

NIRAKU GC HOLDINGS

(Hong Kong Stock Exchange: 1245)

Consolidated Fiscal Year (Million Yen)	Revenue	Operating profit	Profit before income tax	Profit attributable to owners of the Company	EPS (Yen)	DPS (Yen)	
FY03/2019	28,325	1,553	1,093	610	0.51	0.15	
FY03/2020	28,046	1,955	581	179	0.15	0.10	
FY03/2021	18,541	(7,203)	(8,502)	(5,481)	(4.58)	0.00	
FY03/2020	YoY	(1.0%)	25.9%	(46.8%)	(70.7%)	-	-
FY03/2021	YoY	(33.9%)	-	-	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (2 December 2021)

V-shaped Recovery

NIRAKU GC HOLDINGS, which aims to shift to "comprehensive entertainment company" from a long-term perspective, is to see a V-shaped recovery in earnings from FY03/2021 to FY03/2022. This is mainly attributable to gross pay-ins to recover and costs to decline for operations of running pachinko and pachislot halls in eastern Japan, which has an overwhelming impact on performance for the Company as a whole now. For FY03/2021, the Company saw gross pay-ins having had declined sharply due to the ongoing COVID-19 situation. Gross pay-ins in FY03/2020 being set at 100%, the Company saw no more than 68% for FY03/2021, while going for a recovery up to some 75% to 80% for FY03/2022. At the same time, the Company suggests that it has drastically re-evaluated the hall operations and made expenditures streamlined with an assumption of gross pay-ins to recover to this level at least. Meanwhile, the Company is to see depreciation charges reduced for FY03/2022, corresponding to huge impairment conducted for FY03/2021. With respect to operations in ex-Japan Asia where the impacts stemming from COVID-19 are even larger than in Japan, the Company has already restarted running Japanese restaurant food court in China, while it has remained still unclear when to restart operations of running amusement arcades in Vietnam and Cambodia. From a long-term perspective, it appears that the Company is planning to resume investments for all those operations in ex-Japan Asia, but the Company's immediate policy is to concentrate own management resources upon the mainstay operations to run pachinko and pachislot halls to ensure rebuilding of the operations, which is to be followed by a trend of expansion.

IR Representative: Masataka Watanabe, Group General Affairs Dept. (masataka.watanabe@niraku.co.jp)

2.0 Company Profile

Running Pachinko and Pachislot Halls

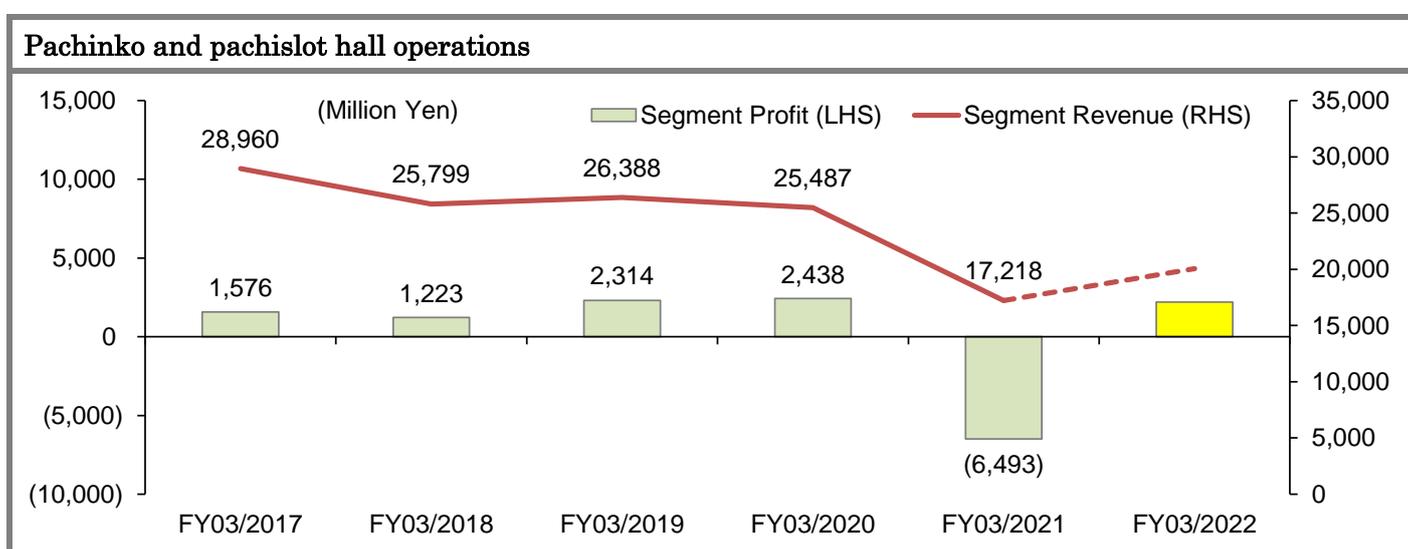
Company Name	NIRAKU GC HOLDINGS, INC. Website IR Information Share Price (Japanese) 
Established	10 January 2013
Listing	8 April 2015: Hong Kong Stock Exchange Mainboard (ticker: 1245)
Capital	¥3,000m (as of the end of March 2021)
No. of Shares	1,195,850,460 shares (as of the end of March 2021)
Main Features	<ul style="list-style-type: none"> ● Running pachinko and pachislot halls in eastern Japan (collective 47 halls as of the end of FY03/2021) ● 20 halls in Fukushima-prefecture, 6 in Tokyo and 21 in other eastern Japan prefectures ● Operations in ex-Japan Asia to be resumed after the COVID-19 situation
Business Segments	I . Pachinko and pachislot hall operations II . Amusement arcade operations III . Restaurant operations IV . Others
Representative	Chairman of the Board, Executive Director and CEO: Hisanori Taniguchi
Shareholders	HKSCC Nominees Limited 31.05%, Hisanori Taniguchi 17.81%, Tatsuo Taniguchi 13.52%, SMBC Trust Bank Ltd. 4.46% (as of the end of March 2021)
Head Office	Koriyama-city, Fukushima-prefecture, JAPAN
No. of Personnel	Consolidated: 1,717, unconsolidated: 13 (as of the end of March 2021)

Source: Company Data

3.0 Recent Trading and Prospects

FY03/2021

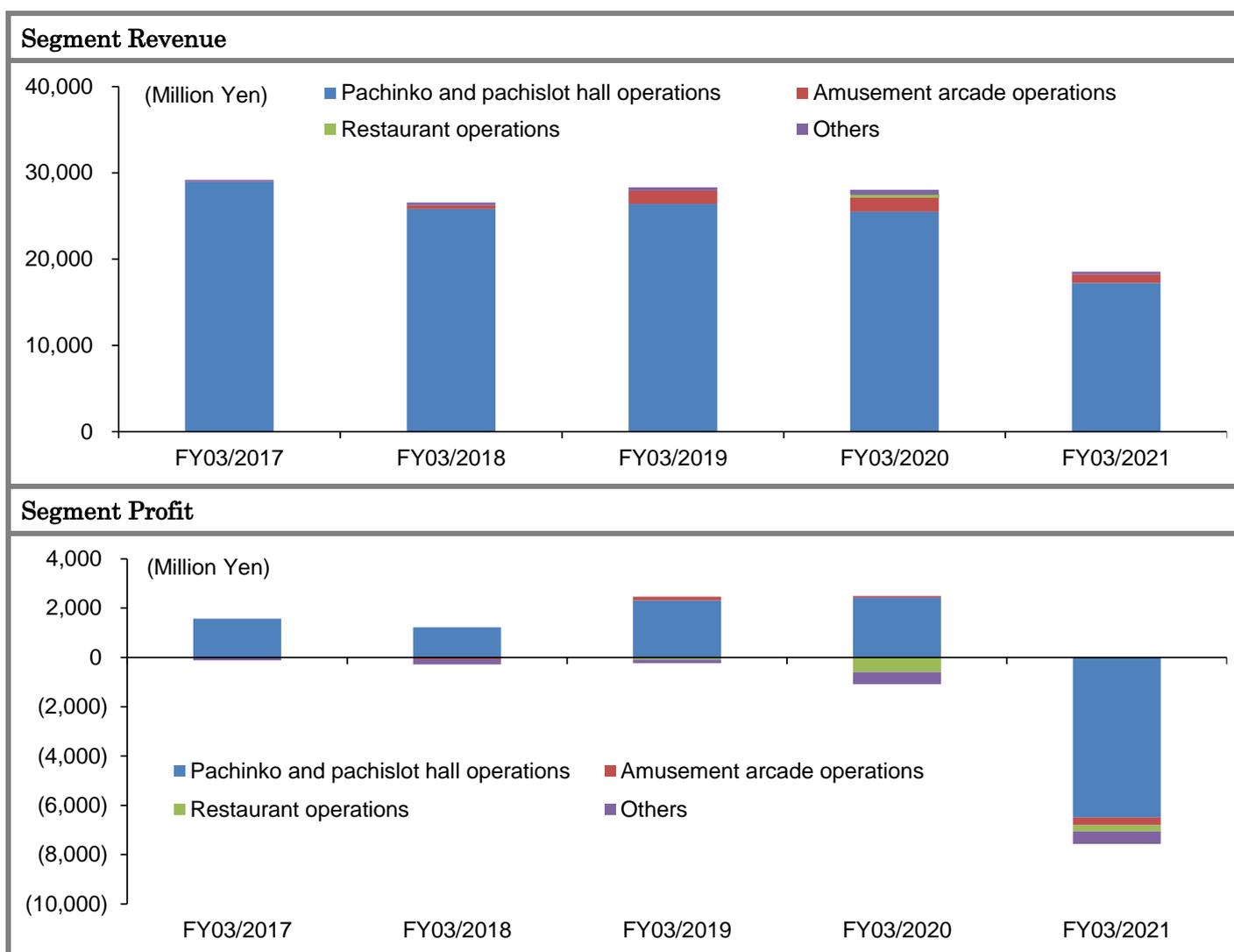
In FY03/2021, revenue came in at ¥18,541m (down 33.9% YoY), operating profit minus ¥7,203m (versus ¥1,955m in the previous year), profit before income tax minus ¥8,502m (¥581m) and profit attributable to owners of the Company minus ¥5,481m (¥179m). By business segment, the Company saw segment revenue of ¥17,218m (down 32.4%) and segment profit of minus ¥6,493m (¥2,428m) for the mainstay Pachinko and pachislot hall operations, which brought forth the sharp decline in revenue and the deterioration in earnings for the Company as a whole to a substantial extent. More importantly, however, the segment revenue is expected to recover in line with a recovery of gross pay-ins, while expenses to run the halls have been cut back a lot, resulting in a V-shaped recovery being on the track for earnings in Pachinko and pachislot hall operations from FY03/2021 to FY03/2022, according to the Company. The same applies to performance for the Company as a whole.



Source: Company Data, WRJ Calculation

The Company booked impairment loss of ¥676m for FY03/2020 and ¥5,592m for FY03/2021. The former comprised impairment loss of ¥213m on property, plant and equipment and ¥463m on right-of-use assets, while having comprised ¥288m on Pachinko pachislot hall operations (to run pachinko and pachislot halls in eastern Japan), ¥297m on Others (to run restaurants in Japan) and ¥91m on Restaurants operations (to run Japanese food court in China) by business segment at the same time.

The latter comprised impairment loss of ¥2,949m on property, plant and equipment and ¥2,643m on right-of-use assets, while having comprised almost all Pachinko pachislot hall operations by business segment, i.e., ¥2,929m and ¥2,488m, respectively. The Company suggests that there was a major aspect that gross pay-ins were forced to drastically decrease due to the ongoing COVID-19 situation. Meanwhile, as a result of this, the Company will benefit from a factor to drive earnings from FY03/2021 to FY03/2022 to an extent of such impairment loss (collective ¥5,592m), which is not to reappear. At the same time, the Company will see depreciation charges reduced by ¥225m, stemming from impairment loss of ¥2,949m on property, plant and equipment. On top of this, the effects of cost cutting measures implemented in FY03/2021 will occur on a full-year basis, according to the Company. With respect to impairment loss on right-of-use assets, the Company says that decrease in depreciation charges are limited due to the lengthy period of depreciation.

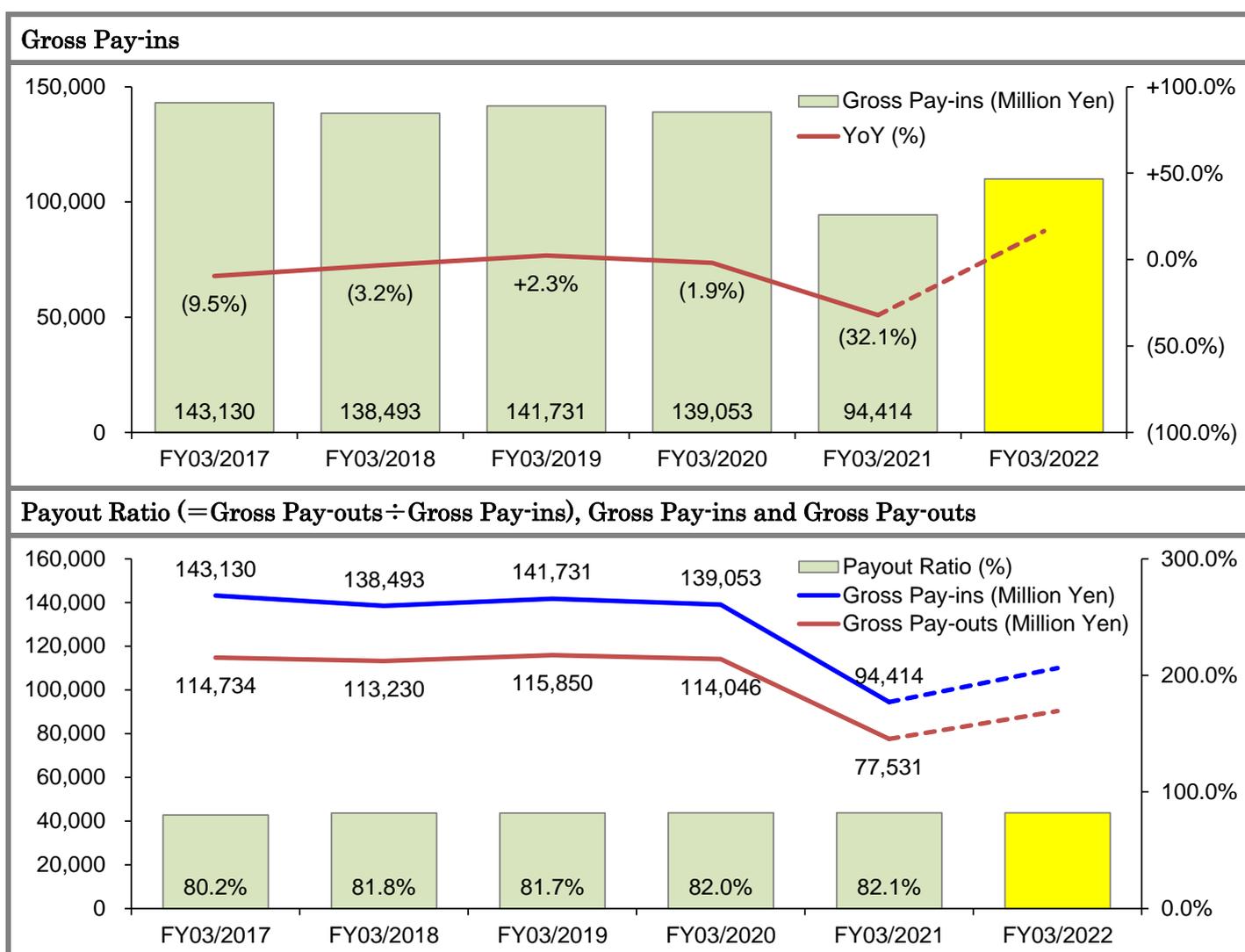


Source: Company Data, WRJ Calculation

Pachinko and pachislot hall operations

Pachinko and pachislot hall operations accounted for 92.9% of revenue for the Company as a whole, having driven the trends of earnings overwhelmingly at the same time. In this business segment, the Company saw revenue from pachinko and pachislot hall business of ¥16,883m (down 32.1%) and vending machine income of ¥335m (down 30.2%). Revenue from pachinko and pachislot hall business equaled gross pay-ins of ¥94,414m (down 32.1%) minus gross pay-outs of ¥77,531m (down 32.0%), while the payout ratio (=gross pay-outs ÷ gross pay-ins) came in at 82.1% (up 0.1% point). From a strategic perspective, payout ratio has remained at roughly the same level over the past 5 years, while likely remaining so for the future. In light of this, it should be the case that gross pay-ins are the key determinant for segment revenue of Pachinko and pachislot hall operations and that the same currently applies to revenue for the Company as a whole.

Vending machine income represents revenue associated with beverage and other vending machines installed in pachinko and pachislot halls run by the Company, which has a tendency of performing in line with trends of gross pay-ins. Here, the Company sees revenue in the form of commissions (based on sales volume and/or amount) and installation-related cooperation money to be received from vendors who install vending machines. Thus, the Company suggests that vending machine income has an impact on earnings far larger than suggested by the size in revenue. At the end of the day, gross pay-ins are currently the predominantly influential KPI (Key Performance Indicator) for the Company as a whole.



Source: Company Data, WRJ Calculation

From FY03/2021 to FY03/2022, gross pay-ins are expected to recover. Gross pay-ins in FY03/2020 being set at 100%, the Company saw no more than 68% for FY03/2021, while going for a recovery up to some 75% to 80% for FY03/2022.

The reason cited for the sharp decline in gross pay-ins in FY03/2021 is that the impacts of the ongoing COVID-19 situation were added to the continuing shrinkage of the market. Following the issuance of the Declaration of Emergencies (7 April 2020 to 25 May 2020) on an occasion of COVID-19 expansion, local governments requested to refrain from running pachinko and pachislot halls. The Company, which was responding sincerely to this, was progressing a series of temporary suspension of operations at the halls it was running. Following the fact, the lost time rate in April was slightly less than 50% in terms of the number of days and slightly less than 60% in May, according to the Company. For the levels of gross pay-ins, the Company suggests it saw no more than some 25% in April and May, when compared with the same month of the previous year. Meanwhile, the Company says that it had restarted running all the halls at the end of May in line with the lifting of the Declaration. However, what came up next after a while was that some halls restarted operations with gross pay-ins, unexpectedly weak, having suggested a limited potential for future recovery (standards: less than 75% to 80% of FY03/2020, when the COVID-19 situation did not exist). Given this, the Company has implemented measures adventurous and strategical for the sake of reallocating own management resources for the upcoming post-covid world., i.e., having closed halls as many as 7 in the number, mainly those of underperforming, for FY03/2021, while having newly opened a large-scale hall as originally planned.

On 29 June 2020, the Company suspended operations of 6 halls with future closing of business in sight, where the recovery of gross pay-ins was unfavorable after restart of the operations at the end of May 2020. In fact, it was 1 October 2020, when closing of business was implemented for 4 halls, i.e., NIRAKU Bansei Hall (Yonezawa-city, Yamagata-prefecture), NIRAKU Koriyama-Ekimae Hall (Koriyama-city, Fukushima-prefecture), NIRAKU Nakano Hall (Nakano-ku, Tokyo) and NIRAKU Ota-Zoushiki Hall (Ota-ku, Tokyo). Then, this was followed by closure and transfer of NIRAKU the Second Umeyashiki Hall (Ota-ku, Tokyo) in December 2020 and closure of NIRAKU Shibukawa-Arima Hall (Shibukawa-city, Gunma-prefecture) in the same month. Prior to the closing of business of all those 6 halls, the Company closed NIRAKU BIZYUTSUKAN-Dori Hall (Koriyama-city, Fukushima-prefecture), which was on 14 June 2020. However, this was a development-oriented closure originally planned, having been conducted in conjunction with the project to newly open a large-scale hall in the neighborhood. It was 8 August 2020, when the Company newly opened NIRAKU Koriyama-Omachi Hall (Koriyama-city, Fukushima-prefecture) with 1,029 units of machines installed (644 units of pachinko machines and 385 units of pachislot machines). Compared with NIRAKU BIZYUTSUKAN-Dori Hall (Koriyama-city, Fukushima-prefecture), the number of units for machines installed is roughly double, according to the Company.

NIRAKU Koriyama-Omachi Hall (Koriyama-city, Fukushima-prefecture / Newly Opened on 8 August 2020)



Source: Company Data

The Company suggests that NIRAKU Koriyama-Omachi Hall (Koriyama-city, Fukushima-prefecture) is taking off nicely. In addition to its favorable location, the Company says that it benefits from a factor to be able to utilize own strengths in various aspects here. For FY03/2022, when being operated on a full-year basis for the first time, this hall installed with many machines is expected to significantly contribute to gross pay-ins for the Company as a whole. Meanwhile, the 7 halls closed in FY03/2021 will not contribute at all. Still, the impacts stemming from here will be effectively all compensated for by contribution from NIRAKU Koriyama-Omachi Hall (Koriyama-city, Fukushima-prefecture), based on an assumption that the said 7 halls were run on a regular basis, according to the Company. Meanwhile, they did suffer from a fairly limited utilization in reality as mentioned earlier. At the end of the day, it appears that NIRAKU Koriyama-Omachi Hall (Koriyama-city, Fukushima-prefecture) to have been newly opened will play the most significant role for a recovery of gross pay-ins for the Company as a whole from FY03/2021 to FY03/2022.

With respect to existing 46 halls, but for NIRAKU Koriyama-Omachi Hall (Koriyama-city, Fukushima-prefecture), the Company benefits from a factor that the impacts of suspension in operations due to the Declaration of Emergencies will not reappear from FY03/2021 to FY03/2022. According to the Company, the impacts stemming from shrinkage of market are going on, but the said factor currently works far more than compensating, bringing in a recovery in gross pay-ins for the Company as a whole. More importantly, the Company suggests that it is planning to newly open a couple of halls somewhere in Northern Kanto, comprising Ibaraki-prefecture, Tochigi-prefecture and Gunma-prefecture based on a scheme similar to that of NIRAKU Koriyama-Omachi Hall (Koriyama-city, Fukushima-prefecture) by the end of FY03/2022, while also suggesting that this will be another factor of recovery in gross paid-ins for FY03/2022.

For NIRAKU Koriyama-Omachi Hall (Koriyama-city, Fukushima-prefecture) newly opened, the Company has acquired the real estate on a so-called “inuki” basis, i.e., having acquired peer’s pachinko and pachislot hall with all its furnishings or with no restoration to original state for the existing building. Compared with new hall openings with building being newly designed and constructed, this incurs initial expenses and other expenses far lower, which is the key advantage, according to the Company.

It was 28 March 2019, when the Company completed acquisition of land (10,869 m²) and building of peer’s large-scale hall, located in front of Koriyama Station, which is the critical site for the Company, with a contribution of ¥3,768m. The said hall was newly opened on 8 August 2020 as NIRAKU Koriyama-Omachi Hall (Koriyama-city, Fukushima-prefecture) after own conversion, etc. The Company has strengths of implementing dominant strategy to drive out peers in Koriyama-city, Fukushima-prefecture, where the Company is based, while the Company has newly opened this hall for the sake of further enhance own strengths. Meanwhile, the Company suggests that the above-mentioned new openings of halls in Northern Kanto, comprising Ibaraki-prefecture, Tochigi-prefecture and Gunma-prefecture, have similar objectives.

The market for pachinko and pachislot halls which the Company is facing has been shrinking to a considerable extent and further shrinkage is unavoidable for the future, according to the Company, e.g., for the number of halls to have come down to 9,035 in 2020 from 18,244 in 1995 or the peak year. In Japan, the habitancy is on the gradual decrease, while people are exposed to increasingly diversified entertainments, leaving the market for pachinko and pachislot halls, belonging to the existing ones, consistently shrinking. On top of this, it is getting harder and harder to install machines to offer high gambling property, driven by ongoing reviews on the machines to curb gaming property and stricter and stricter for the criteria to run ads that may arouse gambling property in line with the enforcement of Problem Gambling Basic Countermeasure Act, according to the Company.

In light of the above-mentioned situations, the Company believes it is crucial to continue opening new halls in order to see a recovery in gross pay-ins up to the level in FY03/2020 and pursue a further growth for the future. Given a trend that the market is unavoidably shrinking for the future, it will be too hard to improve utilization of machines installed in existing pachinko and pachislot halls, according to the Company. Therefore, it is necessary to increase the number of machines installed by means of opening new halls through “inuki” and/or other measures for the sake of increasing gross pay-ins.

Amusement arcade operations

Amusement arcade operations saw segment revenue of ¥1,015m (down 39.0%) and segment profit of minus ¥308m (versus ¥56m in the previous year). In this business segment, the Company is involved with operations to run Japanese-style amusement arcades in Vietnam and Cambodia. The operations were launched in FY03/2018 as the first measure of the Company to aim to shift to "comprehensive entertainment company" from a long-term perspective, while making progress in "globalization of business portfolio".

Amusement Arcade of Tan Phu Celadon (Ho Chi Minh-city)



Source: Company Data

As of the end of FY03/2021, the operations comprised those of collective 13 arcades, i.e., 11 arcades based in Vietnam and two in Cambodia, but the operations have been almost all suspended since the beginning of CY2021 due to the ongoing COVID-19 situation rather severer than in Japan for all those regions. The operations are of entertainment and thus not required for everyday living, resulting in measures by local governments to postpone restart of the operations. In the near future, the Company says that it cannot deny a possibility for the measures to persist.

In the course of FY03/2021, the Company has continued its operations of existing two arcades based in Cambodia, while having closed three arcades in Vietnam, given a prospect that all those arcades are unlikely to become profitable even after the COVID-19 situation. Still, the Company plans to open new arcades for the future at the same time. The Company's arcades are often newly opened in the form of being launched in the site of shopping mall or AEON MALL to be locally developed and operated by AEON MALL Co., Ltd., which has an idea to make progress in its operations to develop new shopping malls in Vietnam from a long-term perspective, providing the Company with opportunities to open new arcades for the future.

Restaurant operations

Restaurant operations saw segment profit of minus ¥260m (versus minus ¥597 in the previous year). In this business segment, the Company is involved with operations to run Japanese food court based on the concept of “YOKOCHO” in Shenzhen Upper Hills or urban complex commercial facility located in Shenzhen-city, China. Following the initial investments made in FY03/2019 to get ready for the launch of the operations, the Company saw segment revenue of ¥304m in FY03/2020. However, the operations were suspended from February 2020 due to the COVID-19 situation having been added to the continued customer attraction situation lower-than-expected. As a result, the Company saw no segment revenue for FY03/2021, but the Company has restarted the operations since the end of August 2021, which is expected to bring in some segment revenue for FY03/2022.

“YOKOCHO”



Source: Company Data

On 20 June 2019, the Company began the operations of Japanese food court locally, comprising 16 restaurants, including high-end ones. Meanwhile, the Company has conducted general renovations with the theme of casualization with the aim of responding to local needs on an occasion of restarting the operations this time. Given the fact that the operations of three high-end restaurants (Teppan Yaki, Sukiyaki and Sushi) were not resumed, the Company restarted its operations here with 13 restaurants.

In the first place, the Company was looking to an ability of attracting customers with Shenzhen Upper Hills or urban complex commercial facility where the operations are based. However, it has been the case that the ability is below expectations, according to the Company. For example, it has remained still unclear when to open for a luxury hotel to have been planned to become part of this commercial facility from the very beginning or when to become sufficient for the number of tenants here. Further, the occupancy status of the office buildings that form the core of this commercial facility is not favorable. Meanwhile, the Company has restarted the operations based on the above-mentioned measures since families living in the surrounding areas often use it on weekends.

Others

Others saw segment revenue of ¥308m (down 48.0%) and segment profit of minus ¥506m (versus minus ¥493m in the previous year), while the former comprised revenue from hotel operations of ¥55m (down 61.5%) and revenue from restaurant operations of ¥253m (down 43.7%). By the way, revenue from restaurant operations represents that of this business segment and that of Restaurant operations (to run Japanese food court in Shenzhen-city, China). However, the latter did not see revenue in FY03/2021, implying that the absolute amount for FY03/2021 are of revenue of restaurant operations of this business segment only.

Revenue from hotel operations declined sharply as the operations of the Company's only hotel were suspended due to the impacts stemming from earthquake occurred in February 2021, according to the Company. The building with earthquake-proof reinforcement maintained its stability as a structure, but the damage was severe in guest rooms, etc. in addition to a part of the exterior wall being peeled off. Meanwhile, everything has had been refurbished until lately and the Company restarted the operations on 4 November 2021.

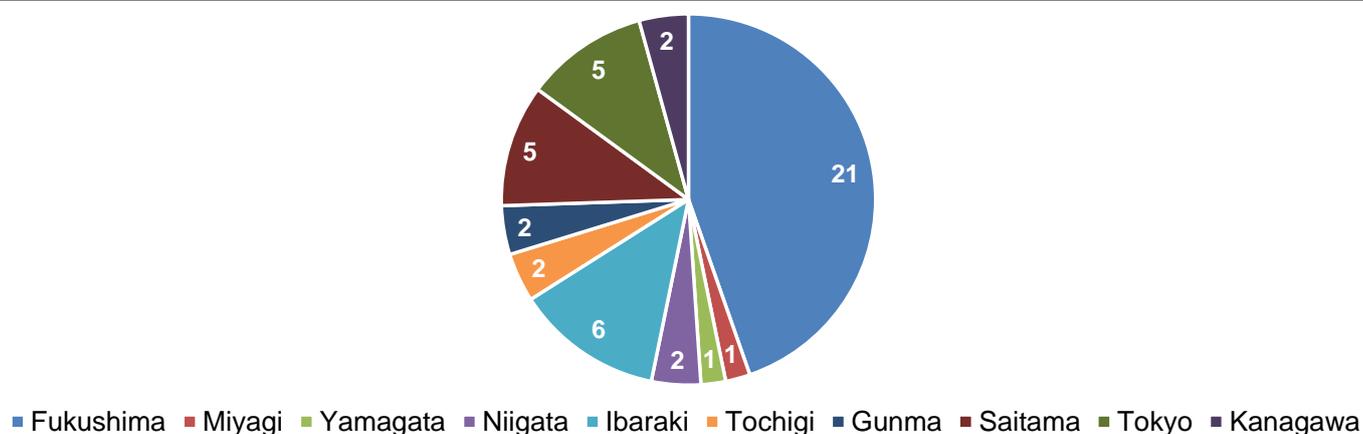
Revenue from restaurant operations declined sharply as the operations of the Company's three restaurants all based in Tokyo had a challenging time, given the COVID-19 situation. However, having gone through the lifting of the Declaration of Emergencies, the Company has been seen operations based on requests from the Tokyo Metropolitan Government and the operations are gradually starting to recover, according to the Company.

4.0 Business Model

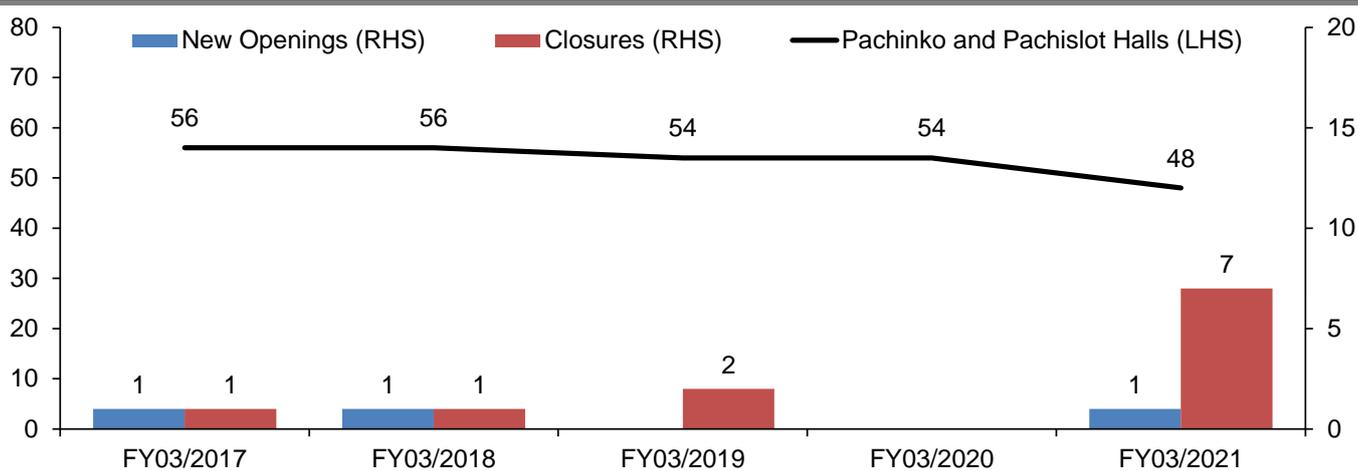
Running Pachinko and Pachislot Halls

The Company is a holding company with 4 fully-owned subsidiaries under management, i.e., NIRAKU Corporation, NEXIA INC., NGCH Hong Kong Limited and Dream Games Singapore Pte. Ltd. Now, the performance for the Company as a whole basically hinges on that of NIRAKU Corporation in charge of running pachinko and pachislot halls in eastern Japan, primarily in Fukushima-prefecture (Koriyama-city). As of the end of FY03/2021, the number of halls stood at collective 47 for NIRAKU Corporation, i.e., 20 in Fukushima-prefecture (9 in Koriyama-city), 6 in Tokyo and 21 in other eastern Japan prefectures. Meanwhile, the number of halls stood at collective 48, when NIRAKU Tomioka Hall (Futaba-gun, Fukushima-prefecture) being included, where it has not been decided when to resume operations since the suspension due to the impacts stemming from the Great East Japan Earthquake occurred on 11 March 2011.

Collective 48 Pachinko and Pachislot Halls by Prefecture (as of the end of FY03/2021)



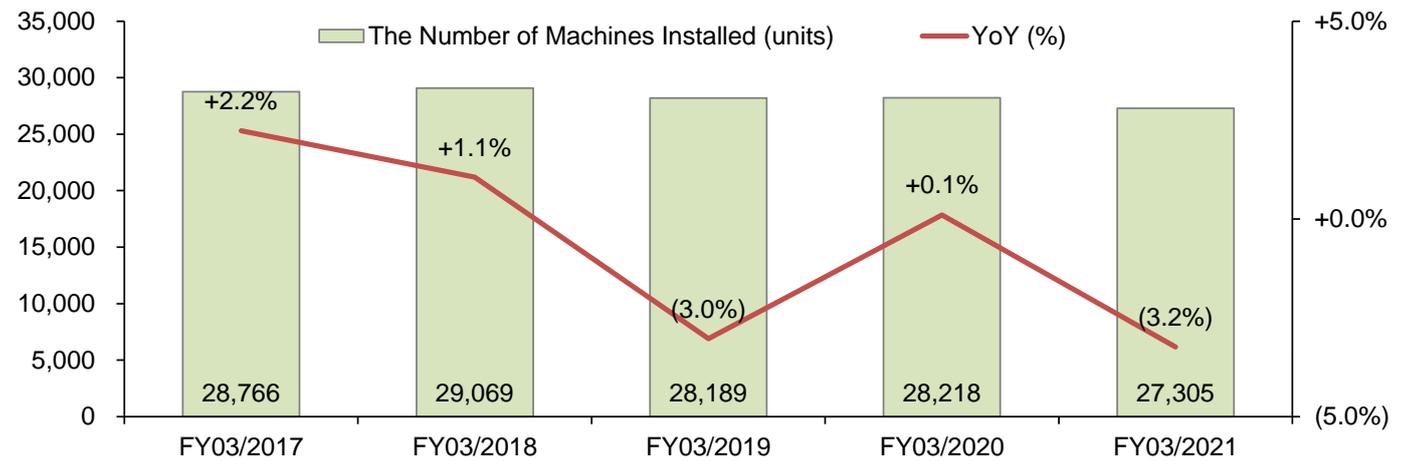
The Number of Pachinko and Pachislot Halls as of the end of Fiscal Year (new openings and closures)



Source: Company Data

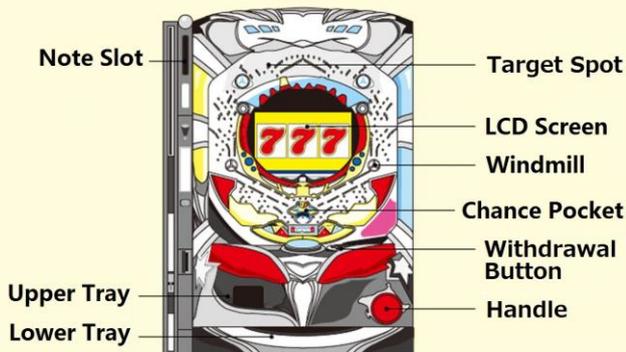
In the process from the end of FY03/2020 to the end of FY03/2021, the Company closed 7 halls and newly opened one, having resulted in net decrease by 6 from 54 to 48 for the collective number of halls. However, the decline in the number of pachinko and pachislot machines was rather limited, i.e., 27,305 units (down 3.2% YoY) or 17,524 units (down 3.0%) for pachinko machines and 9,781 units (down 3.6%) for pachislot machines. It appears that this has a lot to do with the fact that NIRAKU Koriyama-Omachi Hall (Koriyama-city, Fukushima- prefecture) opened on 8 August 2020 is a large-scale one with 1,029 units of machines installed (644 units of pachinko machines and 385 units of pachislot machines).

The Number of Machines Installed



Pachinko Machine (basic configuration)

Basic components of Pachinko Machine



*Each component may differ by the model

Pachinko Machines Installed



Inside of Hall



Premiums Corner



Source: Company Data

In addition to the above-mentioned operations of running pachinko and pachislot halls, NIRAKU Corporation is also in charge of running Spanish bar-restaurant franchise under the “LIZARRAN” brand in Tokyo (Shimbashi, Takadanobaba and Sangenjaya), while having started up running “KOMEDA’s Coffee Shop” in FY03/2019. In June 2018, the first one was newly opened on the premises of NIRAKU Kazo-Atago Hall (Kazo-city, Saitama-prefecture) or the own pachinko and pachislot hall, which was followed by the second one on the premises of NIRAKU Iruma-Shinko Hall (Iruma-city, Saitama-prefecture). Elsewhere, there is an involvement with operations to run Koriyama City Hotel in Koriyama-city, Fukushima-prefecture, where the Company is based, while promoting the improvement of environment for people with disabilities being hired through NIRAKU MERRIST Corporation fully-owned by NIRAKU Corporation.

“LIZARRN”-brand Spanish Bar-Restaurant



Takadanobaba



Shimbashi



Sangenjaya

Koriyama City Hotel

“KOMEDA’s Coffee Shop”



NIRAKU Kazo-Atago Hall



NIRAKU Iruma-Shinko Hall

Source: Company Data

NEXIA INC. owns the land and real estate of pachinko and pachislot halls run by NIRAKU Corporation and other real estate such as office buildings rented for third party, condominiums, etc., while being also in charge of investments in them. NGCH Hong Kong Limited has been established as bridgehead for business developments in ex-Japan Asia, holding 51% in NPJ Hong Kong Limited and 40% in Yes! E-Sports Asia Holdings Limited. Meanwhile, NPJ Hong Kong Limited fully owns NPJ China YOKOCHO Co., Ltd., which runs Japanese food court based on the concept of “YOKOCHO” in Shenzhen Upper Hills or urban complex commercial facility located in Shenzhen-city, China. For Yes! E-Sports Asia Holdings Limited, the operations are of promoting e-sports business by providing e-sports platform across Asia. Finally, Dream Games Singapore Pte. Ltd. is involved with operations to run Japanese-style amusement arcades through its fully-owned local subsidiaries based in Vietnam and Cambodia.

5.0 Financial Statements

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income (Million Yen)	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.Act FY 03/2019	Cons.Act FY 03/2020	Cons.Act FY 03/2021	YoY Net Chg.
Revenue	29,180	26,554	28,325	28,046	18,541	(9,505)
Other income	801	606	551	1,074	639	(435)
Other gains / losses, net	(47)	121	54	400	173	(227)
Impairment loss on property, plant and equipment	-	-	-	213	2,949	+2,736
Impairment loss on right-of-use assets	-	-	-	463	2,643	+2,180
Hall operating expenses	24,110	22,640	22,875	21,234	17,571	(3,663)
Administrative and other operating expenses	4,391	3,918	4,502	5,655	3,393	(2,262)
Operating profit	1,433	723	1,553	1,955	(7,203)	(9,158)
Finance costs, net	(531)	(510)	(455)	(1,374)	(1,299)	+75
Share of results of an associate	-	-	(5)	-	-	-
Profit before income tax	902	213	1,093	581	(8,502)	(9,083)
Income tax expense	410	273	549	717	(2,898)	(3,615)
Profit for the year	492	(60)	544	(136)	(5,604)	(5,468)
Profit attributable to owners of the Company	492	(15)	610	179	(5,481)	(5,660)
Profit attributable to non-controlling interest	-	(45)	(66)	(315)	(123)	+192
Other net comprehensive income	138	(272)	70	(286)	11	+297
Total comprehensive net income for the year	630	(332)	614	(422)	(5,593)	(5,171)
Revenue YoY	(5.9%)	(9.0%)	+6.7%	(1.0%)	(33.9%)	-
Operating profit YoY	(2.6%)	(49.5%)	+114.8%	+25.9%	-	-
Profit before income tax YoY	+42.5%	(76.4%)	+413.1%	(46.8%)	-	-
Profit attributable to owners of the Company YoY	+171.8%	-	-	(70.7%)	-	-
Hall operating expenses / Revenue	82.6%	85.3%	80.8%	75.7%	94.8%	+19.1%
Administrative and other operating expenses / Revenue	15.0%	14.8%	15.9%	20.2%	18.3%	(1.9%)
Operating profit margin	4.9%	2.7%	5.5%	7.0%	(38.8%)	(45.8%)
Profit before income tax margin	3.1%	0.8%	3.9%	2.1%	(45.9%)	(47.9%)
Profit for the year margin	1.7%	(0.2%)	1.9%	(0.5%)	(30.2%)	(29.7%)
Profit before income tax / Income tax expense	45.5%	128.2%	50.2%	123.4%	-	-

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)	03/2017	03/2018	03/2019	03/2020	03/2021	
Pachinko and pachislot hall operations	28,960	25,799	26,388	25,487	17,218	(8,269)
Amusement arcade operations	-	417	1,535	1,663	1,015	(648)
Restaurant operations	-	-	-	304	-	(304)
Others	220	338	402	592	308	(284)
Revenue	29,180	26,554	28,325	28,046	18,541	(9,505)
Pachinko and pachislot hall operations	(5.9%)	(10.9%)	+2.3%	(3.4%)	(32.4%)	-
Amusement arcade operations	-	-	+268.1%	+8.3%	(39.0%)	-
Restaurant operations	-	-	-	-	-	-
Others	+3.8%	+53.6%	+18.9%	+47.3%	(48.0%)	-
Revenue (YoY)	(5.9%)	(9.0%)	+6.7%	(1.0%)	(33.9%)	-
Pachinko and pachislot hall operations	99.2%	97.2%	93.2%	90.9%	92.9%	-
Amusement arcade operations	-	1.6%	5.4%	5.9%	5.5%	-
Restaurant operations	-	-	-	1.1%	-	-
Others	0.8%	1.3%	1.4%	2.1%	1.7%	-
Revenue (composition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-
Pachinko and pachislot hall operations	1,576	1,223	2,314	2,438	(6,493)	(8,931)
Amusement arcade operations	-	(74)	153	56	(308)	(364)
Restaurant operations	-	-	(92)	(597)	(260)	+337
Others	(118)	(213)	(145)	(493)	(506)	(13)
Segment profit	1,458	936	2,230	1,404	(7,567)	(8,971)
Pachinko and pachislot hall operations	108.1%	130.7%	103.8%	173.6%	-	-
Amusement arcade operations	-	(7.9%)	6.9%	4.0%	-	-
Restaurant operations	-	-	(4.1%)	(42.5%)	-	-
Others	(8.1%)	(22.8%)	(6.5%)	(35.1%)	-	-
Segment profit (composition ratio)	100.0%	100.0%	100.0%	100.0%	-	-
Pachinko and pachislot hall operations	5.4%	4.7%	8.8%	9.6%	(37.7%)	(47.3%)
Amusement arcade operations	-	(17.7%)	10.0%	3.4%	(30.3%)	(33.7%)
Restaurant operations	-	-	-	(196.4%)	-	-
Others	(53.6%)	(63.0%)	(36.1%)	(83.3%)	(164.3%)	(81.0%)
Profit before income tax	3.1%	0.8%	3.9%	2.1%	(45.9%)	(47.9%)

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.
	03/2017	03/2018	03/2019	03/2020	03/2021	
Gross pay-ins	143,130	138,493	141,731	139,053	94,414	(44,639)
Less: gross pay-outs	114,734	113,230	115,850	114,046	77,531	(36,515)
Revenue from pachinko and pachislot hall business	28,396	25,263	25,881	25,007	16,883	(8,124)
Revenue from amusement arcades	-	417	1,535	1,663	1,015	(648)
Vending machine income	564	536	507	480	335	(145)
Revenue from hotel operations	130	158	132	143	55	(88)
Revenue from restaurant operations	90	180	270	753	253	(500)
Revenue	29,180	26,554	28,325	28,046	18,541	(9,505)
Gross pay-ins	(9.5%)	(3.2%)	+2.3%	(1.9%)	(32.1%)	-
Less: gross pay-outs	(10.3%)	(1.3%)	+2.3%	(1.6%)	(32.0%)	-
Revenue from pachinko and pachislot hall business	(6.0%)	(11.0%)	+2.4%	(3.4%)	(32.5%)	-
Revenue from amusement arcades	-	-	+268.1%	+8.3%	(39.0%)	-
Vending machine income	(4.1%)	(5.0%)	(5.4%)	(5.3%)	(30.2%)	-
Revenue from hotel operations	(20.7%)	+21.5%	(16.5%)	+8.3%	(61.5%)	-
Revenue from restaurant operations	+87.5%	+100.0%	+50.0%	+178.9%	(66.4%)	-
Revenue (YoY)	(5.9%)	(9.0%)	+6.7%	(1.0%)	(33.9%)	-
Revenue from pachinko and pachislot hall business	97.3%	95.1%	91.4%	89.2%	91.1%	-
Revenue from amusement arcades	0.0%	1.6%	5.4%	5.9%	5.5%	-
Vending machine income	1.9%	2.0%	1.8%	1.7%	1.8%	-
Revenue from hotel operations	0.4%	0.6%	0.5%	0.5%	0.3%	-
Revenue from restaurant operations	0.3%	0.7%	1.0%	2.7%	1.4%	-
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	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	FY	FY	FY	FY	FY	Net Chg.
	03/2017	03/2018	03/2019	03/2020	03/2021	
Property, plant and equipment	26,406	26,207	28,523	22,257	18,581	(3,676)
Right-of-use assets	-	-	-	32,072	27,949	(4,123)
Investment properties	678	662	650	630	737	+107
Intangible assets	182	1,571	1,662	1,601	1,400	(201)
Prepayments, deposits and other receivables	3,866	3,751	4,208	5,119	4,545	(574)
Financial assets at fair value through profit or loss	104	52	100	-	-	-
FAs at fair value through other comprehensive income	1,210	953	911	565	577	+12
Deferred income tax assets	1,656	1,565	1,588	2,822	5,765	+2,943
Long-term bank deposits	35	47	-	-	-	-
Non-current assets	34,137	34,808	37,642	65,066	59,554	(5,512)
Inventories	20	57	109	40	21	(19)
Trade receivables	88	57	53	48	64	+16
Prepayments, deposits and other receivables	1,457	1,312	1,020	1,026	1,327	+301
Current income tax recoverable	55	300	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	100	106	+6
Current income tax recoverable	-	-	-	-	474	+474
Bank deposits with maturity over three months	252	43	43	750	42	(708)
Cash and cash equivalents	13,404	15,594	15,176	14,128	15,903	+1,775
Current assets	15,276	17,363	16,401	16,092	17,937	+1,845
Total assets	49,413	52,171	54,043	81,158	77,491	(3,667)
Share capital	3,000	3,000	3,000	3,000	3,000	-
Reserves	24,499	24,176	24,617	23,220	17,762	(5,458)
Non-controlling interest	-	(40)	(106)	(421)	(556)	(135)
Total equity	27,499	27,136	27,511	25,799	20,206	(5,593)
Borrowings	8,656	10,854	11,792	9,853	738	(9,115)
Lease liabilities	4,048	3,247	2,717	32,035	30,534	(1,501)
Provisions and other payables	1,989	2,111	2,226	2,270	2,192	(78)
Derivative financial instruments	11	8	27	22	16	(6)
Non-current liabilities	14,704	16,220	16,762	44,180	33,480	(10,700)
Trade payables	123	247	294	114	108	(6)
Borrowings	2,394	3,886	4,290	3,233	15,929	+12,696
Lease liabilities	1,160	888	703	2,542	2,906	+364
Accruals, provisions and other payables	3,532	3,793	4,353	4,404	4,131	(273)
Derivative financial instruments	1	1	4	4	3	(1)
Current income tax liabilities	-	-	126	882	728	(154)
Current liabilities	7,210	8,815	9,770	11,179	23,805	+12,626
Total liabilities	21,914	25,035	26,532	55,359	57,285	+1,926
Total equity and liabilities	49,413	52,171	54,043	81,158	77,491	(3,667)
Interest bearing debt	16,258	18,875	19,502	47,663	50,107	+2,444
Net debt	2,602	3,238	4,283	32,785	34,162	+1,377
Equity ratio	55.7%	52.0%	50.9%	31.8%	26.1%	-
Net debt equity ratio	9.5%	11.9%	15.6%	127.1%	169.1%	-
ROE (12 months)	1.8%	(0.1%)	2.2%	0.7%	(23.8%)	-
ROA (12 months)	1.8%	0.4%	2.1%	0.9%	(10.7%)	-
Quick ratio	191%	178%	156%	134%	67%	-
Current ratio	212%	197%	168%	144%	75%	-

Source: Company Data, WRJ Calculation

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows (Million Yen)	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.Act FY 03/2019	Cons.Act FY 03/2020	Cons.Act FY 03/2021	YoY Net Chg.
Cash flows from operating activities (A)	5,320	2,950	4,565	5,470	2,723	(2,747)
Cash flows from investing activities (B)	(273)	(2,698)	(4,986)	(165)	(658)	(493)
Free cash flows (A) + (B)	5,047	252	(421)	5,305	2,065	(3,240)
Cash flows from financing activities	(3,953)	1,942	6	(6,342)	(277)	+6,065

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.Act FY 03/2019	Cons.Act FY 03/2020	Cons.Act FY 03/2021	YoY Net Chg.
No. of shares FY end (million shares)	1,196	1,196	1,196	1,196	1,196	-
Profit at. to SHs of Co. / EPS (million shares)	1,197	1,154	1,196	1,193	1,197	-
Treasury Shares FY End (million Shares)	-	-	-	-	-	-
Earnings per share	0.411	(0.013)	0.510	0.150	(4.580)	-
Earnings Per Share (Fully Diluted)	-	-	-	-	-	-
Book Value Per Share	-	-	-	-	-	-
Dividend per share	0.12	0.12	0.15	0.10	0.00	-
Payout ratio	29.2%	-	29.4%	66.7%	-	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.Act FY 03/2019	Cons.Act FY 03/2020	Cons.Act FY 03/2021	YoY Net Chg.
Share split factor	1	1	1	1	1	-
Earnings per share	0.411	(0.013)	0.510	0.150	(4.580)	-
Dividend per share	0.12	0.12	0.15	0.10	0.00	-

Source: Company Data, WRJ Calculation

6.0 Other Information

Making Life Happy, Enjoyable and Fun

The Company's history started with the setup of a pachinko hall in Mito-city, Ibaraki-prefecture by Tetsuyoshi Taniguchi, the founder, in 1950. After more than 70 years since then, the Company had the number of pachinko and pachislot halls run under management as many as collective 47 in eastern Japan as of the end of FY03/2021. Meanwhile, according to Hisanori Taniguchi, current Chairman of the Board with the Company, having succeeded management from Tetsuyoshi Taniguchi, the founder, after a period of management by Masataka Taniguchi in-between, the Company is a spicy entity 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 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 "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 correspond to ever-changing trends in the market for pachinko and pachislot as well as customer preferences for its operations to run pachinko and pachislot 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 and pachislot halls 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 (ticker: 1245), while having started up operations in ex-Japan Asia by means of consolidating Dream Games Singapore Pte. Ltd. on 20 November 2017 with procurement of 100% of the shares outstanding. Elsewhere, it was on 20 June 2019, when the Company started up running Japanese food court in Shenzhen-city, China.

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 4 halls in Fukushima-prefecture (three in Koriyama-city)
1990 to 1997	Opened 10 halls
December 1991	Opened Nikku Club (changed into training facility from 2000)
August 1992	Opened the 10th hall (Nakano-Shimbashi Hall)
August 1998	Identified as NIRAKU Corporation versus NIRAKU SHOJI Corporation by then
2001	Opened 5 halls
2002	Own halls, identified as “NIRAKU” versus “DAIWA” by then
2002 to 2005	Opened 15 halls
February 2003	Opened the 20th hall (Soma Hall)
2006 to 2010	Opened 16 halls in Tokyo, Fukushima-prefecture and neighboring prefectures
February 2010	Established Special Subsidiary Company NIRAKU MERRIST Corporation
November 2010	Opened the 20th hall in Fukushima-prefecture (Sasakino Hall)
May 2011	Opened the 50th hall (Koriyama-Arai Hall 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	NIRAKU Corporation, opened the first Spanish bar-restaurant in Tokyo under “LIZARRAN”-brand
April 2015	On 8 April 2015, listed on the Mainboard of Hong Kong Stock Exchange
April 2016	NIRAKU Corporation, opened Fukushima-Taiheiji Hall
May 2017	NIRAKU Corporation, closed Maebashi-Oshima Hall
May 2017	Established a joint holding company, NPJ Hong Kong Limited, in Hong Kong through NGCH Hong Kong Limited, fully-owned subsidiary, to launch a food court business in Shenzhen-city, China
November 2017	Consolidated Dream Games Singapore Pte. Ltd. (based in Singapore) as subsidiary
December 2017	NIRAKU Corporation, closed Hitachi-Omiya Hall
June 2018	NIRAKU Corporation, opened the first “KOMEDA’s Coffee Shop” on the premises of Kazo-Atago Hall
October 2018	NIRAKU Corporation, closed Mizuho Hall
November 2018	Established a joint venture company in Hong Kong to enter the pan-Asian e-sports business through fully-owned subsidiary NGCH Hong Kong Limited
December 2018	NIRAKU Corporation, closed Nakakido Hall
January 2019	NIRAKU Corporation, opened the second “KOEDA’s Coffee Shop” on the premises of Iruma-Shinko Hall
March 2019	NIRAKU Corporation, opened Spanish bar-restaurant "LIZARRAN" in Takadanobaba
October 2019	NIRAKU Corporation, opened Spanish bar-restaurant "LIZARRAN" in Sangenjaya
June 2020	NIRAKU Corporation, closed BIZYUTSUKAN-Dori Hall

August 2020 NIRAKU Corporation, opened Koriyama-Omachi Hall
October 2020 NIRAKU Corporation, closed Bansei Hall
October 2020 NIRAKU Corporation, closed Koriyama-Ekimae Hall
October 2020 NIRAKU Corporation, closed Ota-Zoushiki Hall
October 2020 NIRAKU Corporation, closed Nakano Hall
October 2020 Consolidated NEXIA INC. as subsidiary versus sub-subsiary by then

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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