29,180	26,554	28,325	+1,771
Pachinko and Pachislot Hall Operations	(2.9%)	(5.9%)	(5.9%)	(10.9%)	+2.3%	-
Amusement Arcade Operations	-	-	-	-	+268.1%	-
Other	+17.4%	+21.1%	+3.8%	+53.6%	+18.9%	-
Revenue (YoY)	(2.8%)	(5.8%)	(5.9%)	(9.0%)	+6.7%	-
Pachinko and Pachislot Hall Operations	99.5%	99.3%	99.2%	97.1%	93.1%	-
Amusement Arcade Operations	0.0%	0.0%	0.0%	1.6%	5.4%	-
Other	0.5%	0.7%	0.8%	1.3%	1.4%	-
Revenue (composition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-
Pachinko and Pachislot Hall Operations	5,997	1,703	1,576	1,223	2,314	+1,091
Amusement Arcade Operations	-	-	-	(74)	153	-
Other	(56)	(121)	(118)	(213)	(237)	(24)
Segment profit	5,941	1,582	1,458	936	2,230	+1,294
Pachinko and Pachislot Hall Operations	(1.9%)	(71.6%)	(7.5%)	(22.4%)	+89.2%	-
Amusement Arcade Operations	-	-	-	-	-	-
Other	-	-	-	-	-	-
Segment profit (YoY)	(2.9%)	(73.4%)	(7.8%)	(35.8%)	+138.2%	-
Pachinko and Pachislot Hall Operations	100.9%	107.6%	108.1%	130.7%	103.8%	-
Amusement Arcade Operations	0.0%	0.0%	0.0%	(7.9%)	6.9%	-
Other	(0.9%)	(7.6%)	(8.1%)	(22.8%)	(10.6%)	-
Segment profit (composition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-
Pachinko and Pachislot Hall Operations	18.3%	5.5%	5.4%	4.7%	8.8%	+4.0%
Amusement Arcade Operations	-	-	-	(17.7%)	10.0%	-
Other	(32.0%)	(57.1%)	(53.6%)	(63.0%)	(59.0%)	+4.1%
Segment profit margin	18.1%	5.1%	5.0%	3.5%	7.9%	+4.3%

Source: Company Data, WRJ Calculation

Revenue

Revenue	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	FY	FY	FY	FY	FY	Net Chg.
	03/2015	03/2016	03/2017	03/2018	03/2019	
Gross pay-ins	175,592	158,095	143,130	138,493	141,731	+3,238
Less: gross pay-outs	143,473	127,900	114,734	113,230	115,850	+2,620
Revenue from pachinko and pachislot hall business	32,119	30,195	28,396	25,263	25,881	+618
Revenue from amusement arcades business	-	-	-	417	1,535	+1,118
Vending machine income	592	588	564	536	507	(29)
Revenue from hotel operations	154	164	130	158	132	(26)
Revenue from restaurant operations	21	48	90	180	270	+90
Revenue	32,886	30,995	29,180	26,554	28,325	+1,771
Gross pay-ins	(25.7%)	(10.0%)	(9.5%)	(3.2%)	+2.3%	-
Less: gross pay-outs	(29.5%)	(10.9%)	(10.3%)	(1.3%)	+2.3%	-
Revenue from pachinko and pachislot hall business	(2.7%)	(6.0%)	(6.0%)	(11.0%)	+2.4%	-
Revenue from amusement arcades business	-	-	-	-	+268.1%	-
Vending machine income	(15.9%)	(0.7%)	(4.1%)	(5.0%)	(5.4%)	-
Revenue from hotel operations	+3.4%	+6.5%	(20.7%)	+21.5%	(16.5%)	-
Revenue from restaurant operations	-	+128.6%	+87.5%	+100.0%	+50.0%	-
Revenue (YoY)	(2.8%)	(5.8%)	(5.9%)	(9.0%)	+6.7%	-
Revenue from pachinko and pachislot hall business	97.7%	97.4%	97.3%	95.1%	91.4%	-
Revenue from amusement arcades business	0.0%	0.0%	0.0%	1.6%	5.4%	-
Vending machine income	1.8%	1.9%	1.9%	2.0%	1.8%	-
Revenue from hotel operations	0.5%	0.5%	0.4%	0.6%	0.5%	-
Revenue from restaurant operations	0.1%	0.2%	0.3%	0.7%	1.0%	-
Revenue (Compsition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position (Million Yen)	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.Act FY 03/2019	YoY Net Chg.
Property, plant and equipment	27,126	28,470	26,406	26,207	28,523	+2,316
Investment properties	681	697	678	662	650	(12)
Intangible assets	189	210	182	1,571	1,662	+91
Prepayments, deposits and other receivables	4,772	4,198	3,866	3,751	4,208	+457
Financial assets at fair value through profit or loss	201	106	104	52	100	+48
FAs at fair value through other comprehensive income	1,378	1,013	1,210	953	911	(42)
Deferred income tax assets	1,771	1,781	1,656	1,565	1,588	+23
Long-term bank deposits	125	185	35	47	-	(47)
Non-current assets	36,243	36,660	34,137	34,808	37,642	+2,834
Inventories	719	413	20	57	109	+52
Trade receivables	52	64	88	57	53	(4)
Prepayments, deposits and other receivables	1,602	1,456	1,457	1,312	1,020	(292)
Current income tax recoverable	495	957	55	300	-	(300)
Bank deposits with maturity over 3 months	2,286	297	252	43	43	-
Cash and cash equivalents	9,480	12,310	13,404	15,594	15,176	(418)
Current assets	14,734	15,597	15,276	17,363	16,401	(962)
Total assets	50,977	52,257	49,413	52,171	54,043	+1,872
Share capital	10	3,000	3,000	3,000	3,000	-
Reserves	22,846	24,097	24,499	24,176	24,617	+441
Non-controlling interest	-	-	-	(40)	(106)	(66)
Total equity	22,856	27,097	27,499	27,136	27,511	+375
Borrowings	11,318	9,732	8,656	10,854	11,792	+938
Obligations under finance leases	3,981	5,070	4,048	3,247	2,717	(530)
Provisions and other payables	1,676	2,057	1,989	2,111	2,226	+115
Derivative financial instruments	26	14	11	8	27	+19
Non-current liabilities	17,001	16,873	14,704	16,220	16,762	+542
Trade payables	106	132	123	247	294	+47
Borrowings	3,930	3,295	2,394	3,886	4,290	+404
Obligations under finance leases	1,886	1,530	1,160	888	703	(185)
Accruals, provisions and other payables	4,209	3,326	3,532	3,793	4,353	+560
Derivative financial instruments	15	2	1	1	4	+3
Current income tax liabilities	974	2	-	-	126	+126
Current liabilities	11,120	8,287	7,210	8,815	9,770	+955
Total liabilities	28,121	25,160	21,914	25,035	26,532	+1,497
Total equity and liabilities	50,977	52,257	49,413	52,171	54,043	+1,872
Interest bearing debt	21,115	19,627	16,258	18,875	19,502	+627
Net debt	9,349	7,020	2,602	3,238	4,283	+1,045
Equity ratio	44.8%	51.9%	55.7%	52.0%	50.9%	-
Net debt equity ratio	40.9%	25.9%	9.5%	11.9%	15.6%	-
ROE (12 months)	13.6%	0.7%	1.8%	(0.2%)	2.0%	-
ROA (12 months)	10.2%	1.2%	1.8%	0.4%	2.1%	-
Quick ratio	106%	153%	191%	178%	156%	-
Current ratio	133%	188%	212%	197%	168%	-

Source: Company Data, WRJ Calculation

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows (Million Yen)	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.Act FY 03/2019	YoY Net Chg.
Cash flows from operating activities (A)	5,929	2,158	5,320	2,950	4,565	+1,615
Cash flows from investing activities (B)	(1,949)	(122)	(273)	(2,698)	(4,986)	(2,288)
Free cash flows (A)+(B)	3,980	2,036	5,047	252	(421)	(673)
Cash flows from financing activities	(2,909)	794	(3,953)	1,942	6	(1,936)

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.Act FY 03/2019	YoY Net Chg.
No. of shares FY end (million shares)	896	1,196	1,196	1,196	1,196	-
Earnings per share	3.380	0.150	0.411	(0.013)	0.510	-
Dividend per share	0.76	0.10	0.12	0.12	0.15	-
Payout ratio	22.5%	66.7%	29.2%	-	29.4%	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.Act FY 03/2019	YoY Net Chg.
Share split factor	1	1	1	1	1	-
Earnings per share	3.380	0.150	0.411	(0.013)	0.510	-
Dividend per share	0.76	0.10	0.12	0.12	0.15	-

Source: Company Data, WRJ Calculation

6.0 Other Information

Making Life Happy, Enjoyable and 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 53 halls in East Japan. Meanwhile, according to Hisanori Taniguchi, current chief executive officer with the Company, having succeeded management from Tetsuyoshi Taniguchi, the founder, after a period of management by Masataka Taniguchi in-between, the Company is spicy with its main characteristics, i.e., it has established own strategic dominance in Fukushima-prefecture (Koriyama-city), while being able to quickly implement diverse measures as the organization not 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 "Making Life Happy, Enjoyable and Fun" to date, while having consistently strived to ensure a joyful experience and kindness for customers. This customers first principle made it possible to well cope with ever-changing trends of Pachinko market and customer preferences, having established Pachinko hall chain currently comprising collective 53 halls. The Company will remain placing the utmost emphasis on the customers first principal, trying to beef up own corporate value as an entity to create happiness amongst people.

Meanwhile, "NIRAKU GC HOLDINGS, INC." was established on 10 January 2013, which was followed by consolidation of NIRAKU CORPORATION to have been running above-mentioned Pachinko hall chain as 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 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 NIRAKU Hall (Koriyama-city, Fukushima-prefecture)
August 1969	Established NIRAKU SHOJI CORPORATION (Nakano-ku, Tokyo)
July 1979	Renovated NIRAKU Hall and identified as DAIWA, opened Koriyama City Hotel
1980s	Opened four Pachinko halls in Fukushima-prefecture (three in Koriyama-city)
1990 to 1997	Opened 10 Pachinko halls
December 1991	Opened Nikku Club (changed to training facilities in 2000)
August 1992	Opened the 10th Pachinko hall (Nakano-Shimbashi)
August 1998	Identified as NIRAKU CORPORATION versus NIRAKU SHOJI CORPORATION by then
2001	Opened 5 Pachinko halls
2002	Own Pachinko halls, identified as NIRAKU versus DAIWA till then
2002 to 2005	Opened 15 Pachinko halls
February 2003	Opened the 20th Pachinko hall (Soma)
2006 to 2010	Opened 16 Pachinko halls in Tokyo, Fukushima-prefecture and their neighboring prefectures
February 2010	Established a Special Subsidiary Company NIRAKU MERRIST CORPORATION
November 2010	Opened the 20th Pachinko hall in Fukushima-prefecture (Sasakino)
May 2011	Opened the 50th Pachinko hall (Koriyama-Arai in Fukushima-prefecture)
January 2013	Established ‘NIRAKU GC HOLDINGS, INC.’
April 2013	“NIRAKU GC HOLDINGS, INC.”, having become holding company for NIRAKU CORPORATION
October 2014	Opened the first Spanish restaurant in Tokyo under the brand “LIZARRAN”
April 2015	Listed on the Mainboard of Hong Kong Stock Exchange
November 2017	Consolidated Dream Games Singapore Pte. Ltd. as subsidiary
June 2018	Opened the first “Komeda’s Coffee Shop” on the premises of Kazo-Atago Hall
November 2018	Entered e-sports business in Asia
January 2019	Opened the second "Komeda’s Coffee Shop” on the premises of Iruma-Shinko Hall
March 2019	Opened “LIZARRAN” brand Spanish restaurant in Takadanobaba

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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