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)

(Stock Code: 1245)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

RESULTS HIGHLIGHTS

- Gross pay-ins were ¥71,653 million (or HK$3,898 million#), recording an increase of 12.2% as compared with the same period last year;
- Revenue was ¥14,158 million (or HK$770 million#), recording an increase of 7.3% as compared with the same period last year;
- Profit before income tax was ¥935 million (or HK$51 million#), compared with the profit before income tax of ¥969 million for the same period last year;
- Profit for the period attributable to owners of the Company was ¥451 million (or HK$25 million#), recording a decrease of ¥171 million as compared with the same period last year;
- Basic earnings per share of the Company was ¥0.38 (or HK$0.02#) (Six months ended 30 September 2023: ¥0.52);
- The Board has resolved to declare an interim dividend of ¥0.09 per common share for the six months ended 30 September 2024 (Six months ended 30 September 2023: ¥0.09 per common share); and
- The Group operated 49 halls as at 30 September 2024.

Translated into Hong Kong dollar at the rate of ¥18.38 to HK$1.00, the exchange rate prevailing on 30 September 2024 (i.e. the last business day in September 2024).

* *For identification purpose only*

The board (the "Board") of directors (the "Directors") of NIRAKU GC HOLDINGS, INC.* (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2024 together with the comparative figures for the six months ended 30 September 2023 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	Note	Six months ended 30 September	
		2024	2023
		¥ million	*¥ million*
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	*4*	**14,158**	13,189
Other income	*5*	**202**	259
Other (losses)/gains, net	*5*	**(155)**	389
Hall operating expenses	*6*	**(10,733)**	(10,610)
Administrative expenses	*6*	**(2,095)**	(1,828)
Operating profit		**1,377**	1,399
Finance income		**36**	47
Finance costs		**(478)**	(477)
Finance costs, net	*7*	**(442)**	(430)
Profit before income tax		**935**	969
Income tax expense	*8*	**(484)**	(361)
Profit for the period from continuing operations		**451**	608
Loss for the period from discontinued operation	*9*	**–**	(426)
Profit for the period		**451**	182
Profit/(loss) for the period attributable to:			
Owners of the Company:			
Continuing operations		**451**	622
Discontinued operation		**–**	(217)
		451	405
Non-controlling interests			
Continuing operations		**–**	(14)
Discontinued operation		**–**	(209)
		–	(223)
		451	182

	Note	Six months ended 30 September 2024 ¥ million (Unaudited)	2023 ¥ million (Unaudited)
Earnings/(loss) per share for profit attributable to owners of the Company			
— Basic and diluted (expressed in ¥ per share)	*10*		
Profit for the period from continuing operations		**0.38**	0.52
Loss for the period from discontinued operation		**–**	(0.18)
Profit for the period		**0.38**	0.34
Profit for the period		**451**	182
Other comprehensive (loss)/income			
Item that will not be subsequently reclassified to profit or loss			
Change in value of financial assets through other comprehensive (loss)/income		**(88)**	32
Item that have been or may be subsequently reclassified to profit or loss			
Currency translation differences		**69**	(167)
Total comprehensive income for the period		**432**	47
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		**422**	409
Non-controlling interest		**10**	(362)
		432	47
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company:			
Continuing operations		**410**	651
Discontinued operation		**12**	(242)
		422	409
Non-controlling interests:			
Continuing operations		**(1)**	(129)
Discontinued operation		**11**	(233)
		10	(362)
		432	47

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

	Note	**30 September 2024 *¥ million* (Unaudited)**	31 March 2024 *¥ million* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**17,783**	17,453
Right-of-use assets	*13*	**23,378**	23,752
Investment properties	*12*	**1,324**	668
Intangible assets	*12*	**270**	285
Prepayments, deposits and other receivables		**4,174**	4,148
Interest in an associate		**–**	–
Financial assets at fair value through other comprehensive income		**405**	534
Deferred income tax assets		**5,007**	5,048
		52,341	51,888
Current assets			
Inventories		**48**	55
Trade receivables	*14*	**172**	154
Prepayments, deposits and other receivables		**986**	866
Financial assets at fair value through profit or loss		**102**	102
Bank deposits with maturity over 3 months		**878**	345
Cash and cash equivalents		**10,150**	12,350
		12,336	13,872
Total assets		**64,677**	65,760

	Note	30 September 2024 ¥ million (Unaudited)	31 March 2024 ¥ million (Audited)
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**3,000**	3,000
Reserves		**17,382**	17,163
		20,382	20,163
Non-controlling interest		**(1,172)**	(1,182)
Total equity		**19,210**	18,981
LIABILITIES			
Non-current liabilities			
Borrowings	*16*	**4,819**	5,303
Lease liabilities	*13*	**24,794**	25,317
Provisions and other payables		**2,181**	2,141
Derivative financial instruments		**–**	1
		31,794	32,762
Current liabilities			
Trade payables	*15*	**110**	196
Borrowings	*16*	**4,961**	5,129
Lease liabilities	*13*	**2,652**	2,608
Accruals, provisions and other payables		**5,527**	5,657
Current income tax liabilities		**423**	427
		13,673	14,017
Total liabilities		**45,467**	46,779
Total equity and liabilities		**64,677**	65,760

NOTES TO THE INTERIM CONDENSED CONSOLIDATED 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 was previously also engaged in restaurant operations in China. In August 2023, the Group discontinued the restaurant operation in China. Details are set out in Note 9. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

This interim condensed consolidated financial information was approved for issue on 25 November 2024.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2024 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB"). The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2024, which have been prepared in accordance with IFRS Accounting Standards.

The Group had net current liabilities of ¥1,337 million as at 30 September 2024. The Directors believed that the Group has adequate financial resources to maintain the Group's operation as the Group has cash and cash equivalents of ¥10,150 million and unutilised banking facilities available to the Group amounted to ¥2,725 million as at 30 September 2024.

Accordingly, the Directors are of the opinion that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those as described in the annual financial statements for the year ended 31 March 2024.

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

(a) New and amended standards, improvements and practice statement to existing standards (collectively, the "Amendments") adopted by the Group

The Group has applied the following Amendments for the first time for their annual reporting period commencing 1 April 2024:

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

The adoption of these Amendments did not have any material impact on the Group's accounting policies.

(b) New and amended standards not yet adopted by the Group

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 April 2024 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
Amendments to IAS 21 and IFRS 1	Lack of Exchangeability	1 January 2025
Amendments to IFRS 7 and IFRS 9	Classification and Measurement of Financial Instruments (amendments)	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The related impacts of the adoption of these new and amended standards to the Group are currently under assessment and the Group is not yet in a position to state whether any substantial changes to the Group's significant policies and presentation of the financial information will result.

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

	Six months ended 30 September	
	2024	2023
	¥ million	*¥ million*
	(Unaudited)	(Unaudited)
Revenue		
Gross pay-ins	**71,653**	63,890
Less: gross pay-outs	**(59,279)**	(52,272)
Revenue from pachinko and pachislot hall business	**12,374**	11,618
Revenue from amusement arcades	**896**	941
Vending machine income	**275**	198
Revenue from hotel operation	**112**	83
Revenue from restaurant operations	**501**	349
Revenue for the period from continuing operations	**14,158**	13,189

(b) Segment information

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

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

In August 2023, the Group has terminated the restaurant operation in China. As a result, the restaurant operation is reported in current period as discontinued operation. Details are set out in Note 9.

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

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

The segment information provided to the executive directors for the six months ended 30 September 2024 and 2023 are as follows:

	Six months ended 30 September 2024					
	Continuing operations				Discontinued operation	
	Pachinko and pachislot hall operations Japan *¥ million*	Amusement arcade operations Southeast Asia *¥ million*	Other Japan & Hong Kong *¥ million*	Total *¥ million*	Restaurant operations China *¥ million*	Total *¥ million*
Segment revenue from external customers						
Over time	12,649	896	112	13,657	–	13,657
At a point in time	–	–	501	501	–	501
Segment revenue from external customers	12,649	896	613	14,158	–	14,158
Segment results	1,591	6	23	1,620	–	1,620
Unallocated amount						(685)
Profit before income tax						935
Income tax expense						(484)
Profit for the period						451
Other segment items						
Depreciation and amortisation expenses	(1,933)	(172)	(28)	(2,133)	–	(2,133)
Impairment loss on right-of-use assets	(55)	–	–	(55)	–	(55)
Impairment loss on property, plant and equipment	(42)	–	–	(42)	–	(42)
Finance income	34	2	–	36	–	36
Finance costs	(435)	(39)	(4)	(478)	–	(478)

	Six months ended 30 September 2023					
	Continuing operations				Discontinued operation	
	Pachinko and pachislot hall operations Japan ¥ *million*	Amusement arcade operations Southeast Asia ¥ *million*	Other Japan & Hong Kong ¥ *million*	Total ¥ *million*	Restaurant operations China ¥ *million*	Total ¥ *million*
Segment revenue from external customers						
Over time	11,816	941	83	12,840	–	12,840
At a point in time	–	–	349	349	78	427
Segment revenue from external customers	11,816	941	432	13,189	78	13,267
Segment results	936	129	(61)	1,004	(426)	578
Unallocated amount						(35)
Profit before income tax						543
Income tax expense						(361)
Profit for the period						182
Other segment items						
Depreciation and amortisation expenses	(1,739)	(176)	(22)	(1,937)	–	(1,937)
Impairment loss on right-of-use assets	(34)	–	–	(34)	–	(34)
Impairment loss on property, plant and equipment	(82)	–	–	(82)	–	(82)
Finance income	34	13	–	47	–	47
Finance costs	(450)	(25)	(2)	(477)	(6)	(483)

The segment assets as at 30 September 2024 and 31 March 2024 are as follows:

	Pachinko and pachislot hall operations Japan ¥ *million*	Amusement arcade operations Southeast Asia ¥ *million*	Other Japan & Hong Kong ¥ *million*	Restaurant operations China ¥ *million*	Total ¥ *million*
As at 30 September 2024					
Segment assets	**52,141**	**1,724**	**1,511**	**11**	**55,387**
Unallocated assets					**4,283**
Deferred income tax assets					**5,007**
Total assets					**64,677**
Addition to non-current assets other than financial instruments and deferred tax assets	**1,966**	**430**	**222**	**–**	**2,618**

	Pachinko and pachislot hall operations Japan ¥ *million*	Amusement arcade operations Southeast Asia ¥ *million*	Other Japan & Hong Kong ¥ *million*	Restaurant operations China ¥ *million*	Total ¥ *million*
As at 31 March 2024					
Segment assets	53,420	1,364	1,001	11	55,796
Unallocated assets					4,916
Deferred income tax assets					5,048
Total assets					65,760
Addition to non-current assets other than financial instruments and deferred tax assets	2,802	595	154	–	3,551

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 2024 *¥ million* **(Unaudited)**	As at 31 March 2024 *¥ million* (Audited)
Japan	**42,290**	41,560
Southeast Asia	**725**	870
	43,015	42,430

No single external customer contributed more than 10% revenue to the Group's revenue for the six months ended 30 September 2024 and 2023.

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

	Six months ended 30 September	
	2024 *¥ million* **(Unaudited)**	2023 *¥ million* (Unaudited)
Other income from continuing operations		
Rental income	**109**	121
Income from expired IC and membership cards	**15**	13
Dividend income	**13**	12
Compensation and subsidies	**2**	13
Income from scrap sales of used pachinko and pachislot machines	**54**	95
Others	**9**	5
	202	259
Other (losses)/gains, net from continuing operations		
Gain/(loss) on fair value of financial assets through profit or loss	**2**	(1)
Gain on fair value of derivative financial instruments	**1**	1
(Loss)/gain on disposal of property, plant and equipment, net	**(4)**	17
Net exchange (loss)/gain	**(154)**	372
	(155)	389

6 OPERATING PROFIT FROM CONTINUING OPERATIONS

Operating profit from continuing operations is stated after charging the following:

	Six months ended 30 September	
	2024	2023
	¥ million	*¥ million*
	(Unaudited)	(Unaudited)
Employee benefits expenses		
— Hall operations	**2,132**	2,157
— Administrative and others	**621**	778
Short-term operating lease rental expense in respect of land and buildings	**163**	140
Depreciation of property, plant and equipment	**742**	734
Depreciation of right-of-use assets	**1,348**	1,161
Depreciation of investment properties	**11**	11
Amortisation of intangible assets	**32**	31
Impairment loss on property, plant and equipment	**42**	82
Impairment loss on right-of-use assets	**55**	34
Pachinko and pachislot machines expenses *(Note)*	**3,770**	4,197

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.

7 FINANCE COSTS, NET FROM CONTINUING OPERATIONS

	Six months ended 30 September	
	2024	2023
	¥ million	*¥ million*
	(Unaudited)	(Unaudited)
Finance income from continuing operations		
Bank interest income	**6**	3
Interest income on lease receivables	**16**	17
Other interest income	**14**	27
	36	47
Finance costs from continuing operations		
Bank borrowings	**(68)**	(70)
Lease liabilities	**(346)**	(345)
Provision for unwinding discount	**(64)**	(62)
	(478)	(477)
Finance costs, net from continuing operations	**(442)**	(430)

8 INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

	Six months ended 30 September	
	2024	2023
	¥ million	*¥ million*
	(Unaudited)	(Unaudited)
Current tax		
— Japan	**405**	421
— Other Asian countries	**31**	28
	436	449
Deferred income tax	**48**	(88)
Total charge for the period from continuing operations	**484**	361

Japan corporate income tax includes national corporate income tax, inhabitants tax, and enterprise tax, and has been calculated on the estimated assessable profit for the year. For the six months ended 30 September 2024, the effective rates of national corporate income tax, inhabitants tax, and enterprise tax resulted in statutory income tax rates of 34.1% (For the six months ended 30 September 2023: same).

Income tax for the Group's Vietnam operations has been provided at the rate of 20.0% for the six months ended 30 September 2024 (For the six months ended 30 September 2023: same) on the estimated assessable profit derived from Vietnam for the year. Taxation on other jurisdictions' profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

9 DISCONTINUED OPERATION

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

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

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

	Six months ended 30 September	
	2024	2023
	¥ million	*¥ million*
	(Unaudited)	(Unaudited)
Revenue	**–**	78
Other losses, net	**–**	(3)
Loss on early termination of lease agreement *(Note)*	**–**	(333)
Operating expenses	**–**	(61)
Administrative and other operating expenses	**–**	(101)
Finance cost, net	**–**	(6)
Loss before tax from discontinued operation	**–**	(426)
Income tax expense	**–**	–
Loss for the period from discontinued operation	**–**	(426)
Other comprehensive income/(loss)		
Exchange differences on translation of discontinued operation	**23**	(49)
Total comprehensive income/(loss) for the period from discontinued operation	**23**	(475)
Loss per share attributable to owners of the Company		
Basic and diluted — discontinued operation	**–**	(0.18)

Note:

The Company submitted a unilateral early termination request for the lease of restaurants upon cessation of YOKOCHO business. In this regard, the landlord has issued a demand notice and claimed a compensation of approximately ¥576 million. Taken into account the lease liabilities of ¥243 million recognised on the book, a loss from early termination of ¥333 million is recognised in the interim condensed consolidated statement of comprehensive income for the six months ended 30 September 2023.

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

	Six months ended 30 September	
	2024	2023
	¥ million	*¥ million*
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	**–**	(77)
Net cash outflow from financing activities	**–**	(45)
Net decrease in cash generated by the subsidiary	**–**	(122)
Cash and cash equivalents at beginning of the period	**16**	132
Effect of exchange rate changes on cash and cash equivalents	**–**	6
	16	16

10 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2024 and 2023.

	Six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company (¥ million)		
Continuing operations	**451**	622
Discontinued operation	**–**	(217)
	451	405
Weighted average number of shares for the purpose of calculating basic earnings/(loss) per share (thousands)	**1,195,850**	1,195,850
Basic and diluted earnings/(loss) per share (¥)		
Continuing operations	**0.38**	0.52
Discontinued operation	**–**	(0.18)
For the period	**0.38**	0.34

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as there were no potential dilutive shares during the six months ended 30 September 2024 and 2023.

11 DIVIDENDS

For the six months ended 30 September 2024, the Company paid dividend of ¥203 million (¥0.17 per ordinary share) to their shareholders in respect of the year ended 31 March 2024.

On 25 November 2024, the Board declared an interim dividend of ¥0.09 per ordinary share totalling ¥108 million in respect of the six months ended 30 September 2024 (30 September 2023: ¥0.09 per ordinary share totalling ¥108 million). This interim condensed consolidated financial information does not reflect this dividend payable.

12 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

During the six months ended 30 September 2024, the Group incurred capital expenditures of approximately ¥1,019 million, ¥666 million and ¥2 million for property, plant and equipment, investment properties and intangible assets, respectively (For the six months ended 30 September 2023: ¥1,346 million, nil and ¥4 million, respectively).

The capital expenditure for investment property during the six months ended 30 September 2024 comprised the acquisition of land in Koriyama City for ¥280 million and construction in progress for a residential building on that land for ¥386 million. It is the Group's present intention that, upon completion of the construction, the residential building will be leased to third parties for rental income.

During the six months ended 30 September 2024, the net book amounts of disposal of property, plant and equipment amounted to approximately ¥116 million (For the six months ended 30 September 2023: ¥31 million).

As at 30 September 2024, property, plant and equipment and investment properties of ¥8,582 million and ¥566 million, respectively (31 March 2024: ¥8,946 million and ¥553 million, respectively), 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 in Japan, each hotel in Japan, each restaurant in Japan and each amusement arcade in Southeast Asia.

For the six months ended 30 September 2024, management assessed for whether CGUs have any impairment indicator by considering whether it recorded operating loss in recent two reporting periods and whether budget (the projected operating cashflow after overhead allocation) was met in current period. The management has reviewed the recoverability of the relevant carrying amounts of these CGUs.

The recoverable amount of a CGU is determined based on the fair value less cost of disposal or value-in-use, whichever is higher.

The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 18-month period. Cash flows beyond the 18-month 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 2024 and 2023 are as follows:

	Six months ended 30 September					
	2024			2023		
	First 18-month revenue growth rate	**Revenue growth rate after the first 18-month period**	**Pre-tax discount rate**	First 18-month revenue growth rate	Revenue growth rate after the first 18-month period	Pre-tax discount rate
Pachinko and pachislot hall operations	**-8% to +20%**	**0%**	**9.3%**	-10% to +33%	0%	9.0%
Amusement arcade operations	**+11% to +35%**	**0%**	**11.3%**	N/A	N/A	N/A
Restaurant operations	**N/A**	**N/A**	**N/A**	5%	0%	9.0%

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 is calculated for CGU with significant self-owned property, management made reference to the recent transaction of similar properties and valuation carried out by an independent qualified professional valuer, who holds recognised relevant professional qualifications and has recent experiences in the locations and segments of the property valued. For the six months ended 30 September 2024 and 2023, the valuation was 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 the CGU subject to fair value less cost of disposal calculation is within level 3 of the fair value hierarchy.

The key assumptions used for fair value less costs of disposal calculation for the six months ended 30 September 2024 and 2023 are as follows:

	Six months ended 30 September	
	2024	2023
Sales comparison approach		
Land — unit price/square meter	**¥644,000**	¥599,000
Land and building — unit price/square meter	**¥151,000**	–

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

For the six months ended 30 September 2024, as a result of the impairment review, impairment loss of approximately ¥42 million (For the six months ended 30 September 2023: ¥82 million) and ¥55 million (For the six months ended 30 September 2023: ¥34 million) has been recognised on property, plant and equipment and right-of-use assets (Note 13) respectively. There was no impairment loss recognised for other non-current assets for the six months ended 30 September 2024 (For the six months ended 30 September 2023: same).

For pachinko and pachislot operations, if the first year revenue growth rate in the value-in-use calculations decreased by 2% with other assumptions remain constant, addition in impairment loss of ¥123 million (For the six months ended 30 September 2023: addition in impairment loss of ¥62 million) would be recorded. If the discount rate in the value-in-use calculations increased by 1% with other assumptions remain constant, addition in impairment loss of ¥82 million (For the six months ended 30 September 2023: addition in impairment loss of ¥50 million) would be recorded. For fair value less costs of disposal, management has applied sensitivity to the result by decreasing the unit price per square meter of land by 1%. No additional impairment loss would be recorded.

For amusement arcade operations, if the first year revenue growth rate in the value-in-use calculations decreased by 2%, or the discount rate increased by 1%, with other assumptions remain constant, no additional impairment loss would be recorded (For the six months ended 30 September 2023: same).

13 LEASES

During the six months ended 30 September 2024, the Group entered into a number of lease agreements for opening of new restaurants and renewal of existing pachinko hall lease contracts, and therefore recognised the additions of right-of-use assets of ¥931 million (For the six months ended 30 September 2023: ¥482 million).

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

	30 September 2024 **¥ million** **(Unaudited)**	31 March 2024 *¥ million* (Audited)
Right-of-use assets		
Buildings	**20,106**	20,452
Leasehold improvement	**2,986**	2,996
Equipment and tools	**245**	255
Vehicles	**41**	49
	23,378	23,752
Lease liabilities		
Current	**2,652**	2,608
Non-current	**24,794**	25,317
	27,446	27,925

For the six months ended 30 September 2024, as a result of the impairment review, impairment loss of approximately ¥55 million (For the six months ended 30 September 2023: ¥34 million) has been recognised on right-of-use assets. Please refer to Note 12 for details of the impairment review.

14 TRADE RECEIVABLES

	30 September 2024 **¥ million** **(Unaudited)**	31 March 2024 *¥ million* (Audited)
Trade receivables	**172**	154

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.

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

	30 September 2024 **¥ million** **(Unaudited)**	31 March 2024 *¥ million* (Audited)
Less than 30 days	**172**	153
Over 30 days	**–**	1
	172	154

15 TRADE PAYABLES

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

	30 September 2024 **¥ million** **(Unaudited)**	31 March 2024 *¥ million* (Audited)
Less than 30 days	**110**	195
31–90 days	**–**	1
	110	196

16 BORROWINGS

	30 September 2024 ¥ million (Unaudited)	31 March 2024 ¥ million (Audited)
Non-current portion		
Bank loans	**2,430**	2,932
Syndicated loans	**2,389**	2,371
	4,819	5,303
Current portion		
Bank loans	**3,343**	3,184
Syndicated loans	**1,618**	1,945
	4,961	5,129
Total borrowings	**9,780**	10,432

17 BUSINESS COMBINATION

(a) Summary of acquisition

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

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

Details of the net assets acquired and goodwill are as follows:

	Fair value
	¥ million
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	18
Prepayments, deposits and other receivables	64
Inventories	4
Property, plant and equipment	225
Deferred tax assets	–
Intangible assets	8
Provision and other payables	(31)
Borrowings and obligation under finance leases	(148)
Deferred tax liabilities	(38)
Current income tax liabilities	(9)
Total identifiable net assets	93
Goodwill	7
Net assets acquired	100
Purchase consideration	
Cash consideration	–*
Loan	100

* *less than one million*

The fair values of assets and liabilities have been determined on a provisional basis as the fair values of identifiable assets and liabilities acquired may be adjusted upon the completion of initial accounting year which shall not exceed one year from the respective acquisition date. The valuation is being performed by BonVision International Appraisals Limited, an independent qualified professional valuer, not connected to the Group.

The goodwill arose in the Acquisition included amounts in relation to the benefit of expected synergies, revenue growth, future business development and expansion in hotel and hospitality markets. None of goodwill recognised is expected to be deductible for income tax purpose.

Revenue and loss attributable to the Acquisition during the six months ended 30 September 2024 were ¥26 million and ¥34 million, respectively. Had the Acquisition been completed on 1 April 2024, the Group's total pro-forma revenue and loss for the six months ended 30 September 2024 would have been ¥180 million and ¥74 million, respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the above Acquisition been completed on 1 April 2024, nor is it intended to be a projection of future results.

(b) Purchase consideration — cash outflow

	¥ million
Net cash outflow arising from the Acquisition	
Cash paid	100
Cash and cash equivalents acquired	(18)
Net cash outflow	82

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

With the ongoing recovery momentum, as supported by strong spending power and pent-up demand stimulated by rising wages, and resurge in tourism industry in Asian countries, the economy in both Japan and Southeast Asia continues to achieve a modest growth. For the six months ended 30 September 2024, the Group recorded a satisfactory increase in revenue by ¥969 million to ¥14,158 million, as compared to ¥13,189 million for the six months ended 30 September 2023. Profit before tax was ¥935 million for the six months ended 30 September 2024, with net profit attributable to the owners of the Company amounted to ¥451 million, slightly decreased by ¥34 million as compared to the same period in prior year. Receptive to new opportunities, maximizing digital technology utilisation and economizing on expense remain the Group's core focus in achieving a stable return.

BUSINESS SEGMENT ANALYSIS

Pachinko business

Continued improvement in consumer confidence as economic recovery picks up along with the uptrend in disposable income as wages hikes, pachinko revenue recorded a considerable increase of ¥7,763 million, from ¥63,890 million for the six months ended 30 September 2023 to ¥71,653 million in the current period.

Despite the fact that the business performance in the current period had rebounded to pre-pandemic level, the relentless contraction in pachinko market, the impact of geopolitical risk on commodity prices compounded by the high inflation rate have affected consumers' spending sentiment, constituting a barrier to business growth. Investing in new pachinko halls and frequent replacement of game machines are the Group's business strategy on widening revenue and boosting hall traffic. Further to the ahead-of-schedule machine replacement which took place in prior period, the Group spent another ¥3,770 million in replacing new machines during the six months ended 30 September 2024. Apart from complying with the changes in gaming regulation, more resources are put in new machine installation to provide hall visitors with full enjoyment as new model machines are featured with popular animations, which in turn driving higher customer turnover rate. The Group strives to curtail its spending through streamlining operating structure and deploying digital technology to improve productivity and to maintain a sustainable growth.

Amusement arcade business

Affected by the closure of one unprofitable arcade and temporary suspension of the northern arcades caused by the impact of typhoon in Vietnam, revenue from this business segment declined by 4.8% to ¥896 million for the six months ended 30 September 2024. Nevertheless, with the combination of rising income, strong household consumption and increased leisure spending, the economies in Southeast Asian countries continue to thrive. This was evidenced by the results from Cambodia where revenue for the current period rose by 11.3% as compared to prior period. The management is confident in achieving persistent revenue growth in Southeast Asian markets.

Restaurant business

The Group's franchised food and beverage business comprises 3 Spanish restaurants named "LIZARRAN", 3 cafés named "KOMEDA" as well as 2 Taiwanese bubble tea cafés called "Gong Cha", which are all located in Japan. Revenue from this sector surged by 43.6%, from ¥349 million for the six months ended 30 September 2023 to ¥501 million in the current period. The popularity of café visiting and the appeal of bubble tea with its colourful appearance and customisable nature made it a food trend among domestic younger generations, thus, contributed to a steadfast growth in this sector.

PROSPECT AND FUTURE DEVELOPMENT

Amid the global economic slowdown and increasing geopolitical complexity, the Group is resilient and committed to maximising its return through new technology deployment and effective cost control. The Group is also open to any possible options for market expansion including business buyout and new outlet set up.

Continuous improvement, addressing customer needs and reacting to social changes are the vital factors in business success. In response to the accelerated demand on contactless technologies, the Group continues to install Smart Slots machines and Smart Pachinko machines in pachinko halls which have been launched since 2023. These new machines eliminate the need for deploying physical balls, enhance measures against infectious diseases and improve level of enjoyment. Positive feedbacks were evidenced by a steady upturn in gross revenue. Further, a self-serviced prize-exchange system named "Self-POS", with its first rollout in 10 pachinko halls in 2022, it has now extended to 42 halls, allowing customers to exchange their prizes freely, and at the same time, enhancing labour-saving.

With the influx of international tourists and inbound visitors aided by persistent weak Japanese Yen, hospitality industry in Japan continues to show a robust growth. Grasping the strong momentum, a first-ever private branded restaurant, PLANCHA L THE YOKOHAMA FRONT, debuted in July 2024 at THE YOKOHAMA FRONT, a landmark building in Yokohama city, serving high-end luxurious teppanyaki cuisine. In addition, the Group opened its fourth "LIZARRAN" restaurant in Yokohama city and a "KOMEDA" café in Hanyu Aeon Mall during the current period.

Aligning with the Group's business strategy, in August 2024, the Group, through its wholly-owned subsidiary, acquired two onsen inns which are established in ideal locations attractive to leisure tourists travelling to Japan. With the vibrant tourism in Japan, the Group is optimistic in this business sector.

Partnering with Aeon, a renowned shopping mall developer, remains the key strategic approach of the Group in its Southeast Asian investment. Coupled with Aeon's business plan on mall development, a new store in Vietnam was opened in late September 2024.

Responding to the global call for climate action, as well as supporting the nationwide campaign called "Deco Katsu" as advocated by the Ministry of Environment in Japan, the Group has introduced the "Natural Biz" policy, encouraging staff to wear causal outfit instead of business attire, aiming to neutralise carbon emission.

Acting as a nexus point for various entertainment activities within the region, earlier this financial year, the Group opened a YouTube channel named "Active Local Engine" for promoting traditional culture, popular local cuisines and leisure activities within Fukushima prefecture.

The economy ahead is expected to be volatile as geopolitical pressure remains unsettled in the short run. Nevertheless, the Group has demonstrated resilience amidst the severity of economic condition. The Group sees every challenge as a motivation to grow and learn, and to strengthen up. The Group embraces its motto of "Happy Time, Creation"; brings joy to players; establishes a rapport and long-term relationship with customers and business partners; and strives for sustainable returns to shareholders.

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 moderate increase of ¥756 million, or 6.5%, from ¥11,618 million for the six months ended 30 September 2023 to ¥12,374 million for the same period in 2024. The rise in revenue was attributable to the continuous improvement in hall performance as a result of economic recovery and the increase in gross pay-outs boosting customer turnover.

Gross pay-ins

Gross pay-ins recorded a considerable increase of ¥7,763 million, or 12.2%, from ¥63,890 million for the six months ended 30 September 2023 to ¥71,653 million for the same period in current year which was resulted from the factors as explained above.

Gross pay-outs

Gross pay-outs, being the aggregate cost of G-prizes and general prizes exchanged by customers, increased by ¥7,007 million, or 13.4%, from ¥52,272 million for the six months ended 30 September 2023 to ¥59,279 million for the same period in 2024 which corresponded with the rise in gross pay-ins.

Revenue margin

Revenue margin recorded at 17.3% for the six months ended 30 September 2024, a decrease of 0.9% as compared to 18.2% for the same period last year. The management continued to review pay-out ratio to stimulate customers' visit and improve revenue margin.

Revenue from amusement arcade business

Revenue from amusement arcade business decreased from ¥941 million for the six months ended 30 September 2023 to ¥896 million for the same period in 2024. The amount comprised revenue derived from Vietnam and Cambodia amounting to ¥581 million and ¥315 million, respectively (30 September 2023: ¥658 million and ¥283 million, respectively). A drop in revenue by 4.8% was due to the decrease in sales income generated from Vietnam as the closure of one unprofitable arcade and temporary suspension of the northern arcades caused by the impact of typhoon in Vietnam; nevertheless, revenue from Cambodia in the current period outperformed the six months ended 30 September 2023.

Other revenue

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

Vending machine income amounted to ¥275 million for the six months ended 30 September 2024. The surge of ¥77 million, or 38.9%, as compared to ¥198 million for the six months ended 30 September 2023 was resulted from the increase in customer turnover rate as mentioned above.

Income from hotel operation amounted to ¥112 million for the six months ended 30 September 2024, recording an increase of ¥29 million as compared to the six months ended 30 September 2023 of ¥83 million. The increase in hotel income was mainly attributed to the acquisition of two onsen inns in late August 2024, contributing an additional income of ¥26 million.

Revenue from restaurant operations amounted to ¥501 million for the six months ended 30 September 2024, increased by 43.6% as compared to ¥349 million for the six months ended 30 September 2023. Other than the increasing popularity of "KOMEDA" cafés, during the current period, a "KOMEDA" café, a "LIZARRAN" restaurant and a new private branded restaurant were opened, contributing an additional revenue of ¥100 million.

Hall operating expenses

Hall operating expenses noted a mild increase of ¥123 million, or 1.2%, from ¥10,610 million for the six months ended 30 September 2023 to ¥10,733 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 ¥3,770 million, ¥2,132 million and ¥1,748 million, respectively, for the six months ended 30 September 2024 (30 September 2023: ¥4,197 million, ¥1,733 million and ¥1,736 million, respectively).

The increase in hall operating expenses was resulted from (i) the increase in utility expense due to the rise in energy cost; (ii) minor work being carried out in various halls to provide a better playing environment to visitors; netted with (iii) less new pachinko and pachislot machines replacement activities being taken place during the current period.

Administrative expenses

Administrative expenses amounted to ¥2,095 million for the six months ended 30 September 2024, representing an increase of ¥267 million, or 14.6%, as compared to the same period in prior year of ¥1,828 million. The increase in administrative expenses was mainly due to the increase in advertising expense for promoting businesses of the Group.

Finance costs

Finance costs, net amounted to ¥442 million for the six months ended 30 September 2024, representing an increase of ¥12 million, or 2.8%, as compared to ¥430 million for the same period in 2023 as a result of the decrease in interest income in the current period.

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

Profit attributable to the owners of the Company of ¥451 million was recorded for the six months ended 30 September 2024, as compared to ¥622 million for the six months ended 30 September 2023. The decline in profit was mainly due to the impact of change in exchange rate.

Basic earnings per share for the six months ended 30 September 2024 was ¥0.38 (30 September 2023: ¥0.52). The Board has declared an interim dividend of ¥0.09 per common share for the six months ended 30 September 2024 (30 September 2023: ¥0.09 per common share).

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 relies on short-term 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 2024 and 31 March 2024, and operating cash flows before movements in working capital of the Group for the six months ended 30 September 2024 and 2023, respectively:

	As at 30 September 2024	As at 31 March 2024
	¥ million	*¥ million*
Cash and cash equivalents	**10,150**	12,350
Bank loans	**5,773**	6,116
Syndicated loans	**4,007**	4,316
Lease liabilities	**27,446**	27,925
Total borrowings and lease liabilities	**37,226**	38,357
Working capital *(Note 1)*	**(1,337)**	(145)
Total equity	**19,210**	18,981
Gearing ratio *(Note 2)*	**1.4**	1.4

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

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

	For the six months ended 30 September	
	2024	2023
	¥ million	*¥ million*
Operating cash flows before movements in working capital	**3,601**	3,003

As at 30 September 2024, net current liabilities of the Group totalled ¥1,337 million (31 March 2024: net current liabilities ¥145 million), and current ratio was 0.90 as at 30 September 2024 (31 March 2024: 0.99). As at 30 September 2024, there were cash and cash equivalents of ¥10,150 million (31 March 2024: ¥12,350 million), in which ¥8,870 million was denominated in Japanese Yen, ¥787 million was denominated in United States dollar, ¥384 million was denominated in Hong Kong dollar and ¥109 million was denominated in other currencies. As at 30 September 2024, the Group had total borrowings and lease liabilities of ¥37,226 million (31 March 2024: ¥38,357 million). Current portion of bank borrowings and current portion of lease liabilities amounted to ¥7,613 million as at 30 September 2024 (31 March 2024: ¥7,737 million).

The Group's bank borrowings during the current period comprised bank loans and syndicated loans. As at 30 September 2024, the total bank borrowings amounted to ¥9,780 million (31 March 2024: ¥10,432 million), with average effective interest rates on bank borrowings ranged from 1.02% to 1.60% (31 March 2024: 1.08% to 1.61%) per annum. Approximately 4.4% of bank borrowings as at 30 September 2024 were fixed rate borrowings. As at 30 September 2024, the Group had unutilised banking facilities of ¥2,725 million (31 March 2024: ¥3,016 million). The Directors are of the opinion that the Group is able to meet in full its financial obligation as they fall due for the foreseeable future.

HEDGING OF FLOATING RATE BORROWINGS AND FOREIGN EXCHANGE

As at 30 September 2024, 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 2024, gain on fair value for interest rate swap contracts amounted to ¥1 million (For the six months ended 30 September 2023: ¥1 million).

The Group did not carry out significant foreign currency investment and its debts were all denominated in Japanese Yen as at 30 September 2024. 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 and Cambodian Riel 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 1.4 as at 30 September 2024 (31 March 2024: 1.4).

CAPITAL EXPENDITURE

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

	As at 30 September 2024 *¥ million*	As at 31 March 2024 *¥ million*
Property, plant and equipment	**1,019**	2,289
Right-of-use assets	**931**	1,258
Intangible assets	**2**	4
Investment properties	**666**	–
	2,618	3,551

CHARGES ON ASSETS

As at 30 September 2024 and 31 March 2024, the carrying values of charged assets were as below:

	As at 30 September 2024 *¥ million*	As at 31 March 2024 *¥ million*
Property, plant and equipment	**8,582**	8,946
Investment properties	**566**	553
Deposits and other receivables	**156**	158
	9,304	9,657

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2024 and 31 March 2024.

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

Except for the acquisition of two companies as disclosed in this interim results announcement, during the six months ended 30 September 2024, the Group did not conduct any significant investments, material acquisitions or disposals. Save for those disclosed in this interim results announcement, 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 results announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2024, the Group had 1,307 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.

CORPORATE GOVERNANCE

During the six months ended 30 September 2024, the Company has adopted and complied with all the applicable principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception for code provision C.2.1, which requires the roles of chairman and chief executive to be separated and should be performed by different individuals.

Code Provision C.2.1

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Our Chairman 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 (including our independent non-executive Directors) consider our Chairman is the best candidate for both positions and the present arrangements are beneficial to and in the interests of our Company and the shareholders as a whole.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct during the six months ended 30 September 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the six months ended 30 September 2024. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities (including sale of treasury shares, if any) during the six months ended 30 September 2024.

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 2023/2024 is set out below:

- Mr. Akinori OHISHI retired as an executive Director with effect from 28 June 2024.

Save as disclosed above, there is no change in information of the Directors since the date of the Company's annual report 2023/2024 which required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board has declared an interim dividend of ¥0.09 per common share for the six months ended 30 September 2024 (30 September 2023: ¥0.09 per common share).

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the unaudited interim condensed consolidated financial information and the interim report of the Group for the six months ended 30 September 2024 and discussed the financial related matters with the management. The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 September 2024 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".

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ngch.co.jp), and the interim report of the Company for the six months ended 30 September 2024 will be sent to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

On behalf of the Board
株式会社ニラク▪ジー▪シー▪ホールディングス
NIRAKU GC HOLDINGS, INC.*
Hisanori TANIGUCHI
Chairman, Executive Director and Chief Executive Officer

Fukushima, Japan, 25 November 2024

As at the date of this announcement, the executive Directors are Hisanori TANIGUCHI and Masataka WATANABE; the non-executive Director is Hiroshi BANNAI; and the independent non-executive Directors are Michio MINAKATA, Yoshihiro KOIZUMI, Kuraji KUTSUWATA and Akihito TANAKA.

* *for identification purpose only*