

# NIRAKU GC HOLDINGS

株式会社ニラク・ジー・シー・ホールディングス

## NIRAKU GC HOLDINGS, INC.\*

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

Stock Code 股份代號 : 1245

# 2020/2021

INTERIM REPORT 中期報告

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# Corporate Profile

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

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

NIRAKU has a strong pachinko hall network, stretching from Tokyo Metropolitan Area to Northeast Honshu, equipped with over 26,000 pachinko and pachislot machines serving customers in ten prefectures in Japan.

\* for identification purpose only

# Corporation Information and Information for Investors

## CORPORATE INFORMATION

### Executive Directors

Mr. Hisanori TANIGUCHI (*Chairman*)  
Mr. Akinori OHISHI  
Mr. Masataka WATANABE

### Non-Executive Director

Mr. Hiroshi BANNAI

### Independent Non-Executive Directors

Mr. Michio MINAKATA  
Mr. Yoshihiro KOIZUMI  
Mr. Kuraji KUTSUWATA  
Mr. Akihito TANAKA

### Audit Committee

Mr. Michio MINAKATA (*Committee Chairman*)  
Mr. Yoshihiro KOIZUMI  
Mr. Hiroshi BANNAI

### Remuneration Committee

Mr. Yoshihiro KOIZUMI (*Committee Chairman*)  
Mr. Hisanori TANIGUCHI  
Mr. Michio MINAKATA

### Nomination Committee

Mr. Hisanori TANIGUCHI (*Committee Chairman*)  
Mr. Kuraji KUTSUWATA  
Mr. Akihito TANAKA

## INFORMATION FOR INVESTORS

### Principal Bankers

Mizuho Bank, Ltd.  
Sumitomo Mitsui Bank Corporation  
The Toho Bank, Ltd.

### Auditor

PricewaterhouseCoopers  
*Certified Public Accountants*  
Registered Public Interest Entity Auditor

### Legal Adviser

Deacons

### Share Registrar

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716  
17/F Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong

### Principal Place of Business in Hong Kong

805B, 8/F Tsim Sha Tsui Centre  
66 Mody Road, Tsim Sha Tsui  
Kowloon, Hong Kong

### Headquarter in Japan and Registered Office

1-1-39 Hohaccho  
Koriyama-shi, Fukushima  
Japan 963-8811

### Stock Code

1245

### Investor and Media Relations Consultant

Strategic Financial Relations Limited

### Website

[www.ngch.co.jp](http://www.ngch.co.jp)

### Investor Relation Inquiry

e-mail: [niraku@sprg.com.hk](mailto:niraku@sprg.com.hk)

# Financial and Operational Highlights

The following table summarises the results of the Group for the financial periods ended 30 September 2020 and 2019.

	For the six months ended 30 September			
	2020		2019	
	¥ million	HK\$ million	¥ million	HK\$ million
Gross pay-ins	42,082	3,083	70,770	5,140
Gross pay-outs	(34,598)	(2,535)	(57,993)	(4,211)
Revenue from pachinko and pachislot business	7,484	548	12,777	929
Revenue from amusement arcade business	526	39	901	65
Other revenue	292	21	713	52
Revenue	8,302	608	14,391	1,046
Hall operating expenses	(7,950)	(582)	(10,850)	(788)
Administrative and other operating expenses	(1,679)	(123)	(2,348)	(171)
(Loss)/profit before income tax	(1,738)	(127)	893	65
(Loss)/profit attributable to the shareholders of the Company	(1,648)	(121)	496	36
(Loss)/earnings per share (expressed in Japanese Yen or Hong Kong dollar)	(1.38)	(0.10)	0.41	0.03
Overall revenue margin	17.8%	–	18.1%	–
Net (loss)/profit margin	(21.1%)	–	2.6%	–

	As at 30 September 2020		As at 31 March 2020	
	¥ million	HK\$ million	¥ million	HK\$ million
Current assets	17,468	1,280	16,092	1,147
Current liabilities	14,925	1,093	11,179	797
Net current assets	2,543	187	4,913	350
Total assets	81,638	5,981	81,158	5,785
Total assets less current liabilities	66,713	4,888	69,979	4,988
Gearing ratio	1.5	–	1.3	–

# Financial and Operational Highlights

## CURRENCY TRANSLATIONS

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

1. ¥13.65 to HK\$1.00, the exchange rate prevailing on 30 September 2020 (i.e. the last business day in September 2020);
2. ¥13.77 to HK\$1.00, the exchange rate prevailing on 30 September 2019 (i.e. the last business day in September 2019);
3. ¥14.03 to HK\$1.00, the exchange rate prevailing on 31 March 2020 (i.e. the last business day in March 2020);

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

# Management Discussion and Analysis

## BUSINESS OVERVIEW

Following the outbreak of Coronavirus Disease 2019 (“COVID-19”) starting in the beginning of 2020, the global economy has experienced the deepest recession. Under this circumstance, the Group’s performance was inevitably affected, not only locally in Japan, but also impacted the Group’s investments in Southeast Asia and China. As an aftermath, the revenue of the Group for the six months ended 30 September 2020 suffered from a steep fall by 42.3% from ¥14,391 million for the six months ended 30 September 2019 to ¥8,302 million in current period. The Group’s revenue margin was shrunk by 0.3%, and the net margin changed from a profit margin of 2.6% for the six months ended 30 September 2019 to a loss margin of 21.1% in current period, resulting in a net loss attributable to owners of ¥1,648 million in current period as compared to a net profit attributable to owners of ¥496 million in the same period in 2019. The Group had implemented various cost controls to minimise the impact of COVID-19 including control of labor costs, slow-down of pachinko machines replacement, freezing recruitment and advertising activities. These measures led to a 27.0% decrease in cost in 2020 as compared to the same period in 2019. As the development of COVID-19 is unpredictable, the Group remains high alert in response to the volatile market conditions and adjusted its business strategies to maintain a stable sales turnover. Despite the foregoing, the Group maintains a healthy cash flow and financial position and has sufficient cash to meet its business needs.

## BUSINESS SEGMENT ANALYSIS

### Pachinko business

The COVID-19 pandemic had further dampened the pachinko business which had already been vulnerable. Under the state of emergency declaration, the government of Japan requested citizens to self-isolate and avoid physical social interaction. Following the government directive in April 2020, the Group temporarily suspended the operation of all pachinko halls. Although most of the halls were subsequently re-opened in late May 2020, the customer recovery has yet to rebound to pre-pandemic level as the pandemic deeply affected people’s consumption behaviour. This negative impact had resulted in drastic drop in pachinko revenue from ¥12,777 million for the six months ended 30 September 2019 to ¥7,484 million in current period. To strive for a fiscal balance, various cost controls were executed by the management during the interim period. These measures included control labor costs, slow-down the machine replacement exercise, bargain for rental concession and minimise unnecessary spending. Through these measures, hall expenses were dropped by 26.7% as compared to the same period in 2019.

### Amusement arcades business

Dream Games has 10 outlets in Vietnam and 2 outlets in Cambodia, providing assorted gaming facilities to kids and their families. The performance of this business segment was seriously affected in the first quarter of this financial year as local governments announced lockdown and social distancing restrictions in late March 2020. Revenue generated from amusement arcades business recorded a 41.6% drop from ¥901 million for the six months ended 30 September 2019 to ¥526 million in current period as a result of the temporary closure of all outlets. Following the loosen of restrictions and resumption of business, Dream Games’s performance gradually recovered. Through continue alliance with big and reputable shopping mall operator, Aeon, management is confident to secure a stable business growth.

# Management Discussion and Analysis

## Restaurant business

The Group's restaurant business comprises 3 franchised Spanish restaurants under the name "LIZZARAN" and 2 franchised cafés under the name "KOMEDA" which are all located in Japan; and an array of Japanese restaurants named "YOKOCHO" in Shenzhen Upper Hills commercial building in China. Food and beverage business continued to be severe as social distancing and lockdown measures had refrained people from dining in. Though take-away service was provided by LIZZARAN, the number of patrons was low as take-away habit was less popular in Japan. A good sign was that KOMEDA's recovery was on track and rebounded to profit in June 2020.

Since the outbreak of COVID-19 in late December 2019 followed by the lockdown policy in January 2020, YOKOCHO has suspended its operation. Resumption of business will depend on the progress of facility enhancement carried out by the complex, though the Group expects it will be reopened in the coming financial year.

## PROSPECT AND FUTURE DEVELOPMENT

The business environment continues to be challenging as the pandemic is expected to persist and creates uncertainty. With over 60 years' experience in pachinko industry, the Group is resilient to market change, and is confident in achieving moderate recovery of hall traffic through providing a variety of game machines, and ensuring a safe and comfortable playing environment. In August 2020, a new hall equipped with over 1,000 game machines was opened in the Koriyama city, the main market of the Group, allowing the Group to strengthen its market base and achieve competitive advantage.

Aligning with the Group's medium to long-term business strategies, 5 loss-making pachinko halls are scheduled to cease operation in the third quarter of this financial year. Resources from these halls will be allocated to other areas. Through resources re-allocation, the management believes this could create more value and deliver higher returns to shareholders.

Outlets expansion and allying with large Japanese shopping mall developer continue to be the main business strategies of the Group in its Southeast Asian investments. The management is planning to open 2 new game centres in Vietnam in the second half of this financial year. This not only will broaden the local market share, generating new revenue, but also will strengthen Dream Games's branch presence.

The concept of accommodating café inside the vicinity of pachinko hall has proven to be successful as the two KOMEDA cafés continue to generate profits.

For eSports business, since the outbreak of COVID-19 and social distancing measures imposed in Hong Kong, its operation was in a static position as majority of the offline game events were put off with no schedule of re-opening. The Group is convinced that e-sports' popularity would not ease, and the management is seeking every opportunity in launching e-sports business in the domestic market.

In spite of the unpredictable development of the pandemic causing global economic uncertainty, the Group is ready to confront every challenge and endeavor to promote the Group's motto — "Happy, Time, Creation"; bring joy to customers and establish a rapport, long-term relationship with customers and business partners; and strive for higher returns to shareholders.



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue from Pachinko and Pachislot Business

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

Revenue from pachinko and pachislot business recorded a drastic decrease of ¥5,293 million, or 41.4%, from ¥12,777 million for the six months ended 30 September 2019 to ¥7,484 million for the same period in 2020. The plunge is due to the declaration of the state of emergency by the government of Japan restricting social activities and people-to-people contact to curb the spread of COVID-19. Following the state of emergency declaration, all pachinko and pachislot halls of the Group were temporarily closed between mid-April 2020 and late May 2020. Though the restriction was lifted subsequently, customers had low intention to visit the pachinko halls during the pandemic. These factors had drastically dampened the revenue for the six months ended 30 September 2020.

#### *Gross pay-ins*

Gross pay-ins recorded a significant drop of ¥28,688 million, or 40.5%, from ¥70,770 million for the six months ended 30 September 2019 to ¥42,082 million for the same period in current year.

#### *Gross pay-outs*

Gross pay-outs, being the aggregate cost of G-prizes and general prizes exchanged by customers, dropped by ¥23,395 million, or 40.3%, from ¥57,993 million for the six months ended 30 September 2019 to ¥34,598 million for the same period in 2020 which corresponded to the decrease in gross pay-ins.

#### *Revenue margin*

The revenue margin declined by 0.3% from 18.1% for the six months ended 30 September 2019 to 17.8% for the same period in current year. The decline in revenue margin was due to slight adjustment of pay-out ratio to stimulate customers' visit.

### Revenue from amusement arcade business

Revenue from amusement arcade business dropped from ¥901 million for the six months ended 30 September 2019 to ¥526 million for the same period in 2020. The amount comprised revenue derived from Vietnam and Cambodia amounting to ¥459 million and ¥67 million, respectively (30 September 2019: ¥707 million and ¥194 million, respectively). The decrease in revenue is due to the lockdown and social distancing measures imposed by local governments, causing temporary closure of game centres in Vietnam and Cambodia for a month.

# Management Discussion and Analysis

## Other revenue

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

Vending machine income amounted to ¥150 million for the six months ended 30 September 2020. The decrease of ¥95 million, or 38.8%, as compared to ¥245 million for the six months ended 30 September 2019 was resulted from the negative impact of COVID-19 as mentioned above.

Income from hotel operation amounted to ¥20 million for the six months ended 30 September 2020, recording a significant drop of ¥62 million, or 75.6%, as compared to the six months ended 30 September 2019 of ¥82 million. The hit on hotel income is caused by extremely low occupancy rate of 11% for the six months ended 30 September 2020 as compared to 75% in the same period in 2019, as hotel was closed for two months during the early outbreak of COVID-19.

Revenue from restaurant operations amounted to ¥122 million for the six months ended 30 September 2020. The decline of ¥264 million as compared to the same period in 2019 was resulted from the temporary suspension of business during the outbreak of COVID-19.

## Hall operating expenses

Hall operating expenses decreased by ¥2,900 million, or 26.7%, from ¥10,850 million for the six months ended 30 September 2019 to ¥7,950 million for the same period in current year. Major components of hall operating expenses are pachinko and pachislot machine expenses, staff cost for hall staff and depreciation expenses, amounting to ¥1,533 million, ¥2,456 million and ¥2,220 million, respectively, for the six months ended 30 September 2020 (30 September 2019: ¥3,222 million, ¥2,785 million and ¥2,265 million, respectively).

The decline in hall operating expenses was resulted from (i) less pachinko and pachislot machines were purchased during the current period; (ii) cancellation of interim bonus for staff; and (iii) decrease in variable costs such as repair and maintenance and travelling expenses, as no business activity was carried out during the business suspension.

## Administrative and other operating expenses

Administrative and other operating expenses decreased by ¥669 million, or 28.5% from ¥2,348 million for the six months ended 30 September 2019 to ¥1,679 million for the same period in 2020. The decrease in expenses was attributable to the decrease in staff and recruitment expenses and advertising expenses under the cost control measures.

## Finance costs

Finance costs, net amounted to ¥669 million for the six months ended 30 September 2020 which was maintained at the similar level of ¥689 million for the same period in 2019.

## (Loss)/profit attributable to shareholders of the Company, basic (loss)/earnings per share and dividend

Loss attributable to shareholders of the Company of ¥1,648 million was recorded for the six months ended 30 September 2020, as compared to profit attributable to shareholders of the Company of ¥496 million for the six months ended 30 September 2019. The turnaround from profit for the six months ended 30 September 2019 to loss in the same period in 2020 was due to the significant drop in revenue caused by the negative impact of COVID-19 pandemic.

Basic loss per share for the six months ended 30 September 2020 was ¥1.38 (basic earnings per share for the six months ended 30 September 2019: ¥0.41). The Board has resolved not to declare an interim dividend for the six months ended 30 September 2020 (30 September 2019: ¥0.10 per share).

# Management Discussion and Analysis

## CAPITAL STRUCTURE

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

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

The table below sets forth the information regarding the cash and bank balances, borrowings, lease liabilities, working capital, total equity and gearing ratio of the Group as at 30 September 2020 and 31 March 2020, and operating cash flows before movements in working capital of the Group for the six months ended 30 September 2020 and 2019, respectively:

	As at 30 September 2020 ¥ million	As at 31 March 2020 ¥ million
Cash and cash equivalents	15,865	14,128
Bank deposits with maturity over 3 months	75	750
	<b>15,940</b>	<b>14,878</b>
Bank loans	4,044	4,792
Syndicated loans	12,617	8,294
Lease liabilities	34,636	34,577
	<b>51,297</b>	<b>47,663</b>
Working capital (Note 1)	2,543	4,913
Total equity	24,045	25,799
Gearing ratio (Note 2)	1.5	1.3
	<b>861</b>	<b>4,345</b>
	<b>861</b>	<b>4,345</b>

Note 1: Working capital being current assets less current liabilities.

Note 2: Gearing ratio is calculated as total borrowings less cash and cash equivalents divided by equity.

# Management Discussion and Analysis

Net current assets of the Group totalled ¥2,543 million as at 30 September 2020 (31 March 2020: ¥4,913 million), and current ratio was 1.17 as at 30 September 2020 (31 March 2020: 1.44). As at 30 September 2020, there were cash and cash equivalents of ¥15,865 million (31 March 2020: ¥14,128 million), in which ¥14,530 million was denominated in Japanese Yen, ¥1,007 million was denominated in United States dollar, ¥255 million was denominated in Hong Kong dollar and ¥73 million was denominated in other currencies. As at 30 September 2020, the Group had total borrowings of ¥51,297 million (31 March 2020: ¥47,663 million). Current portion of bank borrowings and current portion of lease liabilities amounted to ¥10,911 million as at 30 September 2020 (31 March 2020: ¥5,775 million).

The Group's bank borrowings during the current period comprised bank loans and syndicated loans. As at 30 September 2020, the total bank borrowings amounted to ¥16,661 million (31 March 2020: ¥13,086 million), with average effective interest rates on bank borrowings ranged from 0.90% to 1.74% (31 March 2020: 1.08% to 1.80%) per annum. Approximately 7.2% of bank borrowings as at 30 September 2020 were fixed rate borrowings.

## HEDGING OF FLOATING RATE BORROWINGS AND FOREIGN EXCHANGE

As at 30 September 2020, the Group had three floating to fixed interest rate swap contracts with banks in Japan (i.e. the Group pays fixed interest rates and receives interests at floating rate). These interest rate swap contracts were entered into as a measure to manage interest rate risk in relation to loans of the Group. As interest rates of some of the Group's loans are on a floating rate basis, the floating to fixed interest rate swap contracts enabled the Group to reduce the volatility in the amount of interest being paid. For the six months ended 30 September 2020, no gain or loss on fair value for interest rate swap contracts was incurred.

The Group did not carry out significant foreign currency investment and its debts were all denominated in Japanese Yen as at 30 September 2020. As the functional currency of certain subsidiaries are different from the Company, the Group will be exposed to foreign exchange risk arising from such exposure, namely in Singapore Dollar, Vietnamese Dong, Cambodian Riel and Renminbi against Japanese Yen. The management is assessing the significance of the foreign currency exposures faced by the Group and will consider adopting appropriate measures to mitigate the risk, including but not limited to entering into currency hedges.

## GEARING RATIO

The gearing ratio, defined as the aggregate of interest-bearing loans and lease liabilities less cash and cash equivalents, divided by total equity, was 1.5 as at 30 September 2020 (31 March 2020: 1.3).

# Management Discussion and Analysis

## CAPITAL EXPENDITURE

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

	<b>As at 30 September 2020 ¥ million</b>	As at 31 March 2020 ¥ million
Property, plant and equipment	<b>812</b>	1,473
Right-of-use assets	<b>1,013</b>	963
Intangible assets	–	63
	<b>1,825</b>	2,499

## CHARGES ON ASSETS

As at 30 September 2020 and 31 March 2020, the carrying values of charged assets were as below:

	<b>As at 30 September 2020 ¥ million</b>	As at 31 March 2020 ¥ million
Property, plant and equipment	<b>11,168</b>	10,475
Investment properties	<b>620</b>	630
Deposits and other receivables	<b>145</b>	178
	<b>11,933</b>	11,283

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2020 and 31 March 2020.

## CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 30 September 2020 and 31 March 2020 are set out in Note 22 to the condensed consolidated interim financial information.

# Management Discussion and Analysis

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

During the six months ended 30 September 2020, the Group did not conduct any significant investments, material acquisitions or disposals. Save for those disclosed in this interim report, the Group had no plan authorised by the Board for other material investments or additions of capital assets as at the date of this interim report.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2020, the Group had 1,870 employees. The remuneration policy of the Group (including those for directors and employees) is determined by the Remuneration Committee under the Board as per the performance, qualifications and competence of the employees. Details of the key management remuneration of the Company are set forth in Note 23(c) to the condensed consolidated interim financial information.

## **Financial Key Performance Indicators**

Certain financial key performance indicators which complement and supplement the financial disclosures are set out in “Management Discussion and Analysis” on pages 6 to 13 and the “Condensed Consolidated Financial Statements” on pages 21 to 44 of this interim report.

# Corporate Governance and Other Information

## CORPORATE GOVERNANCE

During the six months ended 30 September 2020, the Company has adopted and complied with all the applicable principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), with the exception for code provision A.2.1, which requires the roles of chairman and chief executive to be separated and should be performed by different individuals, and code provision E.1.3, which requires that notice for an annual general meeting should be sent to the shareholders at least 20 clear business days before the meeting.

### Code Provision A.2.1

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

### Code Provision E.1.3

Code provision E.1.3 stipulates that notice for an annual general meeting (the “AGM”) should be sent to its shareholders by the issuer at least 20 clear business days before the meeting. The AGM of the Company for the year ended 31 March 2020 was held on 29 July 2020 (the “2020 AGM”), while the notice for the 2020 AGM was despatched on 3 July 2020. The above arrangement complied with the articles of incorporation of the Company (the “Articles of Incorporation”) prepared pursuant to the Companies Act in respect of the minimum notice period of 21 calendar days (the date of sending and the date of the meeting shall not be included within this period) for AGM but the notice period for the 2020 AGM was less than 20 clear business days before the 2020 AGM.

Under the Companies Act and the Articles of Incorporation, the Company is required to hold an AGM within three months after the expiration of each financial year (i.e. on or before 30 June 2020 for the financial year ended 31 March 2020). Due to COVID-19, it is permitted by the Ministry of Justice of Japan to hold the 2020 AGM on a day after the date specified in the Articles of Incorporation.

The Companies Act also requires the notice for the AGM to be despatched together with the audited financial statements under the Japanese Generally Accepted Accounting Principles, which must be approved by the Board. On the other hand, the annual report must contain audited financial statements prepared under the IFRS as required under the Listing Rules. As a result, more time was required to finalise the annual report which accompanied the AGM notice despatched to the Shareholders.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company’s code of conduct during the six months ended 30 September 2020.

# Corporate Governance and Other Information

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the six months ended 30 September 2020. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the six months ended 30 September 2020.

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

As at 30 September 2020, the interests and short positions of the Directors and the chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register as required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

	Capacity/Nature of interest	Total	Approximate % of shareholding
Hisanori TANIGUCHI (谷口久徳)	Beneficial owner, interest of controlled corporation <sup>(1)</sup>	225,560,460 common shares	18.86%
Hiroshi BANNAI (坂内弘)	Beneficial Owner	216,000 common shares	0.02%

Notes:

- (1) The interests held by Hisanori TANIGUCHI (谷口久徳) shown above include the 214,060,460 shares held in his own name for his own benefit and the 11,500,000 shares held by Densho Limited\* (有限会社伝承), a company collectively wholly-owned by his children, the voting rights of which are exercisable by him.
- (2) All interests stated are long positions.
- (3) There were 1,195,850,460 shares in issue as at 30 September 2020.

Save as disclosed above, as at 30 September 2020, none of the Directors and chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



# Corporate Governance and Other Information

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

As at 30 September 2020, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

	Capacity/Nature of interest	Total	Approximate % of shareholding
Tatsuo TANIGUCHI (谷口龍雄)	Beneficial owner, interest of controlled corporation, custodian <sup>(1)</sup>	223,790,000 common shares	18.71%
Masataka TANIGUCHI (谷口晶貴)	Beneficial owner, interest of controlled corporation, custodian <sup>(2)</sup>	151,570,000 common shares	12.67%
Yoshihiro TANIGUCHI (谷口佳浩)	Beneficial owner, interest of controlled corporation, custodian <sup>(3)</sup>	98,440,000 common shares	8.23%
Sumitomo Mitsui Financial Group, Inc.* (株式会社三井住友フィナンシャルグループ)	Interest of controlled corporation <sup>(4)</sup>	229,137,500 common shares	19.16%
Sumitomo Mitsui Banking Corporation* (株式会社三井住友銀行)	Interest of controlled corporation <sup>(4)</sup>	229,137,500 common shares	19.16%
SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行)	Trustee <sup>(1), (2), (3), (4)</sup>	229,137,500 common shares	19.16%
Seiai TANIGUCHI (谷口正愛)	Interest of a spouse <sup>(5)</sup>	225,560,460 common shares	18.86%
Hideko TANIGUCHI (谷口秀子)	Interest of a spouse <sup>(6)</sup>	223,790,000 common shares	18.71%
Eiko TANIGUCHI (谷口栄子)	Interest of a spouse <sup>(7)</sup>	151,570,000 common shares	12.67%
Yurie TANIGUCHI (谷口祐莉恵)	Interest of a spouse <sup>(8)</sup>	98,440,000 common shares	8.23%
Okada Holdings Limited	Beneficial owner <sup>(9)</sup>	80,500,000 common shares	6.73%

# Corporate Governance and Other Information

	Capacity/Nature of interest	Total	Approximate % of shareholding
Universal Entertainment Corporation	Beneficial owner <sup>(9)</sup>	80,500,000 common shares	6.73%
Tiger Resort Asia Limited	Beneficial owner <sup>(9)</sup>	80,500,000 common shares	6.73%
Niraku Employee Stock Ownership Association Trustee		60,060,000 common shares	5.02%

## Notes:

- (1) The interests held by Mr. Tatsuo TANIGUCHI (谷口龍雄) shown above include: (i) 161,690,000 shares held in his own name for his own benefit, (ii) 19,320,000 shares held by Jukki Limited\* (有限会社十起), a company collectively wholly-owned by his children, the voting rights of which are exercisable by Mr. Tatsuo TANIGUCHI (谷口龍雄); (iii) 1,380,000 shares held by KAWASHIMA Co., Ltd.\* (株式会社KAWASHIMA), a company collectively wholly-owned by our Chairman, Mr. Tatsuo TANIGUCHI (谷口龍雄) and Mr. Masataka TANIGUCHI (谷口晶貴), the voting rights of which are exercisable by Mr. Tatsuo TANIGUCHI (谷口龍雄); and (iv) 41,400,000 shares held by the TT Family Trust for the benefit of his children, namely Ms. Yoshika TEI (鄭淑佳)\* (also known as Ms. JEONG Sukka), Mr. Kousei TEI (鄭光誠)\* (also known as Mr. CHONG Gangsong) and Mr. Kiyokazu TANIGUCHI (谷口清和). SMBC Trust Bank Ltd.\* (株式会社SMBC信託銀行) is the trustee and assignee\* (受託者) of the TT Family Trust and Mr. Tatsuo TANIGUCHI (谷口龍雄) is entitled to exercise the voting rights attached to the shares under the TT Family Trust. The interests under the TT Family Trust are equally distributed among the three beneficiaries under the TT Family Trust.
- (2) The interests held by Mr. Masataka TANIGUCHI (谷口晶貴) shown above include: (i) 11,442,500 shares held in his own name for his own benefit; (ii) 5,750,000 shares held by Hokuyo Kanko Limited\* (有限会社北陽観光), a company collectively wholly-owned by his children, the voting rights of which are exercisable by Mr. Masataka TANIGUCHI (谷口晶貴); and (iii) 134,377,500 shares held by the MT Family Trust for the benefit of his children, namely Mr. Tatsunari TANIGUCHI (谷口辰成)\* (also known as Mr. CHONG Jinsong), Mr. Takanari TANIGUCHI (谷口喆成)\* (also known as Mr. JEONG Cheolseong) and Mr. Toshinari TANIGUCHI (谷口才成)\* (also known as Mr. CHUNG Jaeseong). SMBC Trust Bank Ltd.\* (株式会社SMBC信託銀行) is the trustee and assignee\* (受託者) of the MT Family Trust and Mr. Masataka TANIGUCHI (谷口晶貴) is entitled to exercise the voting rights attached to the shares under the MT Family Trust. The interests under the MT Family Trust are equally distributed among the three beneficiaries under the MT Family Trust.
- (3) The interests held by Mr. Yoshihiro TANIGUCHI (谷口佳浩) shown above include: (i) 33,580,000 shares held in his own name for his own benefit; (ii) 11,500,000 shares held by Daiki Limited\* (有限会社大喜), a company collectively wholly-owned by his children, the voting rights of which are exercisable by Mr. Yoshihiro TANIGUCHI (谷口佳浩); and (iii) 53,360,000 shares held by the YT Family Trust for the benefit of his children, namely Mr. Akinori TANIGUCHI (谷口晃紀) and Mr. Masahide TANIGUCHI (谷口昌英). SMBC Trust Bank Ltd.\* (株式会社SMBC信託銀行) is the trustee and assignee\* (受託者) of the YT Family Trust and Mr. Yoshihiro TANIGUCHI (谷口佳浩) is entitled to exercise the voting rights attached to the shares under the YT Family Trust. The interests under the YT Family Trust are equally distributed among the two beneficiaries under the YT Family Trust.
- (4) Sumitomo Mitsui Financial Group, Inc.\* (株式会社三井住友フィナンシャルグループ) holds Sumitomo Mitsui Banking Corporation\* (株式会社三井住友銀行), which holds SMBC Trust Bank Ltd.\* (株式会社SMBC信託銀行). Accordingly, each of Sumitomo Mitsui Banking Corporation\* (株式会社三井住友銀行) and Sumitomo Mitsui Financial Group, Inc.\* (株式会社三井住友フィナンシャルグループ) is deemed to be interested in such 229,137,500 shares held by SMBC Trust Bank Ltd.\* (株式会社SMBC信託銀行).
- (5) Ms. Seiai TANIGUCHI (谷口正愛) is the spouse of our Chairman and is therefore deemed to be interested in the shares that our Chairman is interested in under the SFO.
- (6) Mrs. Hideko TANIGUCHI (谷口秀子) is the spouse of Mr. Tatsuo TANIGUCHI (谷口龍雄) and is therefore deemed to be interested in the shares that Mr. Tatsuo TANIGUCHI (谷口龍雄) is interested in under the SFO.
- (7) Mrs. Eiko TANIGUCHI (谷口栄子) is the spouse of Mr. Masataka TANIGUCHI (谷口晶貴) and is therefore deemed to be interested in the shares that Mr. Masataka TANIGUCHI (谷口晶貴) is interested in under the SFO.

# Corporate Governance and Other Information

- (8) Ms. Yurie TANIGUCHI (谷口祐莉恵) is the spouse of Mr. Yoshihiro TANIGUCHI (谷口佳浩) and is therefore deemed to be interested in the shares that Mr. Yoshihiro TANIGUCHI (谷口佳浩) is interested in under the SFO.
- (9) Okada Holdings Limited indirectly holds 74.21% interest in Universal Entertainment Corporation, which directly holds Tiger Resort Asia Limited. Accordingly, each of the Universal Entertainment Corporation and Okada Holdings Limited is deemed to be interested in such 80,500,000 shares held by Tiger Resort Asia Limited.
- (10) All interests stated are long positions.
- (11) There were 1,195,850,460 shares in issue as at 30 September 2020.

Save as disclosed above, as at 30 September 2020, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## CHANGE TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Directors since the date of the Company's Annual Report 2020 is set out below:

- Mr. Akihito TANAKA has been appointed as an Independent Non-executive Director with effect from 29 July 2020.

Save as disclosed above, there is no change in information of the Directors since the date of the Company's Annual Report 2020 which required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2020 (30 September 2019: ¥0.10 per share).

## REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information and the Interim Report for the six months ended 30 September 2020 and discussed the financial related matters with the management. The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2020 has been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

\* For identification purpose only

# Report on Review of Interim Financial Information



**TO THE BOARD OF DIRECTORS OF 株式会社ニラク・ジー・シー・ホールディングス NIRAKU GC HOLDINGS, INC.\***  
*(incorporated in Japan with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 21 to 44, which comprises the interim condensed consolidated statement of financial position of 株式会社ニラク・ジー・シー・ホールディングス NIRAKU GC HOLDINGS, INC\*. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 September 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

# Report on Review of Interim Financial Information

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 20 November 2020

\* *For identification purpose only*

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2020

	Note	Six months ended 30 September 2020 ¥ million (Unaudited)	2019 ¥ million (Unaudited)
Revenue	6	8,302	14,391
Other income	7	392	441
Other gains/(losses), net	7	137	(52)
Hall operating expenses	8	(7,950)	(10,850)
Administrative and other operating expenses	8	(1,679)	(2,348)
Impairment loss on loan to an associate		(271)	—
<b>Operating (loss)/profit</b>		<b>(1,069)</b>	1,582
Finance income		47	31
Finance costs		(716)	(720)
Finance costs, net	9	(669)	(689)
<b>(Loss)/profit before income tax</b>		<b>(1,738)</b>	893
Income tax expense	10	(14)	(516)
<b>(Loss)/profit for the period</b>		<b>(1,752)</b>	377
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		(1,648)	496
Non-controlling interest		(104)	(119)
		(1,752)	377
<b>Other comprehensive (loss)/income</b>			
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>			
Currency translation differences		(26)	(20)
<i>Items that will not be reclassified to profit or loss</i>			
Change in value of financial assets through other comprehensive income		24	(124)
<b>Total comprehensive (loss)/income for the period</b>		<b>(1,754)</b>	233
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		(1,650)	351
Non-controlling interest		(104)	(118)
		(1,754)	233
<b>(Loss)/earnings per share for (loss)/profit attributable to owners of the Company</b>			
— Basic and diluted (expressed in ¥ per share)	11	(1.38)	0.41

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

# Interim Condensed Consolidated Statement of Financial Position

As at 30 September 2020

	Note	30 September 2020 ¥ million (Unaudited)	31 March 2020 ¥ million (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	21,853	22,257
Right-of-use assets	14	31,902	32,072
Investment properties	13	620	630
Intangible assets	13	1,562	1,601
Prepayments, deposits and other receivables		4,826	5,119
Interest in an associate	20	–	–
Financial assets at fair value through other comprehensive income		600	565
Deferred income tax assets		2,807	2,822
		<b>64,170</b>	65,066
<b>Current assets</b>			
Inventories		114	40
Trade receivables	15	92	48
Prepayments, deposits and other receivables		1,208	1,026
Financial assets at fair value through profit or loss		104	100
Bank deposits with maturity over 3 months		75	750
Cash and cash equivalents		15,865	14,128
		<b>17,458</b>	16,092
Assets classified as held for sales		10	–
		<b>17,468</b>	16,092
<b>Total assets</b>		<b>81,638</b>	81,158

# Interim Condensed Consolidated Statement of Financial Position (CONTINUED)

As at 30 September 2020

	Note	30 September 2020 ¥ million (Unaudited)	31 March 2020 ¥ million (Audited)
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	16	3,000	3,000
Reserves	17	21,570	23,220
		<b>24,570</b>	26,220
Non-controlling interest		(525)	(421)
<b>Total equity</b>		<b>24,045</b>	25,799
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	19	8,660	9,853
Lease liabilities	14	31,726	32,035
Provisions and other payables		2,260	2,270
Derivative financial instruments		22	22
		<b>42,668</b>	44,180
<b>Current liabilities</b>			
Trade payables	18	106	114
Borrowings	19	8,001	3,233
Lease liabilities	14	2,910	2,542
Accruals, provisions and other payables		3,297	4,404
Derivative financial instruments		4	4
Current income tax liabilities		607	882
		<b>14,925</b>	11,179
<b>Total liabilities</b>		<b>57,593</b>	55,359
<b>Total equity and liabilities</b>		<b>81,638</b>	81,158

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



# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Attributable to shareholders of the Company									
	Share capital	Capital surplus	Capital reserve	Legal reserve	Investment revaluation reserve	Retained earnings	Exchange reserves	Sub-total	Non-controlling interest	Total
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
<b>Balance at 1 April 2019</b>	3,000	13,954	(16,028)	107	64	26,514	6	27,617	(106)	27,511
Adjustment on adoption of IFRS 16	-	-	-	-	-	(1,086)	-	(1,086)	-	(1,086)
<b>At 1 April 2019 (restated)</b>	3,000	13,954	(16,028)	107	64	25,428	6	26,531	(106)	26,425
<b>Comprehensive income/(loss)</b>										
Profit/(loss) for the period	-	-	-	-	-	496	-	496	(119)	377
<b>Other comprehensive (loss)/income</b>										
Financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	(124)	-	-	(124)	-	(124)
Currency translation difference	-	-	-	-	-	-	(21)	(21)	1	(20)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	-	(124)	496	(21)	351	(118)	233
Final dividend relating to 2019	-	-	-	-	-	(84)	-	(84)	-	(84)
<b>Total transactions with owners</b>	-	-	-	-	-	(84)	-	(84)	-	(84)
<b>Balance at 30 September 2019 (Unaudited)</b>	3,000	13,954	(16,028)	107	(60)	25,840	(15)	26,798	(224)	26,574
<b>Balance at 1 April 2020</b>	3,000	13,954	(16,028)	107	(177)	25,403	(39)	26,220	(421)	25,799
<b>Comprehensive loss</b>										
Loss for the period	-	-	-	-	-	(1,648)	-	(1,648)	(104)	(1,752)
<b>Other comprehensive income/(loss)</b>										
Financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	24	-	-	24	-	24
Currency translation difference	-	-	-	-	-	-	(26)	(26)	-	(26)
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	-	24	(1,648)	(26)	(1,650)	(104)	(1,754)
<b>Total transactions with owners</b>	-	-	-	-	24	(1,648)	(26)	(1,650)	(104)	(1,754)
<b>Balance at 30 September 2020 (Unaudited)</b>	3,000	13,954	(16,028)	107	(153)	23,755	(65)	24,570	(525)	(24,045)

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

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	¥ million	¥ million
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>		
Cash generated from operations	861	3,477
Interest paid	(108)	(173)
Income tax paid	(281)	(336)
<b>Net cash generated from operating activities</b>	<b>472</b>	<b>2,968</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(812)	(658)
Purchase of intangible assets	(25)	(50)
Proceeds from disposal of property, plant and equipment	16	19
Proceeds from bank deposits with maturity over 3 months	675	43
Placement of bank deposits with maturity over 3 months	-	(515)
Interest received	5	3
Dividend received	14	28
<b>Net cash used in investing activities</b>	<b>(127)</b>	<b>(1,130)</b>
<b>Cash flows from financing activities</b>		
Repayment of principle elements of lease liabilities	(2,184)	(2,035)
Proceeds from bank borrowings	5,925	835
Repayment of bank borrowings	(2,350)	(1,592)
Dividends paid	-	(84)
<b>Net cash generated from/(used in) financing activities</b>	<b>1,391</b>	<b>(2,876)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,736</b>	<b>(1,038)</b>
Cash and cash equivalents at beginning of the period	14,128	15,176
Exchange gain on cash and cash equivalents	1	(9)
<b>Cash and cash equivalents at end of the period</b>	<b>15,865</b>	<b>14,129</b>

## Non-cash transactions:

- (a) For the six months ended 30 September 2019, property, plant and equipment amounting to ¥3 million was acquired by means of hire purchase arrangement.
- (b) For the six months ended 30 September 2020, certain lease liabilities amounting to ¥84 million (For the six months ended 30 September 2019: ¥405 million) were settled through reduction of rental prepayments.

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

# Notes to the Condensed Consolidated Interim Financial Information

## 1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in pachinko and pachislot hall operations, hotel and restaurant operations in Japan; amusement arcade operations in Southeast Asian countries; and restaurant operations in China. The Company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in millions of Japanese Yen (“¥”), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue on 20 November 2020.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2020 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”). The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2020, as described in the annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (a) Amendments to standards adopted by the Group

The following amendments to standards have been issued and are effective for annual periods beginning on 1 April 2020:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IAS 39, IFRS 7 and IFRS 9	Hedging Accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the amendments to standards did not have any material impact on the Group’s accounting policies.

# Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

## 3 ACCOUNTING POLICIES (CONTINUED)

### (b) New and amended standards, improvements and interpretations to existing standards (collectively, the “Amendments”) not yet adopted by the Group

		Effective for accounting periods beginning on or after
Amendments to IFRS 16	COVID-19 Related Rent Concession	1 June 2020
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IFRS 3	Update reference to conceptual framework	1 January 2022
Amendments to IAS 16	Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is currently assessing the impact of the adoption of these Amendments and is of the view that they would not have a material impact on the Group’s results of operations and financial position.

## 4 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2020.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 March 2020.

There have been no changes in the risk management policies since year end.

### 5.2 Liquidity risk

There was no material change in the contractual undiscounted cash flows for financial liabilities since 31 March 2020.

# Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.3 Fair value estimation

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

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

	Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total ¥ million
<b>As at 30 September 2020 (Unaudited)</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
— Unlisted securities	–	104	–	104
Financial assets at fair value through other comprehensive income				
— Listed securities	600	–	–	600
	<b>600</b>	<b>104</b>	<b>–</b>	<b>704</b>
<b>Liabilities</b>				
Derivative financial liabilities				
— Interest rate swaps	–	26	–	26
<b>As at 31 March 2020 (Audited)</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
— Unlisted securities	–	100	–	100
Financial assets at fair value through other comprehensive income				
— Listed securities	565	–	–	565
	<b>565</b>	<b>100</b>	<b>–</b>	<b>665</b>
<b>Liabilities</b>				
Derivative financial liabilities				
— Interest rate swaps	–	26	–	26

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.3 Fair value estimation (Continued)

#### (i) *Financial instruments in level 1*

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

#### (ii) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at 30 September 2020, instruments included in level 2 comprise trust funds and interest rate swaps issued by financial institutions in Japan and which were classified as financial assets at fair value through profit or loss.

There were no transfers between levels 1, 2 and 3 during the six months ended 30 September 2020.

# Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

## 6 REVENUE AND SEGMENT INFORMATION

### (a) Revenue

	Six months ended	
	30 September	
	2020	2019
	¥ million	¥ million
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Gross pay-ins	42,082	70,770
Less: gross pay-outs	(34,598)	(57,993)
	<hr/>	<hr/>
Revenue from pachinko and pachislot hall business	7,484	12,777
Revenue from amusement arcades	526	901
Vending machine income	150	245
Revenue from hotel operation	20	82
Revenue from restaurant operations	122	386
	<hr/>	<hr/>
	8,302	14,391
	<hr/>	<hr/>

### (b) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used for making strategic decisions. The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from a service perspective and assess the performance of the operating segments based on a measure of (loss)/profit before income tax before unallocated corporate expenses for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as this condensed consolidated interim financial information.

During the year ended 31 March 2020, management had changed its internal performance review to align more closely with the Group's strategic decision and development of which the previous operating segment of "others" was separated into two operating segments, namely "other operation", representing hotel and restaurant operations in Japan and "restaurant operations" in China. The comparative amounts of the segment information for the six months ended 30 September 2019 has been reclassified to reflect such change.

Management has identified four reportable segments based on the types of services, namely (i) pachinko and pachislot hall operations in Japan, (ii) amusement arcade operations in Vietnam and Cambodia (collectively "Southeast Asia"), (iii) restaurant operations in China and (iv) other operations, representing hotel and restaurant operations in Japan.

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

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets, investment properties and intangible assets. Unallocated corporate expenses and income tax expenses are not included in segment results.

# Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

## 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (Continued)

The segment information provided to the executive directors for the six months ended 30 September 2020 and 2019 are as follows:

	Six months ended 30 September 2020				Total ¥ million
	Pachinko and pachislot hall operations in Japan ¥ million	Amusement arcade operations in Southeast Asia ¥ million	Restaurant operations in China ¥ million	Other operations in Japan ¥ million	
<b>Segment revenue from external customers</b>					
Over time	7,634	526	–	142	8,302
<b>Segment results</b>	(1,161)	(87)	(65)	(113)	(1,426)
Corporate expenses					(312)
Share of results of an associate					–
Loss before income tax					(1,738)
Income tax expense					(14)
<b>Loss for the period</b>					<b>(1,752)</b>
<b>Other segment items</b>					
Depreciation and amortisation expenses	(2,151)	(225)	(10)	(10)	(2,396)
Impairment loss on right-of-use assets	(8)	–	–	–	(8)
Impairment loss on property, plant and equipment	(172)	(17)	–	–	(189)
Finance income	46	1	–	–	47
Finance costs	(668)	(48)	–	–	(716)



## Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

### 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### (b) Segment information (Continued)

	Six months ended 30 September 2019				Total ¥ million
	Pachinko and pachislot hall operations in Japan ¥ million	Amusement arcade operations in Southeast Asia ¥ million	Restaurant operations in China ¥ million (Restated)	Other operations in Japan ¥ million (Restated)	
<b>Segment revenue from external customers</b>					
Over time	13,022	901	162	306	14,391
<b>Segment results</b>	1,350	77	(212)	(23)	1,192
Corporate expenses					(299)
Share of results of an associate					–
Profit before income tax					893
Income tax expense					(516)
<b>Profit for the period</b>					<b>377</b>
<b>Other segment items</b>					
Depreciation and amortisation expenses	(2,448)	(207)	(7)	(36)	(2,698)
Finance income	31	–	–	–	31
Finance costs	(674)	(46)	–	–	(720)

# Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

## 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (Continued)

The segment assets as at 30 September 2020 and 31 March 2020 are as follows:

	Pachinko and pachislot hall operations in Japan ¥ million	Amusement arcade operations in Southeast Asia ¥ million	Restaurant operations in China ¥ million	Other operations in Japan ¥ million	Total ¥ million
<b>As at 30 September 2020</b>					
Segment assets	69,199	2,122	760	410	72,491
Unallocated assets					6,340
Deferred income tax assets					2,807
<b>Total assets</b>					<b>81,638</b>
Addition to non-current assets other than financial instruments and deferred tax assets					
	2,099	160	–	–	2,259
<b>As at 31 March 2020</b>					
Segment assets	68,234	2,130	970	696	72,030
Unallocated assets					6,306
Deferred income tax assets					2,822
<b>Total assets</b>					<b>81,158</b>
Addition to non-current assets other than financial instruments and deferred tax assets					
	1,221	580	469	229	2,499

# Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

## 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (Continued)

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

	As at 30 September 2020 ¥ million (Unaudited)	As at 31 March 2020 ¥ million (Audited)
Japan	54,703	59,314
Southeast Asia	1,202	1,536
China	527	829
	<b>56,432</b>	<b>61,679</b>

No single external customer contributed more than 10% revenue to the Group's revenue for the six months ended 30 September 2020 and 2019.

## 7 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	Six months ended 30 September 2020 ¥ million (Unaudited)	2019 ¥ million (Unaudited)
<b>Other income</b>		
Rental income	77	230
Income from expired IC and membership cards	8	15
Dividend income	14	28
Compensation and subsidies (Note)	189	1
Income from scrap sales of used pachinko and pachislot machines	44	153
Others	60	14
	<b>392</b>	<b>441</b>
<b>Other gains/(losses), net</b>		
Gain on release of lease liabilities	132	–
Gain on fair value of financial assets through profit or loss	4	2
Loss on fair value of derivative financial instruments	–	(1)
Loss on disposal of property, plant and equipment	(16)	(54)
Others	17	1
	<b>137</b>	<b>(52)</b>

Note:

During the six months ended 30 September 2020, compensation and subsidies were mainly received from the Government of Japan as a financial aid to Japanese corporations during the COVID-19 pandemic.

# Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

## 8 OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging the following:

	Six months ended	
	30 September	
	2020	2019
	¥ million	¥ million
	(Unaudited)	(Unaudited)
Employee benefits expenses		
— Hall operations	2,456	2,785
— Administrative and others	570	896
Short-term operating lease rental expense in respect of land and buildings	76	150
Depreciation of property, plant and equipment	997	1,325
Depreciation of right-of-use assets	1,363	1,329
Depreciation of investment properties	10	10
Amortisation of intangible assets	26	34
Impairment loss on property, plant and equipment	189	—
Impairment loss on right-of-use assets	8	—
Pachinko and pachislot machines expenses (Note)	1,533	3,222

Note:

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

## 9 FINANCE COSTS, NET

	Six months ended	
	30 September	
	2020	2019
	¥ million	¥ million
	(Unaudited)	(Unaudited)
<b>Finance income</b>		
Bank interest income	1	3
Interest income on lease receivables	19	—
Other interest income	27	28
	47	31
<b>Finance costs</b>		
Bank borrowings	(108)	(105)
Lease liabilities	(498)	(566)
Provision for unwinding discount	(110)	(49)
	(716)	(720)
<b>Finance costs, net</b>	(669)	(689)

# Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

## 10 INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2020	2019
	¥ million	¥ million
	(Unaudited)	(Unaudited)
Current tax		
— Japan	10	551
— Other Asian countries	(3)	39
	7	590
Deferred income tax	7	(74)
	14	516

Taxation has been provided at the appropriate rates prevailing in the countries in which the Group operates. The Group is subject to national corporate income tax, inhabitant tax and enterprise tax in Japan, which, in aggregate, resulted in effective statutory income tax rates of approximately 29.9% for the six months ended 30 September 2020 (For the six months ended 30 September 2019: 29.9%).

Taxation on other Asian countries profits has been calculated on the estimated (loss)/profit for the year at the rate of taxation prevailing in the countries in which the Group operates. These rates range from 17.0% to 20.0% for the six months ended 30 September 2020 (For the six months ended 30 September 2019: same).

## 11 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2020 and 2019.

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to shareholders of the Company (¥ million)	(1,648)	496
Weighted average number of shares for the purpose of calculating basic (loss)/earnings per share (thousands)	1,195,850	1,195,850
Basic and diluted (loss)/earnings per share (¥)	(1.38)	0.41

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there was no potential dilutive shares during the six months ended 30 September 2020 and 2019.

### 12 DIVIDENDS

For the six months ended 30 September 2019, the Company paid dividend of ¥84 million (¥0.07 per ordinary share) to their shareholders in respect of the year ended 31 March 2019. No dividend was paid during the six months ended 30 September 2020.

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2020 (For the six months ended 30 September 2019: ¥0.10 per ordinary share).

### 13 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

During the six months ended 30 September 2020, the Group incurred expenditures of approximately ¥812 million and ¥25 million for property, plant and equipment and intangible assets, respectively (For the six months ended 30 September 2019: ¥650 million and ¥50 million, respectively.)

During the six months ended 30 September 2020, the net book amounts of disposal of property, plant and equipment amounted to approximately ¥32 million (For the six months ended 30 September 2019: ¥73 million for properties, plant and equipment). During the six months ended 30 September 2020, there was no disposal of intangible asset and investment property (For the six months ended 30 September 2019: Nil).

As at 30 September 2020, property, plant and equipment and investment properties of ¥11,168 million and ¥620 million, respectively (31 March 2020: ¥10,475 million and ¥630 million), were pledged to secure bank borrowings.

The Group carried out reviews of the recoverable amounts whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The reviews were performed at cash-generating unit (“CGU”) level, which is determined as each individual pachinko and pachislot hall, a pachinko and pachislot hall with hotel business, restaurant and amusement arcade.

For the six months ended 30 September 2020, in view that some of the CGUs have performed below management’s expectation or were loss-making during resumption of operation after the mandatory shutdown announced by local government, the directors have reviewed the recoverability of the relevant carrying amounts of these CGUs.

## Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

### 13 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

(Continued)

The recoverable amount of a CGU is determined based on the fair value less cost of disposal or value-in-use of calculation, whichever is higher. These calculations use pre-tax cash flow projections over the CGUs useful lives which based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The key assumptions used in the value-in-use calculations for the six months ended 30 September 2020 and 2019 are as follow:

	Six months ended 30 September			
	2020		2019	
	Revenue growth rate	Discount rate	Revenue growth rate	Discount rate
Pachinko and pachislot hall operations	0%	9%	0%	8.5%
Amusement arcade operations	0%	19.7%	N/A	N/A

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

The fair value less cost of disposal calculation is based on the valuation carried out by independent professionally qualified valuers, who hold recognised relevant professional qualifications and have recent experiences in the locations and segments of the properties valued. The valuations were determined using the market approach, which largely used observable and unobservable inputs, including unit price per square meter of sales comparable for land. The fair values of all CGUs subject to fair value less cost of disposal calculation are within level 3 of the fair value hierarchy.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussions of valuation processes and results are held between the valuation team and valuer at least annually.

For the six months ended 30 September 2020, as a result of the impairment review, impairment loss of approximately ¥189 million (For the six months ended 30 September 2019: Nil) has been recognised. No impairment loss for investment properties and intangible assets was incurred by the Group for the six months ended 30 September 2020 (For the six months ended 30 September 2019: Nil).

If the forecast discount rate was increased by 1.5%, with all other variables held constant, the change of result would be insignificant.

### 14 LEASES

During the six months ended 30 September 2020, the Group entered into a number of lease agreements for the use of equipment, staff quarters and vehicles, and therefore recognised the additions of right-of-use assets of ¥1,013 million.

During the six months ended 30 September 2020, the Group received rent concessions in the form of a discount on fixed monthly rental payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of Coronavirus Disease 2019 ("COVID-19"). The Group has not early adopted the amendment to IFRS 16 "COVID-19-related rent concessions" and has accounted for the rent concessions as lease modifications.

## Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

### 14 LEASES (Continued)

For the six months ended 30 September 2020, as a result of the impairment review, impairment loss of approximately ¥8 million has been recognised on right-of-use assets.

Amounts recognised in the interim condensed consolidated statement of financial position are as follows:

	<b>30 September 2020 ¥ million (Unaudited)</b>	31 March 2020 ¥ million (Audited)
<b>Right-of-use assets</b>		
Buildings	<b>30,598</b>	30,565
Leasehold improvement	<b>1,198</b>	1,438
Equipment and tools	<b>55</b>	69
Vehicles	<b>51</b>	–
	<b>31,902</b>	32,072
<b>Lease liabilities</b>		
Current	<b>2,910</b>	2,542
Non-current	<b>31,726</b>	32,035
	<b>34,636</b>	34,577

### 15 TRADE RECEIVABLES

	<b>30 September 2020 ¥ million (Unaudited)</b>	31 March 2020 ¥ million (Audited)
Trade receivables	<b>92</b>	48

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



## Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

### 15 TRADE RECEIVABLES (Continued)

The ageing analysis of the trade receivables, based on invoice date, is as follows:

	<b>30 September 2020</b>	31 March 2020
	<b>¥ million</b>	¥ million
	<b>(Unaudited)</b>	(Audited)
Less than 30 days	<b>91</b>	48
31 days to 90 days	<b>1</b>	–
	<b>92</b>	48

### 16 SHARE CAPITAL

	<b>Number of shares</b>	<b>Share Capital</b>
	(thousands)	¥ million
<b>Ordinary shares, issued and fully paid:</b>		
At 30 September 2019, 1 April 2020 and 30 September 2020	1,195,850	3,000

### 17 RESERVES

**(a) Capital surplus**

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

**(b) Capital reserve**

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

**(c) Legal reserve**

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

**(d) Investment revaluation reserve**

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

## Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

### 18 TRADE PAYABLES

The ageing analysis of the trade payables, based on invoice dates, were as follows:

	<b>30 September 2020 ¥ million (Unaudited)</b>	31 March 2020 ¥ million (Audited)
Less than 30 days	12	114
31–90 days	91	–
Over 90 days	3	–
	<b>106</b>	<b>114</b>

### 19 BORROWINGS

	<b>30 September 2020 ¥ million (Unaudited)</b>	31 March 2020 ¥ million (Audited)
<b>Non-current portion</b>		
Bank loans	2,838	3,365
Syndicated loans	5,822	6,488
	<b>8,660</b>	<b>9,853</b>
<b>Current portion</b>		
Bank loans	1,206	1,427
Syndicated loans	6,795	1,806
	<b>8,001</b>	<b>3,233</b>
Total borrowings	<b>16,661</b>	<b>13,086</b>

# Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

## 20 INTEREST IN AN ASSOCIATE

	<b>30 September 2020</b>	31 March 2020
	<b>¥ million</b>	¥ million
	<b>(Unaudited)</b>	(Audited)
At 1 April	–	–
Capital injection	–	–
Share of loss	–	–
Carrying amount	–	–
Unrecognised share of loss	<b>(79)</b>	<b>(57)</b>

Note a:

A loan agreement with the associate, Yes! E-Sports Asia Holdings Limited (“YEAH”) was entered into on 8 November 2018 for YEAH’s business purpose with a principal amount of US\$3,200,000 loan (equivalent to approximately ¥342 million) as at 30 September 2020 and interest rate at 4% per annum. The loan is repayable every six months by instalments over four years after a grace period of two years.

During the six months ended 30 September 2020, as impacted by the COVID-19 outbreak, majority of the offline gaming events were postponed with uncertainty over the rescheduling. Management was aware of the high uncertainty on the ability of YEAH to generate positive cash flow and has assessed the net current assets position of YEAH as of 30 September 2020 and noted it would only be sufficient to cover the current portion of the loan to be due in December 2020. As such, management considered YEAH to have financial difficulty given the decrease in cash position as at 30 September 2020.

Except for the current portion of the loan amounted to ¥71 million that will become due in December 2020, management has assessed the risk of default of the loan and regarded the remaining portion of the loan of ¥271 million was credit-impaired due to the significant increase in credit risk. An impairment loss amounted to ¥271 million was recognised during the period.

Note b:

YEAH is a private company and there is no quoted market price. There is no contingent liability relating to the Group’s interest in the associate.

## 21 CONTINGENCIES

As at 30 September 2020, the Group did not have any significant contingent liabilities (31 March 2020: same).

## 22 COMMITMENTS

### Capital commitments

The outstanding capital commitments not provided for in the condensed consolidated interim financial information are as follows:

	<b>30 September 2020</b>	31 March 2020
	<b>¥ million</b>	¥ million
	<b>(Unaudited)</b>	(Audited)
Contracted but not provided for Purchase of property, plant and equipment	<b>35</b>	<b>664</b>

## Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

### 23 RELATED PARTY TRANSACTIONS

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

#### (a) Transactions with related parties

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>¥ million</b>	¥ million
	<b>(Unaudited)</b>	(Unaudited)
<b>Interest income</b>		
Yes! E-Sports Asia Holdings Limited	7	7
<b>Service fee expenses</b>		
Niraku USA, Inc.	13	15

The interest income received was in relation to the loan to an associate, YEAH as disclosed in Note 20.

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

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

#### (b) Balance with a related party

	<b>30 September</b>	31 March
	<b>2020</b>	2020
	<b>¥ million</b>	¥ million
	<b>(Unaudited)</b>	(Audited)
<b>Loan to an associate, net of impairment</b>		
Yes! E-Sports Asia Holdings Limited	71	342
<b>Interest receivables</b>		
Yes! E-Sports Asia Holdings Limited	28	21

## Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

### 23 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Key management compensation

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

	Six months ended 30 September	
	2020	2019
	¥ million	¥ million
	(Unaudited)	(Unaudited)
Directors' fees	130	139
Basic salaries, allowances and other benefits in kind	21	22
Employee's contribution to pension scheme	3	3
	<hr/>	<hr/>
	154	164

# NIRAKU GC HOLDINGS



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