

# 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

# 2023

## ANNUAL REPORT

### 年報

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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 with 49 halls at present, stretching from Tokyo Metropolitan Area to Northeast Honshu, equipped with over 28,100 pachinko and pachislot machines serving customers in ten prefectures in Japan.

# Corporate 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. Hiroshi BANNAI  
Mr. Yoshihiro KOIZUMI

### 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

### Headquarters 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 years ended 31 March 2023, 2022, 2021, 2020 and 2019.

	2023		2022	2021	2020	2019
	¥ million	HK\$ million				
Gross pay-ins	119,837	7,045	108,075	6,910	94,414	141,731
Gross pay-outs	(97,942)	(5,758)	(86,999)	(5,563)	(77,531)	(115,850)
Revenue from pachinko and pachislot business	21,895	1,287	21,076	1,347	16,883	25,881
Revenue from amusement arcade business	1,710	101	359	23	1,015	1,535
Other revenue	1,179	69	774	49	643	909
<b>Revenue</b>	<b>24,784</b>	<b>1,457</b>	22,209	1,419	18,541	28,325
Hall operating expenses	(18,870)	(1,109)	(18,279)	(1,169)	(17,367)	(22,875)
Administrative and other operating expenses	(3,712)	(218)	(3,246)	(208)	(3,393)	(4,307)
Impairment loss on property, plant and equipment, right-of-use assets and intangible assets	(585)	(34)	(2,004)	(128)	(5,592)	(195)
Profit/(loss) before income tax	1,363	80	(171)	(11)	(8,502)	1,093
Profit/(loss) attributable to the shareholders of the Company	1,134	67	(1,181)	(76)	(5,481)	610
Earnings/(loss) per share (expressed in Japanese Yen or Hong Kong dollar)	0.95	0.06	(0.99)	(0.063)	(4.58)	0.510
Overall revenue margin	18.3%	18.3%	19.5%	19.5%	17.9%	18.0%
Net profit/(loss) margin	4.2%	4.2%	(5.3%)	(5.3%)	(30.2%)	1.9%

# Financial and Operational Highlights

	2023		As at 31 March				
	¥ million	HK\$ million	¥ million	HK\$ million	2021 ¥ million	2020 ¥ million	2019 ¥ million
Current assets	12,396	729	13,012	832	17,937	16,092	16,401
Current liabilities	11,616	683	11,997	767	23,805	11,179	9,770
Net current assets/(liabilities)	780	46	1,015	65	(5,868)	4,913	6,631
Total assets	65,804	3,869	68,300	4,367	77,491	81,158	54,043
Total assets less current liabilities	54,188	3,186	56,303	3,600	53,686	69,979	44,273
Gearing ratio	1.5	1.5	1.6	1.6	1.7	1.3	0.2

## CURRENCY TRANSLATIONS

For the purpose of illustration only and unless otherwise specified in this annual 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. ¥17.01 to HK\$1.00, the exchange rate prevailing on 31 March 2023 (i.e. the last business day in March 2023);
2. ¥15.64 to HK\$1.00, the exchange rate prevailing on 31 March 2022 (i.e. the last business day in March 2022).

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.

# Chairman's Statement



## OUR BUSINESS ACTIVITIES AND VISION

After experiencing three difficult years since March 2020 due to the impact of the Novel Coronavirus (COVID-19), the domestic economy in the financial year ended 31 March 2023 showed signs of recovery, particularly in private consumption, as social life living with COVID-19 began to become the norm. On the other hand, the year was also marked by concerns about downward pressure on the economy, as rising energy costs due to the situation in Ukraine and other factors, and rising prices due to the weak Japanese Yen and other factors reduced household purchasing power. Under these circumstances, in our mainstay pachinko business, the Group focused on speeding up the hypotheses and verification cycle of the Sales Division and speeding up decision-making on site, close to customers, in the belief that a keen sense of customer needs is directly linked to competitiveness. This enabled us to accurately grasp customer needs and profit opportunities and to improve our pachinko halls management

capabilities. As a result, total revenue (gross pay-ins) recorded a year-on-year increase of 11% and we believe we were able to firmly meet customer demand without falling behind the recovery trend in domestic economic activities. In the overseas business, the economies of Vietnam and Cambodia were recovering ahead of the Japanese economy. Our amusement arcades business in these two countries had noted a satisfactory year-on-year increase of 376%, recovering to a level comparable to pre-pandemic levels.

In the mainstay pachinko business, we continued to ensure compliance with the industry's infection prevention guidelines and independently worked to create an environment in which customers can safely visit our halls and play comfortably.

In the industry, the introduction of smart slots, the next generation of new amusement machines, started in November 2022. The Group has been systematically preparing for this and began installing these machines in our own halls in November 2022. The main feature of this gaming machine is that it is medal-less. As medals are counted digitally, there is no need to carry them around, which is a great advantage for customers in terms of convenience and hygiene. The supply of these smart slots is not necessarily plentiful due to the shortage of semiconductors, etc., and full-scale introduction is yet to come, but they have been receiving solid support from customers. In the installation of existing machines, we have also made steady efforts to analyse the trends of customers and competitors and reflected them in appropriate hall development. We believe that we have achieved solid results in a year of coexistence with COVID-19.

# Chairman's Statement

In current fiscal year, we continued to review our hall operations and accumulated a variety of know-how, such as promoting labour saving in hall management while retaining services that provide a high level of customer satisfaction.

We also promoted digital transformation, which will lead to the future, such as introducing self-service counters at 18 halls and making prize exchange process contactless. By introducing a next-generation energy management system that combines artificial intelligence and behavioral economics to all halls, we were able to further strengthen cost management, which will lead to a sustained strengthening of our structure from the next fiscal year onwards.

We plan to start installing smart pachinko machines, a new type of machine with balls circulating within the machine, from next fiscal year. In addition to the potential of the machines themselves, these smart machines have the potential for new hall layouts and location environments that are not bound by conventional frameworks, as the attached equipment is not complicated. In the domestic pachinko business, we will also accelerate the digitalisation of the business to further improve cost efficiency, while building a solid profit structure for the future by investing in next-generation machines and investing in new halls in existing and new formats, against the backdrop of the financial base we have built up to date.

For the operations in China and Southeast Asia, there were significant differences in the local government's policy in response to COVID-19. Operating revenue at Dream Games, a subsidiary that operates amusement arcades in Vietnam and Cambodia, increased significantly by 376% year-on-year to ¥1,710 million. This was mainly due to the decision made by each government to effectively converge COVID-19 and the country's economy quickly getting back on a recovery track.

Dream Games reduced its costs under the regulations during COVID-19 pandemic but was preparing to resume operations with minimal employee redundancies. This meant that experienced employees were able to return to operations immediately after the restrictions were lifted, enabling the company to get operations back to normal earlier than its competitors.

We also took advantage of this opportunity to invest in new machinery and refurbish our outlets, and succeeded in linking the economic recovery to a steady increase in the number of customers visiting outlets. Furthermore, we opened one new outlet in Cambodia in the current financial year. Currently, we have nine operating outlets in Vietnam and three in Cambodia.

The amusement arcade business in both Vietnam and Cambodia is based on the strategy that opening outlets in leading shopping malls. In the next fiscal year, we plan to develop the operating structure of the organisation and strengthen the earnings structure of existing outlets to build a steady earnings base.

The GDP growth rates of Vietnam and Cambodia in 2022 reached 8.0% and 5.2% respectively, and according to the forecast of the International Monetary Fund, strong economic growth of over 5% is expected in the future. We believe that both countries are still in the process of developing their economies and that consumption growth and expansion of the leisure market will continue.

The joint business operating a Japanese restaurant food court (YOKOCHO) in Shenzhen, Guangdong Province, China, opened in July 2019, was indefinitely suspended in February 2020 due to the spread of COVID-19 in China. The business was subsequently resumed in August 2021, as the COVID-19 situation in China had calmed down. However, the business environment remained unstable. Although the restrictions on COVID-19 have been lifted, it is expected that it will take some time to return to normal.

# Chairman's Statement

As a medium-term strategy, the Group's priority is to secure revenue and increase market share in its core business, pachinko business, and will actively invest in new hall openings and merger and acquisition with the aim of establishing a structure that can ensure stable earnings. At the same time, investments will be made to refurbish existing halls and to promote digitalisation with the aim of further increasing operational efficiency. In addition, as the size of the pachinko market is declining from a long-term perspective, the Group plans to expand into new businesses in Japan.

Outside Japan, we will also seek to grow existing businesses and create new business opportunities while responding to changes in the business environment in each country.

In 2021, the Group resolved the Environmental, Social and Governance ("ESG") Management Declaration, which is the basic concept for conducting sustainable business, "The Group prioritizes the public interest and considers its employees, customers, business partners, local communities, and the entire earth as a whole to be stakeholders. We aim for management that can achieve sustainable growth together with all". The concept of ESG, which is the benchmark for sustainable growth, is becoming increasingly important in business, as it serves as an index for selecting investment targets worldwide. In addition, sustainable development goals established for the purpose of achieving a sustainable world are having a positive impact on corporate management. The ESG Management Declaration sets out the following three specific points to be focused:

- Properly appropriate the profits generated to employees, customers, local communities, environment, the entire earth, vendors and shareholders.
- Conduct management that can contribute to society with sustainability from a medium- to long-term perspective, rather than from a short-term perspective.
- Constantly make efforts in new areas boldly and manage our business with entrepreneurial spirit for the sustainable development of the Company.

These three objectives will also be important in shaping a new corporate culture for the next era of the Group.

The history of the Group's pachinko hall business is over 70 years. The reason we have been able to continue our business for more than 70 years is that we always place emphasis on our relationship with the community and have always been aware of harmonious coexistence with the community. Entities cannot continue their businesses on their own, and there is a greater need than ever for them to not only pursue profits for themselves but also develop together with society. Especially in Fukushima Prefecture, which is our key location in Japan, it is still halfway through reconstruction from the Great East Japan Earthquake, but as a longer-term issue, increasing the production and labor force population is regarded as a major challenge. If this long-term declining trend continues, we cannot expect the revitalization of the local economy. On the other hand, if the revitalization of the local economy cannot be realized, the production and labor force population will not increase, and we cannot expect to retain or increase customers in the pachinko hall business, which is the core business of the Group. Resolving the local issues in each region where our Group operates, will create new business opportunities and lead to the mitigation of future business risks simultaneously. We regard the pursuit of regional development through our business activities as an important task for future operations.

The Group aims to realize our corporate philosophy of "Providing happy times for people by making the world cheerful, fun and entertaining", and will continue to take on the challenges of constantly responding to social changes, aiming to be a company that will continue for more than 100 years ahead of us. Under the ESG Management Declaration, which is the basic concept for conducting sustainable business, we will continue to strive to become a company that is indispensable to society and can meet the expectations of all stakeholders, considering the development and ideal form of our business.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue from Pachinko and Pachislot Business

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

Revenue from pachinko and pachislot business increased by ¥819 million, or 3.9%, from ¥21,076 million in 2022 to ¥21,895 million in 2023. The improvement in revenue was attributable to the resumption of pachinko hall operations and gradual recovery of hall traffic after the relaxation of pandemic measures, and replacement of gaming machines which triggered higher customer turnover.

#### *Gross pay-ins*

For the year ended 31 March 2023, the Group's gross pay-ins from pachinko and pachislot business amounted to ¥119,837 million, comprising revenue from suburban halls of ¥117,441 million (2022: ¥105,840 million) and urban halls of ¥2,396 million (2022: ¥2,235 million), representing an increase of ¥11,601 million, or 11.0%, and of ¥161 million, or 7.2%, respectively, as compared to last year. The overall increase was resulted from the factors mentioned above.

#### *Gross pay-outs*

Gross pay-outs, being the aggregate cost of G-prizes and general prizes exchanged by customers, increased from ¥86,999 million in 2022 to ¥97,942 million in 2023, an increase of ¥10,943 million, or 12.6%, which corresponded to the rise in gross pay-ins.

#### *Revenue margin*

The revenue margin in current year dropped by 1.2% from 19.5% in 2022 to 18.3% in 2023. The decrease 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 surged from ¥359 million in 2022 to ¥1,710 million in current year. The amount comprised revenue derived from Vietnam and Cambodia amounting to ¥1,316 million and ¥394 million, respectively (2022: ¥256 million and ¥103 million, respectively). The hike was attributable to the lifting of COVID-19 restrictions as announced by the local governments, allowing all game arcades in both Vietnam and Cambodia to resume their businesses.

### Other revenue

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

Vending machines income amounted to ¥378 million in 2023. The increase of ¥22 million as compared to ¥356 million in 2022 was attributable to the full resumption of operation of all pachinko halls after ending all quasi state-emergency curbs in March 2022.

Income from hotel operation amounted to ¥149 million in 2023, recording a significant increase of ¥110 million as compared to 2022 of ¥39 million. The increase in hotel income was resulted from the re-opening of hotel premises in November 2021 after a six months' closure for hotel retrofit.

Revenue from restaurant operations amounted to ¥652 million for the year ended 31 March 2023. The increase of ¥273 million, or 72.0% as compared to ¥379 million in 2022 was resulted from the resumption of YOKOCHO business in current year after a prolonged intermittent business suspension, bringing in an additional revenue of ¥64 million; and the increase in income from LIZARRAN business by ¥209 million following the cancelation of "shorten business hours" requirement under the state of emergency declaration in late 2021.

# Management Discussion and Analysis

## Hall operating expenses

Hall operating expenses increased by ¥591 million, or 3.2%, from ¥18,279 million in 2022 to ¥18,870 million 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 ¥6,537 million, ¥4,386 million and ¥3,612 million, respectively, for the year ended 31 March 2023 (31 March 2022: ¥6,649 million, ¥4,480 million and ¥3,505 million, respectively).

The rise in hall operating expenses was mainly due to the increase in utilities and hall consumable expenses as a result of the rise in global energy prices and minor renovations carried out in several halls during the year.

## Administrative and other operating expenses

Administrative and other operating expenses increased by ¥466 million, or 14.4% from ¥3,246 million for the year ended 31 March 2022 to ¥3,712 million in 2023 as a result of the increase in staff related cost and advertising expense.

## Impairment loss

Impairment loss on property, plant and equipment, right-of-use assets and other non-current assets amounted to ¥586 million in current year. The International Accounting Standard 36 “Impairment of Assets” (“IAS 36”) requires that assets be carried at no more than their recoverable amount. If an asset’s carrying value exceeds the amount that could be received through use or selling the asset, then the asset is impaired and IAS 36 requires a company to make provision for the impairment loss. Non-current assets other than goodwill and intangible assets with indefinite useful life are tested for impairment when there are events that indicate that the related asset values may not be recoverable, and the Group carries out reviews of the recoverable amounts of each cash-generating units (“CGUs”).

The management noted that the Group’s financial performance is highly sensitive to changes in market situations. Taking into account the keen competition within the industries, the management considered CGU with operating loss recorded in recent two reporting periods and whether budget was met in current period as having impairment indicator, and performed impairment assessments over pachinko and pachislot hall operations, amusement arcade operations and restaurant operations by assessing the recoverable amounts of the CGU, determined as the higher of their value-in-use and fair value less cost of disposal. As a result, the Group recognised an impairment loss of ¥214 million, ¥371 million, and ¥1 million over plant, property and equipment, right-of-use assets and other non-current assets, respectively for the year ended 31 March 2023 (for the year ended 31 March 2022: ¥168 million, ¥759 million, ¥1,077 million and ¥61 million over plant, property and equipment, right-of-use assets, intangible assets and other non-current assets, respectively).

## Finance costs

Finance costs, net amounted to ¥895 million for the year ended 31 March 2023 as compared to ¥1,032 million in 2022. The drop was attributable to the decrease in interest expense on lease liabilities and borrowings.

## Profit/(loss) attributable to owners of the Company, basic earnings/(loss) per share and dividend

Profit attributable to shareholders of the Company of ¥1,134 million was recorded for the year ended 31 March 2023, as compared to loss attributable to shareholders of the Company of ¥1,181 million for the year ended 31 March 2022. The improvement in financial performance was resulted from full operations of all pachinko halls and amusement arcades, thus, regaining customer visits as mentioned above.

Basic earnings per share for the year ended 31 March 2023 was ¥0.95 (basic loss per share for the year ended 31 March 2022: ¥0.99). The board of directors of the Company (the “Board”) has declared a final dividend of ¥0.11 per common share for the year ended 31 March 2023 (31 March 2022: ¥0.40).

# 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 31 March 2023 and 2022, and operating cash flows before movements in working capital of the Group for the years ended 31 March 2023 and 2022, respectively:

	As at 31 March	
	2023 ¥ million	2022 ¥ million
Cash and cash equivalents	10,435	11,451
Bank deposits with maturity over 3 months	528	242
	<b>10,963</b>	11,693
Bank loans	6,012	5,715
Syndicated loans	4,194	5,926
Lease liabilities	29,730	30,689
	<b>39,936</b>	42,330
Total equity	19,294	19,021
Gearing ratio (Note 1)	1.5	1.6
Working capital (Note 2)	780	1,015

Note 1: Gearing ratio is calculated as total borrowings less cash and cash equivalents divided by equity.

Note 2: Working capital being current assets less current liabilities.

	For the year ended 31 March	
	2023 ¥ million	2022 ¥ million
Operating cash flows before movements in working capital	6,948	5,681

# Management Discussion and Analysis

As at 31 March 2023, net current assets of the Group totalled ¥780 million (31 March 2022: net current assets ¥1,015 million), and current ratio was 1.07 as at 31 March 2023 (31 March 2022: 1.08). As at 31 March 2023, there were cash and cash equivalents of ¥10,435 million (31 March 2022: ¥11,451 million), in which ¥9,374 million was denominated in Japanese Yen, ¥619 million was denominated in United States dollar, ¥307 million was denominated in Hong Kong dollar and ¥135 million was denominated in other currencies. As at 31 March 2023, the Group had total borrowings and lease liabilities of ¥39,936 million (31 March 2022: ¥42,330 million). Current portion of bank borrowings and current portion of lease liabilities amounted to ¥7,203 million as at 31 March 2023 (31 March 2022: ¥7,301 million).

The Group's bank borrowings during the current period comprised bank loans and syndicated loans. As at 31 March 2023, the total bank borrowings amounted to ¥10,206 million (31 March 2022: ¥11,641 million), with average effective interest rates on bank borrowings ranged from 0.97% to 1.57% (31 March 2022: 0.93% to 1.62%) per annum. Approximately 7.9% of bank borrowings as at 31 March 2023 were fixed rate borrowings.

## HEDGING OF FLOATING RATE BORROWINGS AND FOREIGN EXCHANGE

As at 31 March 2023, 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 year ended 31 March 2023, gain on fair value for interest rate swap contracts amounted to ¥7 million (2022: ¥8 million).

The Group did not carry out significant foreign currency investment and its debts were all denominated in Japanese Yen as at 31 March 2023. 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 31 March 2023 (31 March 2022: 1.6).

## 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:

	2023 ¥ million	2022 ¥ million
Property, plant and equipment	929	927
Right-of-use assets	1,932	3,402
Intangible assets	4	2
	<b>2,865</b>	<b>4,331</b>

# Management Discussion and Analysis

## CHARGES ON ASSETS

As at 31 March 2023 and 2022, the carrying values of charged assets were as below:

	2023 ¥ million	2022 ¥ million
Property, plant and equipment	9,230	9,542
Investment properties	572	592
Deposits and other receivables	162	166
	9,964	10,300

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2023 and 2022.

## CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 31 March 2023 and 2022 are set out in Note 33 to the consolidated financial statements.

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

Save for those disclosed in this annual 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 annual report.

There is no important event affecting the Company that have occurred since the end of the financial year.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group had 1,494 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 34(b) to the consolidated financial statements.

## FINAL DIVIDEND

The Board has declared a final dividend of ¥0.11 per common share for the year ended 31 March 2023 (31 March 2022: ¥0.40) on 1 June 2023 and the final dividend will be payable on 19 July 2023 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company at close of business on 19 June 2023.

The exchange rate for the conversion of Japanese Yen to Hong Kong dollar for the dividend distributed to the Shareholders in the currency other than Japanese Yen is based on the average currency rates prevailing five trading days immediately prior to 1 June 2023 (being 24 to 25 May 2023 and 29 to 31 May 2023).

# Corporate Governance Report

## CORPORATE GOVERNANCE

During the year ended 31 March 2023, 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 14 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 of the Company (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.

## BOARD OF DIRECTORS

The Board oversees the management, businesses, strategic directions and financial performance of the Group. The Board currently comprises a total of eight Directors, with three executive Directors, namely Mr. Hisanori TANIGUCHI, Mr. Akinori OHISHI and Mr. Masataka WATANABE; one non-executive Director, namely Mr. Hiroshi BANNAI, and four independent non-executive Directors, namely Mr. Michio MINAKATA, Mr. Yoshihiro KOIZUMI, Mr. Kuraji KUTSUWATA and Mr. Akihito TANAKA.

### (a) Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. The Board is accountable to the Shareholders. Directors could have recourse to seek independent professional advice in performing their duties at the Company’s expense and are encouraged to access and to consult with the Company’s senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

# Corporate Governance Report

## (b) Corporate Governance Function

The Board recognises that corporate governance should be the collective responsibility of Directors which includes:

- (a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- (d) to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board and report to the Board on matters;
- (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and
- (f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

## (c) Appointment and Re-election of Directors

The Board is empowered under the Articles of Incorporation to appoint any person as a Director, either to fill a casual vacancy or to be an additional member of the Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and exercise reasonable care would be recommended to the Board for selection.

Appointments are first considered by the Nomination Committee in accordance with its terms of reference, the Nomination Policy and Board Diversity Policy. Recommendations of the Nomination Committee are then put forth to the Board for decision. In accordance with the Articles of Incorporation, all Directors shall retire at the next annual general meeting (the "AGM") but are eligible for re-election. Each Director was appointed by a written service contract setting out the key terms and conditions of his/her appointment. The appointment of independent non-executive Directors follows the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules.

## Chairman and Chief Executive Officer

The Board has appointed a Chairman, Mr. Hisanori TANIGUCHI, who provides leadership for the Board and ensures that the Board works effectively and that all important issues are discussed in a timely manner. The Chairman also holds the position of Chief Executive Officer. 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, our Directors (including our independent non-executive Directors) consider our Chairman is the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and our Shareholders as a whole.

# Corporate Governance Report

## Independent Non-Executive Directors

The Company has received annual confirmations of independence from all the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the independent non-executive Directors are independent and have appropriate professional qualifications or accounting or related financial management expertise in accordance with Rule 3.10 of the Listing Rules.

The biographical details of the Chairman and the independent non-executive Directors are set out on page 24 and pages 25 to 26, respectively, of this annual report.

## Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company formulated a Board Diversity Policy which sets out the approach to a diversity of perspectives among members of its Board.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Company plans to appoint at least one female Director by the end of December 2024. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives appropriate to the requirements of the Company's business operations and environment as well as the industry in which the Company operates. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. In addition, the Company is committed to providing career development and training opportunities for its staff who it considers to have the suitable experience, skills and knowledge with an aim to promote them to senior management or Directors. The Company will also ensure that there is gender diversity in staff recruitment at mid to senior levels so as to develop a pipeline of potential successors to the Board. For details of the gender ratio in the Company's workforce as at 31 March 2023, please refer to the ESG report of the Company for the year ended 31 March 2023.

Regarding the Board's current composition, the Board comprises 8 male Directors with different ages, lengths of service and diversity perspectives, which have been disclosed in biographical information shown in "Profile of Directors and Senior Management" on pages 24 to 26 of this annual report. The Nomination Committee will continuously monitor and review the implementation and operation of this policy and the progress towards achieving the measurable objectives, and also review this policy to ensure its effectiveness from time to time, as appropriate. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The policy has been published on the Company's website for public information.

# Corporate Governance Report

## Audit Committee

The Company established the Audit Committee on 25 June 2014 with specific written terms of reference. The Audit Committee is responsible for assisting the Board in providing an independent view on the financial information of the Company, effectiveness of our risk management system, financial reporting system and internal control procedures, overseeing the audit process and internal audit function and performing other duties and responsibilities as assigned by the Board. The Audit Committee also oversees the corporate governance functions.

The Audit Committee held 14 meetings during the year ended 31 March 2023 to review reports on risk management system, internal control system and internal audit function of the Group, and to discuss with the management and the external auditors the accounting policies and practices which may affect the Group and financial reporting matters. The Audit Committee reviewed the system of internal control and the Group's financial statements for the year ended 31 March 2023 and interim financial statements for the six months ended 30 September 2022 with recommendation to the Board for approval. The audit plans from external auditors were also reviewed by the Audit Committee and recommendation was made on the reappointment of the external auditors.

The Audit Committee currently consists of two independent non-executive Directors, namely Mr. Michio MINAKATA (南方美千雄), Mr. Yoshihiro KOIZUMI (小泉義広) and a non-executive Director, namely Mr. Hiroshi BANNAI (坂内弘). It is currently chaired by Mr. Michio MINAKATA (南方美千雄), an independent non-executive Director.

## Remuneration Committee

Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing remuneration policy for approval by the Board.

The Remuneration Committee currently consists of three members, including two independent non-executive Directors, namely Mr. Yoshihiro KOIZUMI (小泉義広) and Mr. Michio MINAKATA (南方美千雄), and an executive Director, namely Mr. Hisanori TANIGUCHI (谷口久徳). It is currently chaired by Mr. Yoshihiro KOIZUMI (小泉義広), an independent non-executive Director. The Remuneration Committee held 3 meetings during the year ended 31 March 2023 to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, and to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management and make recommendations to the Board about the remuneration of non-executive Directors.

For the year ended 31 March 2023, the number of the senior management (including Directors) whose remuneration fell within the following bands is as follows:

Emolument bands	Number of individuals
Below ¥10,000,000	5
¥10,000,001 to ¥20,000,000	2
¥20,000,001 to ¥30,000,000	0
¥30,000,001 to ¥100,000,000	2
¥100,000,001 to ¥160,000,000	1

# Corporate Governance Report

## Nomination Committee

The Company established the Nomination Committee on 25 June 2014 with specific written terms of reference. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, overseeing the implementation of Board Diversity Policy, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment and re-appointment of Directors.

The Nomination Committee currently consists of three members, including two independent non-executive Directors, namely Mr. Kuraji KUTSUWATA (轡田倉治) and Mr. Akihito TANAKA (田中秋人), and an executive Director, namely Mr. Hisanori TANIGUCHI (谷口久徳). It is currently chaired by Mr. Hisanori TANIGUCHI (谷口久徳), an executive Director.

The Nomination Committee held 3 meetings during the year ended 31 March 2023 to review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, approve the renewal of the term of appointment for the Directors, assess the independence of the independent non-executive Directors and review the measurable objective in implementing the Board Diversity Policy.

All Directors (including non-executive Director and independent non-executive Directors) have formal service agreements or letters of appointment with the Company for a term of one year commencing from their respective dates of appointment, subject to retirement in accordance with the Articles of Incorporation. At the AGM held on 29 July 2022, eight of the Directors retired from office in accordance with the Articles of Incorporation. All of them were re-elected by Shareholders to continue their offices as Directors. The Nomination Committee has reviewed the Directors' re-election plan to ensure that every Director will retire every year at an AGM. As at 31 March 2023, none of the independent non-executive Directors has served the Company for more than nine years.

Details of the Directors' attendance during the year ended 31 March 2023 are set out below:

Name of Directors	Number of meetings attended/Eligible to attend				
	General Meeting	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Mr. Hisanori TANIGUCHI (谷口久徳)	1/1	15/15	–	3/3	3/3
Mr. Akinori OHISHI (大石明德)	1/1	14/15	–	–	–
Mr. Masataka WATANABE (渡辺将敬)	1/1	15/15	–	–	–
Mr. Hiroshi BANNAI (坂内弘)	1/1	15/15	14/14	–	–
Mr. Michio MINAKATA (南方美千雄)	1/1	15/15	14/14	3/3	–
Mr. Yoshihiro KOIZUMI (小泉義広)	1/1	15/15	14/14	3/3	–
Mr. Kuraji KUTSUWATA (轡田倉治)	1/1	14/15	–	–	3/3
Mr. Akihito TANAKA (田中秋人)	1/1	15/15	–	–	3/3

There were 15 meetings of the Board held during the year ended 31 March 2023.

Directors who are considered having conflict of interests or material interests in proposed transactions or contemplated issues are required to abstain from voting on the relevant resolution.

The Company has mechanisms in place to ensure independent views and input are available to the Board. To facilitate an effective meeting, the Board and Board committee meeting schedules are informed well in advance to the Directors. Meeting agenda, materials and information are provided to the Directors prior to meetings. Any Director can give notice to the Chairman if he intends to include matters on the agenda of a Board meeting. All Directors are welcome to raise enquiries, suggestions and views during the meetings. To encourage active participation, video conferences are arranged for Directors who are unable to attend in person. The Board has conducted an annual review on these mechanisms and considered they are in place and are effective.

# Corporate Governance Report

## Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. All Directors participated in continuous professional development to develop and refresh their knowledge and skills during the year ended 31 March 2023. The Company's external lawyers had facilitated Directors' training by the provision of presentations, briefings and materials for the Directors primarily relating to the roles, functions and duties of a listed company director. Directors including Mr. Hisanori TANIGUCHI, Mr. Akinori OHISHI, Mr. Masataka WATANABE, Mr. Hiroshi BANNAI, Mr. Michio MINAKATA, Mr. Yoshihiro KOIZUMI, Mr. Kuraji KUTSUWATA and Mr. Akihito TANAKA received this training. Ms. YIU Wai Man Karen, the joint company secretary of the Company, from time to time updates and provides written training material relating to the roles, functions and duties of a director to all Directors to study, and they are asked to submit a signed training record to the Company on an annual basis.

## AUDITOR'S REMUNERATION

During the year ended 31 March 2023, the total fee in relation to the annual audit of the Group amounted to ¥134 million, which was paid/payable to PricewaterhouseCoopers and its affiliated firm. The remuneration paid to PricewaterhouseCoopers and its affiliated firm for services rendered is listed as follows:

	2023 ¥ million
Types of services	
Statutory audit	112
Non-audit services (Note)	22
Total	134

Note: Non-audit services comprise primarily tax advisory services provided to the Group.

# Corporate Governance Report

## JOINT COMPANY SECRETARIES

The joint company secretaries are Ms. YIU Wai Man Karen and Ms. NG Sau Mei. Ms. YIU Wai Man Karen is also the financial controller and is employed by the Company on a full-time basis.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. NG Sau Mei, director of the Listing Services Department of TMF Hong Kong Limited (a company secretarial service provider), as the other joint company secretary to assist Ms. YIU Wai Man Karen to discharge her duties as company secretary of the Company. The primary contact person of Ms. NG Sau Mei at the Company is Ms. YIU Wai Man Karen.

During the year ended 31 March 2023, Ms. YIU Wai Man Karen and Ms. NG Sau Mei have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board, supported by the finance department, is responsible for the preparation of the financial statements of the Company and the Group. The Board has prepared the financial statements in accordance with International Financial Reporting Standards issued by International Accounting Standard Board. Appropriate accounting policies have also been used and applied consistently. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company and the Group regarding its reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditor's Report on pages 37 to 44 of this annual report.

## 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 year ended 31 March 2023.

## SHAREHOLDERS' RIGHTS

### Rights to demand Directors to call for a Shareholders' meeting

Any one Shareholder holding no less than 3% of the voting rights in the Company for the last six consecutive months may request the Directors to convene a general meeting. If the Directors do not send out a convocation notice for such general meeting to be held and such Shareholders' meeting is not convened by the Directors within eight weeks from the date of such request, the relevant Shareholder who made the request may convene a general meeting with court permission.

### Rights to put enquires to the Board

The Board and senior management maintain a continuing dialogue with the Shareholders and investors through various channels including the Company's AGM. The Chairman, chairmen of the Board committees (or respective designated member), executive officers and external auditors will attend the AGM. The Directors will answer questions raised by the Shareholders on the performance of the Group. Our corporate website which contains corporate information, announcements as well as the recent developments of the Group enables Shareholders to have timely and updated information of the Group.

# Corporate Governance Report

## **Rights to demand Directors to include a proposal in a Shareholders' meeting**

Shareholders continuously holding not less than 1% of the votes of all Shareholders or not less than 300 votes of all Shareholders for the preceding six months may demand the Directors, no later than eight weeks prior to the date of the Shareholders' meeting, to notify Shareholders of the summary of the proposals which the demanding Shareholders intend to submit with respect to the matters that are the purpose of the Shareholders' meeting and include a proposal in the notices of the Shareholders' meetings. The Company will notify the Shareholders of the date on which an AGM is to be held no less than ten weeks prior to the date of such meeting by making a voluntary announcement on the websites of the Company and the Stock Exchange.

## **INVESTOR RELATIONS**

To manage its relationship with investment community and its Shareholders, the Company also communicates through announcements and annual and interim reports. All such reports and announcements can also be accessed via the Company's website. The Directors, joint company secretary or other appropriate members of the senior management also respond to inquiries from Shareholders and investment community promptly. Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries via Strategic Financial Relations Limited at [niraku@sprg.com.hk](mailto:niraku@sprg.com.hk).

The Board has carried out an annual review on the above policy regarding Shareholders' communication, and considered that such policy has been properly implemented during the year ended 31 March 2023 and is effective.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

The Company has formulated the risk management policy and processes which apply to all levels of the Company and its subsidiaries to ensure all material risks which the Company is exposed to are properly identified, analysed, evaluated, responded, monitored and communicated.

The Board acknowledges its responsibility to ensure that the Company establishes and maintains sound risk management and internal control systems within the Group and to review the effectiveness of the systems. Such systems are designed to manage and mitigate risks inherent in the Group to an acceptable level, rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss.

The structure of the Company's risk management and internal control systems is to ensure (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws and regulations are adhered to and complied with; and (iii) reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements. The main structure of the systems is as follows:

### **The Board**

- ensures effective systems are maintained in order to safeguard the assets of the Group;
- defines management structure with clear lines of responsibility and limit of authority; and
- determines the nature and extent of significant risk that the Company is willing to take in achieving the strategic objectives and formulates the Group's risk management strategies.

# Corporate Governance Report

## **The Audit Committee**

- oversees the systems of the Group;
- reviews and discusses with the management of the Company at least annually to ensure that the management of the Company has performed its duty to have the effective systems; and
- considers major findings on internal control matters and makes recommendations to the Board.

## **The Internal Audit Department**

- analyses and appraises independently the adequacy and effectiveness of the Company's risk management and internal control systems;
- reports internal audit findings to Audit Committee; and
- provides recommendations for improvement.

## **The Risk Management Office**

- assists the management of the Company in formulating risk management policies, tools and processes;
- gives advice on the design of the systems and action plans taken by the management of the Company in addressing the identified risks;
- ensures appropriate actions are taken against major risks which affect the Group's businesses and operations; and
- monitors and reviews the systems and reports to the Audit Committee.

## **The Management of the Company (includes heads of departments and business units)**

- designs, implements and monitors the systems and ensures the systems are executed effectively;
- identifies risks and takes measures to mitigate risks in day-to-day operations;
- gives prompt responses and conducts follow-up actions against internal control matters raised by internal auditors (if any) or the independent auditor; and
- provides confirmation to the Board on the effectiveness of the systems.

During the reporting period, the Company has carried out the following works in relation to risk management and internal control:

- The management of the Company, through daily risk management activities, identified major risks that may impact the Group's performance; assessed and evaluated the likelihood of occurrence of the identified risks; formulated and implemented measures, controls and action plans to manage and mitigate such risks;
- Risk management office monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit Committee regarding the status of the systems;
- Risk management office periodically followed-up and reviewed the implementation of the measures against major risks identified and ensured appropriate actions were taken to address all major risks identified;

# Corporate Governance Report

- Risk management office reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented remedial actions to address such deficiencies;
- Risk management office ensured appropriate procedures and measures are in place to safeguard assets against unauthorised use or disposition, control capital expenditure, maintain proper accounting records and ensure reliability of financial information used for business and publications;
- Internal audit department carried out analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems; examined risk-related documentation prepared by the management of the Company and conducted interviews with employees at all levels; and
- The head of internal audit department attended meetings of the Audit Committee and reported on the internal audit findings and responded to queries from members of the Audit Committee.

The Group also has a formal written whistleblowing policy to enable officers and employees at all levels and divisions to communicate their concerns about any aspect of risks and internal operations.

The Company has internal guidelines in place to ensure inside information is disseminated to the public in accordance with the applicable laws and regulations. Executive officers and financial function of the Group are delegated with responsibilities to control and monitor the proper procedures regarding inside information disclosures. Access to inside information is restricted to relevant senior executives. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed. Other procedures including pre-clearance on dealing in Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to Directors and employees, and identification of project by code name have also been implemented by the Company against possible mishandling of inside information within the Group.

During the year under review, the Board has reviewed, through the Audit Committee, the Group's risk management and internal control system and is not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal control system throughout the year.

## **CHANGE IN CONSTITUTIONAL DOCUMENTS**

There was no significant change in the Company's constitutional documents made during the year.

# Profile of Directors and Senior Management

## CHAIRMAN OF THE BOARD, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

**Mr. Hisanori TANIGUCHI** (谷口久徳), aged 60, is the primary leadership figure of the Group. He was appointed as the Representative Director and President\* (代表取締役社長) of the Company on 10 January 2013, the date of incorporation of our Company, and was re-designated as a Director and Chief Executive Officer on 25 June 2014. Mr. Taniguchi is responsible for the Group's overall corporate strategies, management and business development.

Mr. Taniguchi joined the Group in April 1983, deployed in a number of departments across our operations, from human resources to hall development and sales. Throughout his 40 years of experience with the Group, he has acquired extensive knowledge in a wide array of aspects in pachinko and pachislot hall operations.

Mr. Taniguchi first involved in our overall general management in November 2002, when he was appointed as the managing director\* (常務取締役) of Niraku Corporation. He was subsequently elected as the vice president\* (取締役副社長), president\* (取締役社長) and representative director and president\* (代表取締役社長) of Niraku Corporation in June 2008, June 2009 and April 2010, respectively. He is currently the representative director and president\* (代表取締役社長) of Niraku Corporation.

## EXECUTIVE DIRECTORS

**Mr. Akinori OHISHI** (大石明徳), aged 58, worked at Sumisho Ekika Gas Co., Ltd.\* (住商液化ガス株式会社) (now Enessance Holdings Co., Ltd.\* (株式会社エネサンスホールディングス)), where he was involved in general work in the management division, from 1987 to 1995, and worked at Dynam Co., Ltd.\* (株式会社ダイナム), from 1995 to 1998, where he was involved in corporate planning. He then went on to serve as an executive of a venture company, then work at a consulting company and finally serve as president of a management consulting company, and he was involved in management consulting for about 10 years.

In April 2009, Mr. Ohishi joined the Group as an adviser\* (顧問) of Niraku Corporation. In April 2010, Mr. Ohishi became the executive officer\* (執行役員) and head of corporate planning before promoted to a director\* (取締役) of Niraku Corporation in June 2012, and he was responsible for implementing corporate strategy and business strategy. Subsequently, Mr. Ohishi served as a Director\* (取締役) of the Company from March 2013 to June 2014, and he has served as an Executive Officer\* (執行役員) of the Company from June 2014 to the present.

Mr. Ohishi graduated from the College of Humanities and Sciences, Nihon University\* (日本大学), in March 1987. Mr. Ohishi is well versed in the areas of business strategy and finance, and he was nominated by the Board for monitoring the business based on his experience and expertise.

**Mr. Masataka WATANABE** (渡辺将敬), aged 54, worked at Yamaichi Securities Co., Ltd.\* (山一証券株式会社) from 1993 to 1994, where he was involved in securities, and from 1995 to 2015 he worked at Hikari Tsushin Inc.\* (株式会社光通信), where he was involved in business strategy and accounting. He was appointed as a director\* (取締役) and a member of the audit committee\* (監査等委員) of Hikari Tsushin Inc.\* (株式会社光通信) in June 2017, in which capacity he serves to the present. Hikari Tsushin Inc.\* (株式会社光通信) is an information and telecommunications services company listed on the Tokyo Stock Exchange (stock code: 9435). In December 2018, Mr. Watanabe joined the Group as an adviser\* (特別顧問) of the Company.

Mr. Watanabe graduated from The University of Tokyo\* (東京大学), Faculty of Economics, in October 1992. Mr. Watanabe is well versed in the areas of securities trading, accounting and auditing, and he was nominated by the Board to provide advice based on his experience and expertise.

# Profile of Directors and Senior Management

## NON-EXECUTIVE DIRECTOR

**Mr. Hiroshi BANNAI** (坂内弘), aged 84, had served as a police officer in Fukushima Prefecture from 1962 to his retirement from the police force in 1999, during which he was mainly responsible for handling matters related to antisocial organisations. Mr. Bannai then served as an executive director\* (専務理事) for the Fukushima Prefecture Amusement Business Association\* (福島県遊技業協同組合). Relying on his experience from the police force, Mr. Bannai had also been an advisor for Fukushima Bank\* (福島銀行) from 2002 to 2009 and an advisor for Xebio Co., Ltd.\* (株式会社ゼビオ) from 2003 to 2021. Mr. Bannai received his education from the Fukushima Prefectural Wakamatsu Commercial High School\* (福島県立若松商業高等学校). Mr. Bannai was appointed to the Board to supervise the Group's compliance with applicable laws and regulations relating to adult entertainment.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Michio MINAKATA** (南方美千雄), aged 56, was appointed as an independent non-executive Director in June 2016. He started his career at KPMG Century Audit Corporation\* (KPMGセンチュリー監査法人). Mr. Minakata then worked for several companies and offices including NASDAQ Japan\* (ナスダックジャパン) based on his capability in the accounting field. Mr. Minakata is currently serving as the representative director\* (代表取締役) of IPO Bank\* (株式会社IPOバンク) and the partner\* (社員) of Mavrick Tax Corporation\* (税理士法人マーヴリック). Further, Mr. Minakata is currently also an advisor\* (監査役) for Showcase Inc.\* (株式会社ショーケース), the shares of which are listed on the Standard Market of the Tokyo Stock Exchange (3909: JP). Mr. Minakata received a bachelor's degree in economics from Keio University\* (慶應義塾大学) in March 1990. Mr. Minakata has also been a member of the Japanese Institute of Certified Public Accountants since May 1996. Mr. Minakata was appointed to the Board to provide advice to the Company based on his accounting and management background and expertise.

**Mr. Yoshihiro KOIZUMI** (小泉義広), aged 68, was appointed as an independent non-executive Director in June 2016. He has worked for several leading Japanese and foreign companies over the years, including Toshiba Co., Ltd.\* (株式会社東芝) from 1979 to 1986 and Daiwa Securities Co., Ltd.\* (大和証券株式会社) from 1986 to 1992. Mr. Koizumi also has experience in working for banks and financial institutions, including Deutsche Bank\* (ドイツ銀行) from 1994 to 1997 and Societe General Bank\* (ソシエテジェネラル銀行) from 1997 to 2002. Thereafter, Mr. Koizumi also served as the representative director\* (代表取締役) of Mariner Financial Service Co., Ltd.\* (株式会社マリナー・フィナンシャル・サービス) from 2002 to 2015 and has been serving as the representative director\* (代表取締役) of Clear Markets Japan Co., Ltd.\* (Clear Markets Japan 株式会社) since 2014. Mr. Koizumi graduated from the Department of Commerce Science at Keio University\* (慶應義塾大学商学部). Mr. Koizumi has also obtained his qualification as a certified public accountant in the United States in 1991. Mr. Koizumi was appointed to the Board to provide advice to the Company based on his financial and management background and expertise.

**Mr. Kuraji KUTSUWATA** (轡田倉治), aged 81, worked at the Iwase village office\* (岩瀬村役場) from 1961 to 1975 before joining food vendor "Kutsuwata Shoten" (now Kutsuwata Shoten Co., Ltd.\* (有限会社くつわた商店)) in 1975. While serving as the Company's representative Director\* (代表取締役) from 1980 onwards, in 1985, he established Yappu Kogyo Co., Ltd.\* (有限会社ヤップ工業) an optical component assembly and processing company, and has served as its representative director\* (代表取締役) to this day. In addition, he has served as a member\* (議員) of the Iwase Village Council\* (岩瀬村議会) and as chairman\* (会長) of the Iwase Society of Commerce and Industry\* (岩瀬村商工会), and in 2004 he became a director\* (理事) of the Fukushima Federation of Societies of Commerce and Industry\* (福島県商工会連合会), which oversees management support projects and regional economy promotion projects run by societies of commerce and industry in Fukushima Prefecture. From 2012 to the present, he has served as chairman\* (会長) of the Federation. A society of commerce and industry is an economic organization that supports the business activities of small and medium-sized enterprises.

# Profile of Directors and Senior Management

Mr. Kutsuwata graduated from Fukushima Prefectural Sukagawa High School\* (福島県立須賀川高等学校). Mr. Kutsuwata has contributed to the development of the regional economy, and his perspective is in line with the regional management strategies that our Group is aiming for, so he has been nominated by the Board to provide advice based on his experience.

**Mr. Akihito TANAKA (田中秋人)**, aged 75, worked at AEON Co., Ltd.\* (イオン株式会社) from 1970 to 2013, where he was involved in the founding of AEON Hong Kong, and has been active in overseas business development in China and ASEAN for 30 years. AEON Co., Ltd. is one of the largest companies in Japan with retail store operations listed on the Tokyo Stock Exchange (8267: JP). After retiring from AEON Co., Ltd., he established Strategic Center of Asia Co., Ltd.\* (株式会社アジア戦略本部) in September 2013 and are involved in management consulting operations as president and representative director\* (代表取締役社長). In addition, he served as president\* (理事長) of General Incorporated Foundation Asian Food Business Association\* (財団法人アジアフードビジネス協会) and provided support for restaurant and retail business in Asia until March 2022.

Mr. Tanaka graduated from Kansai University\* (関西大学), Faculty of Letters, Department of Journalism, in March 1970 in Japan. Mr. Tanaka is well versed in the areas of the development of restaurant and retail businesses in China and the ASEAN region, and he was nominated by the Board to provide advice based on his experience.

## EXECUTIVE OFFICER

**Mr. Hidenori MOROTA (諸田英模)**, aged 57, has been appointed as Executive Officer since November 2014. He is also a director of Niraku Corporation since June 2012. He is the head of sales department and oversees the advertising, marketing, sales, machine selection and general prize offerings functions of the Group. Mr. Morota joined the Group in October 1988 and was elected as a director of Niraku Corporation in June 2001 and was subsequently promoted to an executive officer\* (執行役) in June 2005. He served as a Director of the Company between January 2013 and June 2014, and was designated as Executive Officer in November 2014. Mr. Morota's industry positions include the chief director\* (理事長) at the Fukushima Prefecture Amusement Business Association\* (福島県遊技業協同組合連合会). He has been the representative director and president\* (代表取締役社長) of Nexia Inc. since September 2020.

## SENIOR MANAGEMENT

**Mr. Tatsuo TANIGUCHI (谷口龍雄)**, aged 69, was appointed as the representative director and president\* (代表取締役社長) of Nexia Inc. in June 2009. His primary duties within the Group are the oversight of property activities, including the selection, acquisition and maintenance of the lands and premises of our pachinko halls. He also manages the office premises and residential apartment building owned by the Group which were leased to third party customers as an ancillary business. Mr. Taniguchi joined the Group in 1974 and resigned his office as Director of the Group in 2014. Mr. Taniguchi remains his advisory role within the Group, focusing on property activities. Mr. Taniguchi is the brother of the Chairman and is therefore his associate under the Listing Rules. Mr. Taniguchi is also a controlling shareholder of the Company and also a person acting in concert with the Chairman within the meanings of the Codes on Takeovers and Mergers and Share Buy-backs.

\* For identification purpose only

# Report of the Directors

The Directors are here to present the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 31 March 2023.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company and its subsidiaries comprising the Group are principally engaged in pachinko and pachislot hall operations, amusement arcade operations, hotel operations and restaurant business in Japan. The principal activities of the subsidiaries are set out in Note 37 to the consolidated financial statements. The operating segment of the Group for the year ended 31 March 2023 is set out in Note 5 to the consolidated financial statements.

## BUSINESS OVERVIEW

Following the lifting of pandemic restrictions and reopening of domestic and cross border activities, domestic economy in Japan and other Asian countries has noted a steady recovery. For the year ended 31 March 2023, the revenue of the Group amounted to ¥24,784 million, recording a surge of ¥2,575 million as compared to ¥22,209 million in 2022, turning the Group's net results from a loss margin of 5.3% in 2022 to a profit margin of 4.2% in the current year, resulting in net profit attributable to the owners of the Company of ¥1,134 million as compared to a net loss of ¥171 million in the prior year.

Pachinko revenue recorded a hike of ¥819 million for the year ended 31 March 2023, from ¥21,076 million in 2022 to ¥21,895 million in current year. New hall opening and frequent replacement of game machines are the Group's main strategy on broadening its revenue and boosting the hall traffic. For the year ended 31 March 2023, revenue generated from the two pachinko halls which were newly opened at the end of the fiscal year 2022 amounted to ¥4,163 million. Spending placed on machine replacement amounted to ¥6,537 million, which was relatively stable as compared to prior year. The Group continues to carry out machine replacement activity as new model machines which are featured with popular animations can drive higher customer turnover rate. The Group strives to minimize its spending through streamlining operating structure and bargain for rental concession in order to maintain a stable return.

In Southeast Asia, local government's COVID-19 containment strategy and high level of vaccination coverage had enabled Vietnam and Cambodia to fully reopen its domestic economy, leading to positive economic prospects for the year. Revenue from amusement arcades for the year ended 31 March 2023 had risen by ¥1,351 million, representing an increase of 376% as compared to the prior year. Buoyed by a rising disposable income and post pandemic pent-up demand, the management foresees a continuous robust recovery on entertainment sector in these Asian countries.

The food and beverage business of the Group had seen a sign of improvement. Total revenue generated from restaurants and cafés under the brand names of "LIZARRAN", "KOMEDA" and "GONG CHA" amounted to ¥480 million in the current year as compared to that of ¥272 million in 2022. In April 2023, a "LIZARRAN" restaurant was opened in Tokyo. The management is positive in seeing a stable upturn in this sector. Subsequent to the cancellation of intermittent business suspension policy in China, "YOKOCHO" finally resumed its operation in full in early January 2023. Income derived from "YOKOCHO" had noted a 60.7% increase as compared to that in 2022, resulted in ¥172 million in the current year.

Despite the uncertainty of pandemic resurgence and geopolitical instability, the Group is resilient to challenges, and is prepared to grab every opportunity in a rapidly changing environment. More detailed business, prospects and development of the Group, and analysis of the Group's performance for the year ended 31 March 2023 are available in the sections "Chairman's Statement" on pages 6 to 8 and "Management Discussion and Analysis" on pages 9 to 13 of this annual report.

# Report of the Directors

## Financial Key Performance Indicators

Certain financial key performance indicators which complement and supplement the financial disclosures are set out in “Financial Review” on pages 9 to 10 and the “Consolidated Financial Statements” on pages 45 to 49 of this annual report.

## Relationship with Suppliers

The Group’s major suppliers consist of pachinko and pachislot machine suppliers, game machines suppliers, G-prize wholesalers, and general prize suppliers. These suppliers are relatively large and reputable corporations with long-standing relationships with the Group. On average, the Group has over ten years of business dealings with its major suppliers.

## Relationship with Customers

The Group’s revenue comes from pachinko and pachislot business, amusement arcade business, and vending machines. As a pachinko hall and amusement arcade operator, the Group has a large and diverse customer base across Japan, Cambodia and Vietnam. Regarding vending machine business, revenue derived from the Group’s top five largest customers accounted for less than 1% of total revenue of the Group for the year ended 31 March 2023.

## Relationship with Employees

The Group’s success, to a considerable extent, depends upon its ability to attract, motivate and retain a sufficient number of qualified employees, including area managers, hall managers, sales managers and staff. The Group offers competitive wages, bonuses and other benefits to full time employees. Opportunity for advancement is also crucial in building employee loyalty and work dedication. The Group provides clear career paths, job rotation and training to its full time employees. As at 31 March 2023, the Group employed 1,133 staff for pachinko and pachislot business, and 361 staff for amusement arcades business.

## Environmental Policy

Pursuant to Amusement Business Law and local ordinances, a pachinko license holder must conduct business in such a way as not to cause noise or vibrations (limited to voices of people and other noises and vibrations that are part of operating a business) in the area surrounding the place of business that exceed the limits specified by prefectural ordinances. To ensure compliance with such laws and regulations, the Group had appointed a manager to supervise and monitor the compliance, formulate internal standards regarding such matters, and keep records of any relevant incidents.

## Licenses, Regulatory Approvals and Compliance Record

The Group had complied with the Listing Rules and all relevant Japan, Cambodia and Vietnam laws and regulations in all material respects and had obtained all material licenses, approvals and permits from relevant regulatory authorities for all of its pachinko halls and amusement centres in 2023.

# Report of the Directors

## Principal Risks and Uncertainties

Principal risks and uncertainties the Group faces include:

- risks related to continuous shrinkage of pachinko players in the industry;
- risks related to natural disasters, such as earthquake and tsunami;
- risks related to human resources and systems application;
- uncertainty as to the profitability of new halls and arcades;
- uncertainty as to the performance of the Group's existing halls and arcades;
- uncertainty as to the expansion of hall and arcade network;
- uncertainty as to the change of Amusement Business Law and related laws and regulations;
- uncertainty as to the impact on pachinko industry after the passage of the IR Promotion Act; and
- uncertainty as to the development of novel coronavirus.

## RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2023 are set out in the consolidated statement of comprehensive income on page 45.

The Directors have declared the payment of a final dividend of ¥0.11 per common share totaling ¥132 million to the Shareholders. Such payment of dividends will be payable to Shareholders whose names appear on the register of members of the Company at the close of business on 19 June 2023.

## DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), which aims at setting out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders. Under the policy, in recommending or declaring dividends, the Company shall maintain adequate cash reserve for meeting its working capital requirements and future growth as well as its shareholder value.

The Company does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles of the Incorporation and all applicable laws and regulations and the various factors stipulated. When determining declaration or payment of dividends, the Company shall consider the following matters:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;

# Report of the Directors

- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems relevant.

Any unclaimed dividend shall not be forfeited until the lapse of six years after the date of declaration of such dividend in accordance with the Articles of Incorporation.

The Board will review the Dividend Policy as appropriate from time to time. The Dividend Policy has been published on the Company's website for public information.

## FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 4 and 5 of this annual report.

## SHARE CAPITAL

Details of the share capital for the year ended 31 March 2023 are set out in Note 24 to the consolidated financial statements.

## EQUITY-LINKED AGREEMENTS

During the year ended 31 March 2023, the Group did not enter into any equity-linked agreements.

## RESERVES AND DISTRIBUTABLE RESERVES

Movements in reserves during the year are set out in the consolidated statement of changes in equity on page 48. Distributable reserves of the Company as at 31 March 2023 amounted to approximately ¥2,182 million.

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2023 are set out in Note 28 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Incorporation or the laws of Japan.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the year ended 31 March 2023 and up to the date of this annual report. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 March 2023 and up to the date of this annual report.

# Report of the Directors

## DIRECTORS

The Directors during the year and up to the date of this annual report are:

### Executive Directors

Mr. Hisanori TANIGUCHI (谷口久徳)  
Mr. Akinori OHISHI (大石明德)  
Mr. Masataka WATANABE (渡辺将敬)

### Non-Executive Director

Mr. Hiroshi BANNAI (坂内弘)

### Independent Non-Executive Directors

Mr. Michio MINAKATA (南方美千雄)  
Mr. Yoshihiro KOIZUMI (小泉義広)  
Mr. Kuraji KUTSUWATA (轡田倉治)  
Mr. Akihito TANAKA (田中秋人)

In accordance with articles 29 of the Articles of Incorporation, all Directors will retire at the forthcoming AGM and, being eligible, offered themselves for re-election. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the independent non-executive Directors are independent.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

Save as disclosed in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries was a party and in which a Director and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at the date of this annual report, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

# Report of the Directors

## PERMITTED INDEMNITY PROVISION

The Articles of Incorporation provide that the Company may execute an agreement with its Directors to limit their liability under Article 423 of the Companies Act in Japan. The Company has taken out and maintained Directors' liability insurance throughout the year and up to date of this annual report, which provides appropriate cover for the Directors.

## REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

No remuneration was paid to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group. Further, no compensation was paid to, or receivable by, the Directors or past Directors or the five highest paid individuals during the years ended 31 March 2023 and 2022 for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

Details of the emoluments of the Directors and five highest paid individuals during the reporting period are set out in Notes 8 and 36 to the consolidated financial statements.

## 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 31 March 2023, 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, 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:

Name	Capacity/Nature of interest	Total	Approximate % of shareholding
Hisanori TANIGUCHI (谷口久徳)	Beneficial owner	85,624,184 common shares	7.16%
Hiroshi BANNAI (坂内弘)	Beneficial owner	216,000 common shares	0.02%

Notes:

- (1) All interests stated are long positions.
- (2) There were 1,195,850,460 shares in issue as at 31 March 2023.

# Report of the Directors

Save as disclosed above, as at 31 March 2023, 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 taken 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.

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

As at 31 March 2023, 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:

Name	Capacity/Nature of interest	Total	Approximate % of shareholding
Yoshihiro TANIGUCHI (谷口佳浩)	Beneficial owner; interest of controlled corporation; custodian <sup>(1)</sup>	98,440,000 common shares	8.23%
Seiai TANIGUCHI (谷口正愛)	Interest of a spouse <sup>(2)</sup>	85,624,184 common shares	7.16%
Yurie TANIGUCHI (谷口祐莉恵)	Interest of a spouse <sup>(3)</sup>	98,440,000 common shares	8.23%
Okada Holdings Limited	Beneficial owner <sup>(4)</sup>	80,500,000 common shares	6.73%
Universal Entertainment Corporation	Beneficial owner <sup>(4)</sup>	80,500,000 common shares	6.73%
Tiger Resort Asia Limited	Beneficial owner <sup>(4)</sup>	80,500,000 common shares	6.73%
Densho Limited	Beneficial owner	225,560,460 common shares	18.86%
Jukki Limited	Beneficial owner	181,010,000 common shares	15.14%

# Report of the Directors

## Notes:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) Okada Holdings Limited indirectly holds 70.28% interest in Universal Entertainment Corporation, which directly holds Tiger Resort Asia Limited. Accordingly, each of Universal Entertainment Corporation and Okada Holdings Limited is deemed to be interested in such 80,500,000 shares held by Tiger Resort Asia Limited.
- (5) All interests stated are long positions.
- (6) There were 1,195,850,460 shares in issue as at 31 March 2023.

Save as disclosed above, and as at 31 March 2023, 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.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed “Directors’ and Chief Executives’ 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”, at no time during the year was the Company, any subsidiary or its holding company or any fellow subsidiary a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## NON-COMPETITION UNDERTAKING

The controlling Shareholders, including the members of the Taniguchi Consortium, have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 16 March 2015. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the controlling Shareholders and duly enforced since the Listing Date and up to the date of this annual report.

# Report of the Directors

## DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately ¥1 million.

## CONNECTED TRANSACTIONS

The Directors confirm that during the year ended 31 March 2023, the Group did not have any connected transactions and continuing connected transactions as defined under the Listing Rules. The significant related party transactions made during the year that did not constitute connected transactions under the Listing Rules were disclosed in Note 34 to the consolidated financial statements. The Directors therefore confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2023, less than 1.0% of the Group's revenue were attributed by the Group's five largest customers; while 71.7% and 93.0% of the Group's total purchases were attributed by the Group's largest and the five largest suppliers, respectively. The largest supplier of the Group supplies G-prize to the Group's pachinko halls and has a business relationship of more than 10 years with the Group. To the knowledge of the Directors, none of the Directors or any Shareholders who owned 5.0% or more of the issued share capital of the Company as at 31 March 2023 or any of their respective associates held any interest in any of the five largest suppliers of the Group.

## REMUNERATION POLICY AND PENSION SCHEME

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and performance of the Group and individual staff (including the Directors). The remuneration policy and remuneration packages of the executive Director and members of the senior management of the Group are reviewed by the Remuneration Committee.

Particulars of the Group's retirement benefit schemes are set out in Note 36 to the consolidated financial statements.

## AUDIT COMMITTEE

The Audit Committee had reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 March 2023.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, is held by the public at all times as of the date of this annual report.

# Report of the Directors

## AUDITOR

PricewaterhouseCoopers has acted as auditor of the Company for the year ended 31 March 2023.

The consolidated financial statements have been audited by PricewaterhouseCoopers who shall retire in the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming AGM.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

The environmental, social and governance report of the Group is published separately in parallel with the publication of this annual report.

On behalf of the Board

**NIRAKU GC HOLDINGS, INC.\***

株式会社ニラク・ジー・シー・ホールディングス

*Chairman, Executive Director and Chief Executive Officer*

**Hisanori TANIGUCHI**

Fukushima, Japan, 1 June 2023

\* For identification purpose only

# Independent Auditor's Report



To the Shareholders 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)

## OPINION

### What we have audited

The consolidated financial statements 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 (the "Group"), which are set out on pages 45 to 114, comprise:

- the consolidated statement of financial position as at 31 March 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

\* For identification purpose only

# Independent Auditor's Report

## **BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

## **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to impairment assessment of property, plant and equipment, right-of-use assets and other non-current assets.

# Independent Auditor's Report

## Key Audit Matter

### **Impairment assessment of property, plant and equipment, right-of-use assets and other non-current assets**

Refer to Notes 4, 13 and 14 to the consolidated financial statements for the related disclosures.

As at 31 March 2023, the Group had property, plant and equipment, right-of-use assets and other non-current assets of ¥17,112 million, ¥25,516 million and ¥1,281 million, respectively, before provision for impairment. The balance of property, plant and equipment, right-of-use assets and other non-current assets were related to the cash-generating units ("CGUs") of each individual pachinko and pachislot hall in Japan, a pachinko and pachislot hall with hotel business in Japan, each restaurant in Japan, each amusement arcade in Southeast Asia and the restaurant operation in China.

The performance of the Group's operations were impacted by keen competition within the industries. Management reviews for impairment whenever events or changes in circumstances indicate that carrying amount of a CGU may not be recoverable. For the year ended 31 March 2023, management assessed for whether the CGUs have any impairment indicator by considering whether it records operating loss in recent two reporting periods and whether the budget (the projected operating cashflow after overhead allocation) was met in current period, and performed impairment review on identified CGUs.

## How our audit addressed the Key Audit Matter

In relation to the impairment assessments of property, plant and equipment, right-of-use assets and other non-current assets performed by management, we assessed the reasonableness of management's assessments as to whether impairment indicators were identified for CGUs. We challenged management's criteria for identification of impairment indication by comparing to the historical performance and operational development of the CGUs.

Our procedures in relation to management's impairment assessments of property, plant and equipment, right-of-use assets and other non-current assets included were as follows:

- Understanding and evaluating the internal control and impairment assessment process performed by management in order to assess the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity;
- Assessing management's determination of CGUs to evaluate whether they are reasonable based on our understanding of the Group's business; and
- Comparing the recoverable amounts derived by the value-in-use and fair value less cost of disposal to ensure the higher of the two values was applied for the provision of impairment.

# Independent Auditor's Report

## Key Audit Matter

### Impairment assessment of property, plant and equipment, right-of-use assets and other non-current assets (Continued)

Management performed impairment assessments to assess the recoverable amounts of these CGUs, which were determined as the higher of value-in-use or fair value less cost of disposal. The value-in-use calculations were performed by management and derived from income approach based on future cash flow forecasts of the CGUs. The fair value less cost of disposal calculations were performed by management with reference to valuation prepared by an independent professional qualified valuer.

Based on management's assessment, provision for impairment loss of ¥214 million, ¥371 million and ¥1 million were recorded for property, plant and equipment, right-of-use assets and other non-current assets, respectively, during the year ended 31 March 2023.

## How our audit addressed the Key Audit Matter

To evaluate management's value-in-use calculations, we have:

- Compared current year actual results with prior year forecasts to assess the reliability of management's prior forecasts;
- Challenged management's assumption on revenue growth rates by comparing the ratio to industry trends, the Group's historical performance and operational development;
- Assessed management's assumption on discount rates by comparing to the cost of capital and cost of debt of comparable organisations in the industry;
- Involved our internal valuation expert to review the discount rates applied by management;
- Reconciled the data input of the forecasts to supporting evidence, such as approved budgets, historical performance and operational development;
- Assessed mathematical accuracy of the value-in-use calculations; and
- Evaluated the sensitivity analysis performed by management around the revenue growth rates and discount rates to ascertain the extent and likelihood of such changes had been appropriately considered for disclosure purpose.

# Independent Auditor's Report

## Key Audit Matter

### Impairment assessment of property, plant and equipment, right-of-use assets and other non-current assets (Continued)

We focused on this area due to the significance of the carrying values of the property, plant and equipment, right-of-use assets and other non-current assets to the Group, the high degree of subjectivity to the identification of impairment indicators and estimation involved in the determination of recoverable amounts as well as the complexity of calculations, including the determination of key assumptions of revenue growth rate, discount rate in value-in-use calculations and unit price per square meter of land and building under sales comparison approach in fair value less cost of disposal calculation.

## How our audit addressed the Key Audit Matter

To evaluate management's fair value less cost of disposal calculations, we have:

- Reviewed the fair value less cost of disposal calculation performed by management to assess the appropriateness of methodologies used;
- Assessed the reasonableness of the valuation by comparing market quotation of similar properties based on our independent researches; and
- Assessed the mathematical accuracy of fair value less cost of disposal calculation.

We have assessed the adequacy of the disclosures related to impairment of property, plant and equipment, right-of-use assets and other non-current assets in the context of IFRSs disclosure requirements.

Based on the procedures performed, we considered that the judgment and estimates adopted by management in relation to the impairment assessment of property, plant and equipment, right-of-use assets and other non-current assets were supportable by available evidence.

# Independent Auditor's Report

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# Independent Auditor's Report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

# Independent Auditor's Report

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Hin Gay, Gabriel.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 1 June 2023

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	Note	2023 ¥ million	2022 ¥ million
Revenue	5	24,784	22,209
Other income	6	488	645
Other gains, net	6	153	1,536
Impairment loss on property, plant and equipment	13	(214)	(168)
Impairment loss on right-of-use assets	14	(371)	(759)
Impairment loss on intangible assets	16	—	(1,077)
Hall operating expenses	7	(18,870)	(18,279)
Administrative and other operating expenses	7	(3,712)	(3,246)
<b>Operating profit</b>		<b>2,258</b>	<b>861</b>
Finance income	9	84	79
Finance costs	9	(979)	(1,111)
Finance costs, net	9	(895)	(1,032)
Share of results of an associate	12	—	—
<b>Profit/(loss) before income tax</b>		<b>1,363</b>	<b>(171)</b>
Income tax expense	10	(310)	(1,016)
<b>Profit/(loss) for the year</b>		<b>1,053</b>	<b>(1,187)</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		1,134	(1,181)
Non-controlling interest		(81)	(6)
		<b>1,053</b>	<b>(1,187)</b>
<b>Earnings/(loss) per share for profit/(loss) attributable to owners of the Company</b>			
— Basic and diluted (expressed in Japanese Yen per share)	11	0.95	(0.99)
<b>Profit/(loss) for the year</b>		<b>1,053</b>	<b>(1,187)</b>
<b>Other comprehensive (loss)/income</b>			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Change in value of financial assets through other comprehensive income		(54)	8
<i>Items that have been or may be subsequently reclassified to profit or loss</i>			
Currency translation difference		(45)	(6)
<b>Total comprehensive income/(loss) for the year</b>		<b>954</b>	<b>(1,185)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		1,079	(1,132)
Non-controlling interest		(125)	(53)
		<b>954</b>	<b>(1,185)</b>

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

# Consolidated Statement of Financial Position

As at 31 March 2023

	Note	2023 ¥ million	2022 ¥ million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	16,898	17,754
Right-of-use assets	14	25,145	26,193
Investment properties	15	691	714
Intangible assets	16	322	361
Interest in an associate	12	–	–
Prepayments, deposits and other receivables	22	4,426	4,319
Financial assets at fair value through other comprehensive income	18	511	605
Deferred income tax assets	29	5,415	5,342
		<b>53,408</b>	<b>55,288</b>
<b>Current assets</b>			
Inventories	20	67	44
Trade receivables	21	107	74
Prepayments, deposits and other receivables	22	982	1,096
Financial assets at fair value through profit or loss	18	98	105
Current income tax recoverable		179	–
Bank deposits with maturity over 3 months	23	528	242
Cash and cash equivalents	23	10,435	11,451
		<b>12,396</b>	<b>13,012</b>
<b>Total assets</b>		<b>65,804</b>	<b>68,300</b>

# Consolidated Statement of Financial Position

As at 31 March 2023

	Note	2023 ¥ million	2022 ¥ million
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	24	3,000	3,000
Reserves	25	17,028	16,630
		20,028	19,630
Non-controlling interest		(734)	(609)
<b>Total equity</b>		<b>19,294</b>	<b>19,021</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	28	5,765	6,939
Lease liabilities	14	26,968	28,090
Provisions and other payables	27	2,158	2,244
Derivative financial instruments	19	3	9
		34,894	37,282
<b>Current liabilities</b>			
Trade payables	26	125	108
Borrowings	28	4,441	4,702
Lease liabilities	14	2,762	2,599
Accruals, provisions and other payables	27	4,287	4,244
Derivative financial instruments	19	1	2
Current income tax liabilities		–	342
		11,616	11,997
<b>Total liabilities</b>		<b>46,510</b>	<b>49,279</b>
<b>Total equity and liabilities</b>		<b>65,804</b>	<b>68,300</b>

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

The financial statements on pages 45 to 49 were approved by the Board of Directors on 1 June 2023 and were signed on its behalf.

**Hisanori Taniguchi**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Attributable to owners of the Company									
	Share capital	Capital surplus	Capital reserve	Legal reserve	Investment revaluation reserve	Retained earnings	Exchange reserve	Sub-total	Non-controlling interest	Total
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
<b>Balances at 1 April 2021</b>	3,000	13,954	(16,028)	107	(160)	19,922	(33)	20,762	(556)	20,206
<b>Comprehensive loss</b>										
Loss for the year	-	-	-	-	-	(1,181)	-	(1,181)	(6)	(1,187)
<b>Other comprehensive income</b>										
Financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	8	-	-	8	-	8
Currency translation difference	-	-	-	-	-	-	41	41	(47)	(6)
<b>Total comprehensive loss for the year</b>	-	-	-	-	8	(1,181)	41	(1,132)	(53)	(1,185)
<b>Balance at 31 March 2022</b>	3,000	13,954	(16,028)	107	(152)	18,741	8	19,630	(609)	19,021
<b>Balances at 1 April 2022</b>	3,000	13,954	(16,028)	107	(152)	18,741	8	19,630	(609)	19,021
<b>Comprehensive income</b>										
Profit/(loss) for the year	-	-	-	-	-	1,134	-	1,134	(81)	1,053
<b>Other comprehensive loss</b>										
Financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	(54)	-	-	(54)	-	(54)
Currency translation difference	-	-	-	-	-	-	(1)	(1)	(44)	(45)
<b>Total comprehensive income for the year</b>	-	-	-	-	(54)	1,134	(1)	1,079	(125)	954
Final dividend relating to 2022	-	-	-	-	-	(478)	-	(478)	-	(478)
Interim dividend relating to 2023	-	-	-	-	-	(203)	-	(203)	-	(203)
<b>Total transactions with owners</b>	-	-	-	-	-	(681)	-	(681)	-	(681)
<b>Balance at 31 March 2023</b>	3,000	13,954	(16,028)	107	(206)	19,194	7	20,028	(734)	19,294

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

# Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Note	2023 ¥ million	2022 ¥ million
<b>Cash flows from operating activities</b>			
Cash generated from operations	31	6,872	6,032
Interest paid		(101)	(134)
Income tax paid		(839)	(509)
Net cash generated from operating activities		5,932	5,389
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,014)	(725)
Purchase of intangible assets	16	(4)	(2)
Proceeds from disposal of property, plant and equipment	31	102	41
Placement of bank deposits with maturity over 3 months		(1,602)	(945)
Proceeds from withdraw of bank deposits with maturity over 3 months		1,316	745
Interest received	9	2	2
Dividend received	6	25	21
Net cash used in investing activities		(1,175)	(863)
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings	31	7,813	2,813
Repayment of bank borrowings	31	(9,248)	(7,839)
Dividend paid		(681)	–
Principal element of lease payments		(2,863)	(3,122)
Interest element of lease payments	9	(750)	(784)
Net cash used in financing activities		(5,729)	(8,932)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		11,451	15,903
Exchange loss on cash and cash equivalents		(44)	(46)
Cash and cash equivalents at end of the year	23	10,435	11,451

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

# Notes to the Consolidated Financial Statements

## 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.\* (the “Company”) 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 is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in millions of Japanese Yen (“¥”), unless otherwise stated.

These consolidated financial statements have been approved by the Board of Directors of the Company on 1 June 2023.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) and the disclosure requirements of the Hong Kong Company Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative financial instruments) which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

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

The Group has applied the following amendments to standards or annual improvements for the first time for their annual financial year commencing 1 April 2022:

Amendments to IFRS 16	Covid-19 Related Rent Concessions Beyond 2021
Amendments to IFRS 3, IAS 16 and IAS 37	Narrow-scope Amendments
Annual Improvement to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

#### (ii) New standard, amendments to standards and interpretations (collectively, the “Amendments”) not yet adopted

Certain Amendments that have been published but not effective for 31 March 2023 reporting period and have not been early adopted by the Group:

		<b>Effective for accounting periods beginning on or after</b>
IFRS 17 and Amendments to IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
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 amendments 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.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Principles of consolidation and equity accounting

#### (i) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively. No separate disclosure of summary of financials of the non-controlling interests is presented due as it is not financially significance to the Group.

#### (ii) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

#### (iii) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Principles of consolidation and equity accounting (Continued)

#### (iv) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### 2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Business combinations (Continued)

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

### 2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM is identified as the executive directors of the Company.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in millions of ¥, which ¥ is the Company's functional currency and the Group's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gains, net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Property, plant and equipment

Land and buildings comprise mainly pachinko and pachislot halls and offices. All property, plant and equipment are stated at historical cost less accumulated depreciation, except freehold land which is not subject to depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress is stated at cost less impairment loss. It is not depreciated until completion of the construction and the relevant assets are available for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

— Buildings	20 to 40 years
— Leasehold improvements	Shorter of lease term or useful lives
— Equipment and tools	2 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

### 2.8 Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are stated at historical cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of investment properties, except for the freehold land, which is not subject to depreciation, is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 41 to 45 years.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Intangible assets

(i) *Goodwill*

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

(ii) *Trademarks, licences and customer contracts*

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licences and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 7 to 10 years.

(iii) *Computer software*

Computer software is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 5 years.

### 2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Financial assets

#### (i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### (iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Financial assets (Continued)

#### (iii) Measurement (Continued)

##### **Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains, net and impairment expenses are presented as separate line item in the statement of comprehensive income.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains, net in the period in which it arises.

##### **Equity instruments**

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains, net in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### (iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1 for further details.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. As at 31 March 2023 and 2022, there were no financial assets or financial liabilities which were subject to offsetting, enforceable master netting or similar agreements.

### 2.13 Inventories

Inventories represent supplies, including uninstalled pachinko and pachislot machines with useful life typically less than one year, and other consumables which are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method.

### 2.14 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1 for a description of the Group's impairment policies.

### 2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### 2.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Employee benefits

(i) *Pension obligations*

The Group operates a defined contribution plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has established a defined contribution plan for its eligible employees. The assets of the plan are held in separate trustee-administered funds. Contributions to the plan by the Group are calculated as a percentage of employees' monthly basic salaries. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) *Bonus plans*

The group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

### 2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Revenue recognition

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers controls of the goods or services promised in a contract and the customer obtains control of the goods or services.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If any of the above conditions are not met, the Group recognises revenue at the point in time at which the performance obligation is satisfied.

Specific criteria for each of the Group's activities are described as below.

- (i) Revenue from pachinko and pachislot business represents the gross pay-ins, net of the gross pay-outs to customers. Gross pay-ins represents the amount received from customers for rental of pachinko balls and pachislot tokens. Gross pay-outs represents the aggregate cost of G-prizes and general prizes exchanged by customers. G-prizes are decorative cards with a small embedded piece of gold or silver or coin-shaped pendants of gold or silver which can be sold by customers to a G-prize buyer for cash, and general prizes are generally the types of goods sold in convenience stores, such as snacks, drinks and cigarettes.

Customers rent pachinko balls and pachislot tokens to play the games, and the balls or tokens won can be either exchanged for prizes or saved for subsequent visits. The Group offers both general prizes and G-prizes. Customers who opt to claim G-prizes in exchange for the pachinko balls and pachislot tokens may sell their G-prizes to an independent G-prize buyer for cash outside of the pachinko hall. Revenue is recognised over the period of each play.

A contract liability is recognised when the Group has received upfront fees from the customers. The Group records these as unutilised balls and tokens in the liabilities section of the consolidated statement of financial position. Such contract liability is recognised as revenue when they are utilised by customers. Income from expired prepaid integrated circuit and membership cards are recognised as other income upon expiry of the usage period.

- (ii) Hotel revenue from room rental is recognised over time during the period of stay for the hotel guests.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Revenue recognition (Continued)

- (iii) Vending machine income is recognised on a straight-line basis over the accounting periods covered by the terms and conditions as stipulated in the agreement. Contingent vending machine income is recognised when the Group sells a product to the customer.

A contract liability is recognised when the Group has received upfront fees from the customers. The Group records these as rental receipt in advance in the liabilities section of the consolidated statement of financial position. Such contract liability is recognised as revenue when such services are rendered to customers.

- (iv) Restaurant revenue from provision of food and beverages services is recognised when the related services have been provided to customers.
- (v) Amusement arcade business is recognised when the provision of amusement arcade services are rendered, being when the customers utilised the tokens to play the games. A contract liability is recognised when the Group has received upfront fees from the customers. The Group records these as unutilised tokens in the liabilities section of the consolidated statement of financial position. Such contract liability is recognised as revenue when such services are rendered to customers.
- (vi) Rental income from investment properties is recognised on a straight-line basis over the term of the leases.

### 2.23 Interest income

Interest income from financial assets at FVTPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI is calculated using the effective interest method and is recognised in profit or loss as part of finance income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### 2.24 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognised as other income in the consolidated statement of comprehensive income when the right to receive payment is established.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

### 2.26 Leases

Leases are recognised as a right-of-use and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease component based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease components.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interest in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.26 Leases (Continued)

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentive received, any initial direct cost and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the assets useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and lease of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the investment properties.

### 2.27 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge its financial risks.

Risk management is carried out by management of the Group. Formal and informal management meetings are held to identify significant risks and to develop procedures to deal with any risks in relation to the Group's businesses.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (a) Market risk

##### (i) Foreign exchange risk

The Group operates principally in Japan and is exposed to foreign exchange risk arising from various foreign currency transactions and foreign, primarily with respect to cash and cash equivalents denominated in Hong Kong dollar (“HK\$”), United States dollar (“US\$”), Vietnamese Dong (“VND”) and Chinese Renminbi (“RMB”).

The Group also has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group’s foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Majority of the cost and revenue of the local operations in Vietnam, China and Hong Kong are primarily transacted in their local functional currency which are VND, RMB and HK\$, respectively, and therefore foreign exchange transactional risks are minimal.

At 31 March 2023, if US\$ had strengthened/weakened by 10% (2022: 5%) against the ¥, with all other variables held constant, post-tax profit/(loss) for the year would have been approximately ¥53 million, higher/lower (2022: ¥27 million lower/higher), mainly as a result of foreign exchange differences on translation of US\$ denominated cash at bank balance.

##### (ii) Cash flow and fair value interest rate risk

The Group’s interest rate risk arises from bank balances and borrowings which are carried at variable rates, which expose the Group to cash flow interest rate risk.

As at 31 March 2023, if interest rates were increased or decreased by 25 basis points and all other variables were held constant, the Group’s post-tax profit/(loss) would have decreased or increased by approximately ¥1 million (2022: increased or decreased by ¥1 million).

The Group manages its interest rate exposure with a focus on reducing the Group’s overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps to manage its interest rate exposure. The Group’s main interest rate exposure relates to ¥ denominated borrowings. In the opinion of the directors, fair value interest rate risk is low as the amounts of interest rate swaps are insignificant during the year ended 31 March 2023 (2022: Same), and accordingly, sensitivity analysis has not been disclosed.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (a) Market risk (Continued)

##### (iii) Price risk

The Group is exposed to equity securities price risk because of investments in listed securities held by the Group which are classified on the consolidated statement of financial position as financial assets at fair value through other comprehensive income.

The table below summarises the impact of increases/decreases of the share prices of underlying financial instruments on the Group's equity. The analysis is based on the assumption that the share prices of the underlying financial instruments had increased or decreased by 5% with all other variables held constant.

	2023 ¥ million	2022 ¥ million
<b>Impact on other components of equity</b>		
Share prices:		
— increase by 5%	18	30
— decrease by 5%	(18)	(30)

#### (b) Credit risk

Credit risk arises mainly from cash deposited at banks, trade receivables, deposits and other receivables, financial assets at fair value through profit or loss and through other comprehensive income.

In respect of cash deposited at banks and financial assets at fair value through profit or loss and through other comprehensive income, the credit risk is considered to be low as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Approximately 97% (2022: 98%) of the Group's revenue is settled in cash, mitigating credit risk. There are no significant concentration of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Group has set up long-term co-operative relationship with the customers and trade partners. In view of the history of business dealings with these parties and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these customers.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance as at 31 March 2023 and 2022 was assessed to be immaterial.

The Company adopts general approach for expected credit losses of other receivables and consider these financial assets have not significantly increased in credit risk from initial recognition. Thus, these financial assets are classified in stage one and only consider 12-month expected credit losses. In measuring the expected credit losses, the credit quality has been assessed with reference to historical credit losses experienced and financial position of the counterparties. On that basis, the loss allowance as at 31 March 2023 and 2022 was assessed to be immaterial.

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding from an adequate amount of committed credit facilities from leading banks and the ability to close out market position.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets and receivables, and long term financing including long-term borrowings. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal to their carrying balances as the impact of discounting is not significant.

	Within 1 year ¥ million	Between 1 and 2 years ¥ million	Between 2 and 5 years ¥ million	Over 5 years ¥ million	Total contractual cash flow ¥ million	Total ¥ million
<b>As at 31 March 2023</b>						
<i>Non-derivatives</i>						
Trade payables	125	–	–	–	125	125
Other payables	1,270	154	11	2,689	4,124	3,400
Borrowings	4,628	2,474	3,415	118	10,635	10,206
Lease liabilities	3,493	3,123	8,360	20,840	35,816	29,730
	9,516	5,751	11,786	23,647	50,700	43,461
<i>Derivatives</i>						
Derivative financial instruments, net settled	1	3	–	–	4	4
<b>As at 31 March 2022</b>						
<i>Non-derivatives</i>						
Trade payables	108	–	–	–	108	108
Other payables	1,554	78	43	2,882	4,557	3,586
Borrowings	4,889	2,406	4,248	586	12,129	11,641
Lease liabilities	3,325	3,109	8,366	22,533	37,333	30,689
	9,876	5,593	12,657	26,001	54,127	46,024
<i>Derivatives</i>						
Derivative financial instruments, net settled	2	9	–	–	11	11

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group uses bank borrowings to finance its operations.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by equity. Total debt is calculated as total borrowings (include bank borrowings and lease liabilities) less cash and cash equivalents. Equity is calculated as 'equity' as shown in the consolidated statement of financial position.

	2023 ¥ million	2022 ¥ million
Borrowings	10,206	11,641
Lease liabilities	29,730	30,689
Less: Cash and cash equivalents	(10,435)	(11,451)
Total debt	29,501	30,879
Equity	19,294	19,021
Gearing ratio	1.5	1.6

### 3.3 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).

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 Fair value estimation (Continued)

	Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total ¥ million
<b>As at 31 March 2023</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
— Unlisted securities	—	98	—	98
Financial assets at fair value through other comprehensive income				
— Listed securities	511	—	—	511
	511	98	—	609
<b>Liabilities</b>				
Derivative financial liabilities				
— Interest rate swaps	—	4	—	4
<b>As at 31 March 2022</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
— Unlisted securities	—	105	—	105
Financial assets at fair value through other comprehensive income				
— Listed securities	605	—	—	605
	605	105	—	710
<b>Liabilities</b>				
Derivative financial liabilities				
— Interest rate swaps	—	11	—	11

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 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 31 March 2023 and 2022, instruments included in level 2 comprise trust funds and interest rate swaps issued by financial institutions in Japan which were classified as financial assets at fair value through profit or loss.

As at 31 March 2023 and 2022, there were no financial instrument held by the Group was in level 3. There were no transfers between levels 1, 2 and 3 during the years ended 31 March 2023 and 2022.

Management discussed with the respective investment managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective investment managers in order to evaluate whether the fair values as stated in the investment statements at the end of reporting period are appropriate.

# Notes to the Consolidated Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### (a) Impairment of property, plant and equipment, right-of-use assets and non-current assets

The Group has substantial investments in property, plant and equipment, right-of-use assets and other non-current assets. Judgement is required in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value-in-use and fair value less costs to sell. Value-in-use calculations require the use of management judgements and estimates in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Fair value less costs of disposal calculations require available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment assessment and as a result affect the Group's financial condition and results of operations.

Details of the key assumptions applied by management in assessing impairment of property, plant and equipment, right-of-use assets and other non-current assets are stated in Note 13.

### (b) Impairment of goodwill

The Group conducts reviews annually as to whether goodwill has suffered any impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts of cash-generating units or a group of cash-generating units are determined based on value-in-use calculations or fair value less costs of disposal. Value-in-use calculations require the use of management judgements and estimates in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Fair value less costs of disposal calculations require available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment assessment and as a result affect the Group's financial condition and results of operations.

Details of the key assumptions applied by management in assessing impairment of goodwill are stated in Note 16.

# Notes to the Consolidated Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (c) Income taxes

The Group is subject to income taxes in Japan, Vietnam, Cambodia, Singapore and China. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

### (d) Impairment of goodwill

The Group conducts reviews annually whether goodwill has suffered any impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts of cash-generating units or a group of cash-generating units are determined based on value-in-use calculations or fair value less costs of disposal.

Details of the key assumptions applied by management in assessing impairment of goodwill are stated in Note 16.

## 5 REVENUE AND SEGMENT INFORMATION

### (a) Revenue

	2023 ¥ million	2022 ¥ million
<b>Revenue</b>		
Gross pay-ins	119,837	108,075
Less: gross pay-outs	(97,942)	(86,999)
Revenue from pachinko and pachislot hall business	21,895	21,076
Revenue from amusement arcades	1,710	359
Vending machine income	378	356
Revenue from hotel operations	149	39
Revenue from restaurant operations	652	379
	24,784	22,209

# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (a) Revenue (Continued)

During the year ended 31 March 2023, revenue recognised that was included in the contract liabilities balances of rental receipt in advance and unutilised balls and tokens at the beginning of the year amounted to ¥95 million (2022: ¥100 million) and ¥1,371 million (2022: ¥1,192 million), respectively.

As at 31 March 2023, the amount of transaction price allocated to the contract liabilities in relation to receipt in advance and unutilised balls and tokens that are unfulfilled were ¥165 million (2022: ¥171 million) and ¥1,710 million (2022: ¥1,398 million), respectively, of which all are expected to be recognised as revenue during the next reporting period.

### (b) Segment information

Management has determined the operating segments based on the reports reviewed by the 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 consolidated financial statements.

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 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 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 corporate expenses and income tax expenses are not included in segment results.

# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (Continued)

The segment information provided to the executive directors for the years ended 31 March 2023 and 2022 are as follows:

	Year ended 31 March 2023				Total ¥ million
	Pachinko and pachislot hall operations	Amusement arcade operations	Restaurant operations	Others	
	Japan ¥ million	Southeast Asia ¥ million	China ¥ million	Japan ¥ million	
Timing of revenue recognition					
Over time	22,273	1,710	–	149	24,132
At a point in time	–	–	172	480	652
<b>Segment revenue from external customers</b>	<b>22,273</b>	<b>1,710</b>	<b>172</b>	<b>629</b>	<b>24,784</b>
<b>Segment results</b>	<b>2,287</b>	<b>155</b>	<b>(113)</b>	<b>(121)</b>	<b>2,208</b>
Corporate expenses					(845)
Profit before income tax					1,363
Income tax expense					(310)
<b>Profit for the year</b>					<b>1,053</b>
<b>Other segment items</b>					
Depreciation and amortisation expenses	(3,577)	(495)	(73)	(26)	(4,171)
Impairment loss on right-of-use assets	(319)	–	–	(52)	(371)
Impairment loss on property, plant and equipment	(176)	–	–	(38)	(214)
Impairment loss on irrecoverable prepayments	–	–	–	(1)	(1)
Finance income	67	17	–	–	84
Finance costs	(929)	(42)	(4)	(4)	(979)

# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (Continued)

	Year ended 31 March 2022				Total ¥ million
	Pachinko and pachislot hall operations	Amusement arcade operations	Restaurant operations	Others	
	Japan ¥ million	Southeast Asia ¥ million	China ¥ million	Japan ¥ million	
Timing of revenue recognition					
Over time	21,432	359	–	39	21,830
At a point in time	–	–	107	272	379
<b>Segment revenue from external customers</b>	<b>21,432</b>	<b>359</b>	<b>107</b>	<b>311</b>	<b>22,209</b>
<b>Segment results</b>	<b>3,784</b>	<b>(330)</b>	<b>(264)</b>	<b>(188)</b>	<b>3,002</b>
Corporate expenses					(3,173)
Loss before income tax					(171)
Income tax expense					(1,016)
<b>Loss for the year</b>					<b>(1,187)</b>
<b>Other segment items</b>					
Depreciation and amortisation expenses	(3,760)	(326)	(87)	(23)	(4,196)
Impairment loss on right-of-use assets	(424)	(61)	(274)	–	(759)
Impairment loss on property, plant and equipment	(145)	(22)	(1)	–	(168)
Impairment loss on intangible assets	(13)	(47)	(9)	–	(69)
Impairment loss on irrecoverable prepayments	(5)	–	(56)	–	(61)
Finance income	71	8	–	–	79
Finance costs	(1,039)	(60)	(4)	(8)	(1,111)

# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (Continued)

The segment assets as at 31 March 2023 and 2022 are as follows:

	Pachinko and pachislot hall operations	Amusement arcade operations	Restaurant operations	Others	Total
	Japan ¥ million	Southeast Asia ¥ million	China ¥ million	Japan ¥ million	¥ million
<b>As at 31 March 2023</b>					
<b>Segment assets</b>	<b>52,528</b>	<b>1,806</b>	<b>273</b>	<b>766</b>	<b>55,373</b>
Unallocated assets					5,016
Deferred income tax assets					5,415
<b>Total assets</b>					<b>65,804</b>
Addition to non-current assets other than financial instruments and deferred tax assets	<b>2,322</b>	<b>534</b>	–	<b>9</b>	<b>2,865</b>
	Pachinko and pachislot hall operations	Amusement arcade operations	Restaurant operations	Others	Total
	Japan ¥ million	Southeast Asia ¥ million	China ¥ million	Japan ¥ million	¥ million
<b>As at 31 March 2022</b>					
<b>Segment assets</b>	54,675	1,212	174	833	56,894
Unallocated assets					6,064
Deferred income tax assets					5,342
<b>Total assets</b>					<b>68,300</b>
Addition to non-current assets other than financial instruments and deferred tax assets	4,050	184	–	97	4,331

# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (Continued)

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

	2023 ¥ million	2022 ¥ million
Japan, country of domicile	42,474	44,783
Southeast Asia	877	576
China	–	–
	<b>43,351</b>	<b>45,359</b>

No single external customer contributed more than 10% revenue to the Group's revenue for the years ended 31 March 2023 and 2022.

## 6 OTHER INCOME AND OTHER GAINS, NET

	2023 ¥ million	2022 ¥ million
<b>Other income</b>		
Rental income	221	214
Income from expired IC and membership cards	24	22
Dividend income	25	21
Compensation and subsidies	19	135
Income from scrap sales of used pachinko and pachislot machines	152	170
Others	47	83
	<b>488</b>	<b>645</b>
<b>Other gains, net</b>		
Gains on modification of leases (Note)	52	1,423
Loss on change in fair value of financial assets at fair value through profit or loss	(7)	(1)
Gain on change in fair value of derivative financial instruments	7	8
(Loss)/gain on disposal of property, plant and equipment	(10)	23
Loss on write-off of intangible assets	–	(33)
Others	111	116
	<b>153</b>	<b>1,536</b>

Note: Gain on modification of leases during the year ended 31 March 2023 mainly represents gains from termination of leases in relation to closure of one restaurant in Japan and modification of lease in relation to the restaurant operation in China (2022: mainly represents termination of lease in relation to closure of one pachinko and pachislot hall in Japan).

# Notes to the Consolidated Financial Statements

## 7 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2023 ¥ million	2022 ¥ million
Auditors' remuneration		
— Audit fees	112	109
— Other services	22	11
Employee benefits expenses		
— Hall operations	4,386	4,480
— Administrative and others	1,441	1,291
Operating lease rental expense in respect of land and buildings	243	133
Depreciation of property, plant and equipment (Note 13)	1,468	1,593
Depreciation of right-of-use assets (Note 14)	2,618	2,521
Depreciation of investment properties (Note 15)	23	23
Amortisation of intangible assets (Note 16)	62	59
Other taxes and duties	343	331
Utilities expenses	1,210	838
Consumables and cleaning	851	644
Outsourcing service expenses	709	568
Prizes procurement expenses to wholesalers	1,013	721
Pachinko and pachislot machines expenses (Note)	6,537	6,649
Advertising expenses	899	802
Impairment loss on irrecoverable prepayments	1	61
Legal and professional fees	124	117
Others	520	574
	<b>22,582</b>	21,525

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

# Notes to the Consolidated Financial Statements

## 8 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 ¥ million	2022 ¥ million
Salaries, bonuses and allowances	4,762	4,700
Pension costs — defined contribution plan	70	71
Other employee benefits	995	1,000
	<b>5,827</b>	<b>5,771</b>

### (a) Pension costs — defined contribution plans

The Company and its subsidiaries operate defined contribution plans which covers all full-time employees and directors. No forfeited contribution was incurred during the year (2022: Nil).

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2023 include three directors (2022: two directors) whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining two (2022: three) individuals during the year ended 31 March 2023 and 2022 are as follows:

	2023 ¥ million	2022 ¥ million
Salaries, allowances and other benefits	49	60
Pension cost — defined contribution plan	2	2
	<b>51</b>	<b>62</b>

The number of highest paid individuals whose remuneration fell within the following band is as follows:

	Number of individuals	
	2023	2022
<b>Emolument bands</b>		
¥850,501 to ¥17,010,000 (equivalent to approximately HK\$500,001 to HK\$1,000,000)	—	1
¥17,010,001 to ¥25,515,000 (equivalent to approximately HK\$1,000,001 to HK\$1,500,000)	1	1
¥25,515,001 to ¥34,020,000 (equivalent to approximately HK\$1,500,001 to HK\$2,000,000)	1	1

# Notes to the Consolidated Financial Statements

## 9 FINANCE COSTS, NET

	2023 ¥ million	2022 ¥ million
<b>Finance income</b>		
Bank interest income	2	2
Interest income on lease receivables	34	35
Other interest income	48	42
	<b>84</b>	79
<b>Finance costs</b>		
Bank borrowings	(101)	(134)
Lease liabilities	(750)	(784)
Provision for unwinding discount	(128)	(193)
	<b>(979)</b>	(1,111)
<b>Finance costs, net</b>	<b>(895)</b>	(1,032)

## 10 INCOME TAX EXPENSE

	2023 ¥ million	2022 ¥ million
Current income tax		
— Japan	346	599
— Other Asian countries	(27)	(2)
	<b>319</b>	597
Deferred income tax	(9)	419
	<b>310</b>	1,016

No provision for Hong Kong profits tax or China income tax have been made for the years ended 31 March 2023 and 2022 as the Group did not generate any assessable profits arising in Hong Kong and China during the years ended 31 March 2023 and 2022.

Japan corporate income tax include national corporate income tax, inhabitants tax, and enterprise tax, and has been calculated on the estimated assessable profit for the year. During the year ended 31 March 2023, the aggregated rates of national corporate income tax, inhabitants tax, and enterprise tax resulted in statutory income tax rates of 29.92% (2022: 29.92%).

# Notes to the Consolidated Financial Statements

## 10 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the profits tax rate of Japan as follows:

	2023 ¥ million	2022 ¥ million
Profit/(loss) before income tax	1,363	(171)
Tax calculated at applicable Japan corporate income tax of 29.92% (2022: Same)	408	(51)
Effect of difference in tax rates of subsidiaries	67	131
Income not subject to tax	(2)	(1)
Expenses not deductible for tax purpose	185	461
Unrecognised tax losses	78	131
Unrecognised deductible temporary differences	(159)	345
Utilisation of previously unrecognised tax losses	(267)	—
	310	1,016

## 11 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 years ended 31 March 2023 and 2022.

	2023	2022
Profit/(loss) attributable to owners of the Company (¥ million)	1,134	(1,181)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,195,850,460	1,195,850,460
Basic and diluted earnings/(loss) per share (¥)	0.95	(0.99)

No diluted earnings/(loss) per share is presented as there was no potential dilutive shares during the years ended 31 March 2023 and 2022. Diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share.

# Notes to the Consolidated Financial Statements

## 12 INTEREST IN AN ASSOCIATE

	2023 ¥ million	2022 ¥ million
Investment in unlisted shares, at cost	5	5
Share of results:		
At 1 April	(5)	(5)
Share of loss	–	–
Interest in an associate	–	–

Details of the associate as at 31 March 2023 and 2022 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of paid-up share capital	Interest held	
				2023	2022
Yes! E-Sports Asia Holdings Limited (“YEAH”)	Hong Kong, limited liability company	Provision for e-sports events services	50,000 shares with paid up capital of US\$100,000	40%	40%

There is no contingent liability relating to the Group’s interest in the associate.

# Notes to the Consolidated Financial Statements

## 13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land ¥ million	Buildings ¥ million	Leasehold improvements ¥ million	Equipment and tools ¥ million	Construction progress ¥ million	Total ¥ million
<b>At 1 April 2021</b>						
Cost	7,756	11,062	13,255	12,782	–	44,855
Accumulated amortisation and provision for impairment	(236)	(6,354)	(9,368)	(10,316)	–	(26,274)
Net book amount	7,520	4,708	3,887	2,466	–	18,581
<b>Year ended 31 March 2022</b>						
Opening net book amount	7,520	4,708	3,887	2,466	–	18,581
Additions	17	191	337	381	1	927
Disposal	–	(8)	(7)	(3)	–	(18)
Depreciation	–	(350)	(547)	(696)	–	(1,593)
Impairment loss	(11)	(65)	(63)	(29)	–	(168)
Translation difference	–	–	11	14	–	25
Closing net book amount	7,526	4,476	3,618	2,133	1	17,754
<b>At 31 March 2022 and 1 April 2022</b>						
Cost	7,773	11,629	13,472	13,074	1	45,949
Accumulated amortisation and provision for impairment	(247)	(7,153)	(9,854)	(10,941)	–	(28,195)
Net book amount	7,526	4,476	3,618	2,133	1	17,754
<b>Year ended 31 March 2023</b>						
Opening net book amount	7,526	4,476	3,618	2,133	1	17,754
Additions	–	–	354	478	97	929
Disposal	–	(86)	(10)	(5)	(11)	(112)
Depreciation	–	(345)	(528)	(595)	–	(1,468)
Impairment loss	(79)	(72)	(48)	(15)	–	(214)
Translation difference	–	–	5	4	–	9
Closing net book amount	7,447	3,973	3,391	2,000	87	16,898
<b>At 31 March 2023</b>						
Cost	7,769	11,503	13,582	13,487	87	46,428
Accumulated amortisation and provision for impairment	(322)	(7,530)	(10,191)	(11,487)	–	(29,530)
Net book amount	7,447	3,973	3,391	2,000	87	16,898

# Notes to the Consolidated Financial Statements

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expenses of ¥1,364 million (2022: ¥1,484 million) has been charged in “hall operating expenses” and ¥104 million (2022: ¥109 million) has been charged in “administrative and other operating expenses” for the year ended 31 March 2023.

The net carrying amount of the Group’s property, plant and equipment that were pledged for the banking facilities granted to the Group for the years ended 31 March 2023 and 2022 has been disclosed in Note 28.

### Impairment assessment

Non-current assets other than goodwill and intangible assets with indefinite useful life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group carries out reviews of the recoverable amounts of each cash-generating unit (“CGU”), which is determined as each individual pachinko and pachislot hall in Japan, a pachinko and pachislot hall with hotel business in Japan, each restaurant in Japan, each amusement arcade in Southeast Asia and the restaurant operation in China, whenever impairment indicator is noted.

For the year ended 31 March 2023, 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 as the higher of value-in-use or the fair value less cost of disposal.

The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period which taken into account the performance of each of the CGUs in current year and incorporating management’s latest plans for each CGU. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below.

	2023		2022	
	Revenue growth rate	Pre-tax discount rate	Revenue growth rate	Pre-tax discount rate
Pachinko and pachislot hall operations	0%	9%	0%	9%
Amusement arcade operations	5%	20%	3%–6%	20%
Restaurant operations in China	N/A	N/A	0%	17%
Other operations in Japan	0%	9%	0%	9%

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

# Notes to the Consolidated Financial Statements

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Impairment assessment (Continued)

The fair value less cost of disposal calculation was performed by management with reference to the key assumptions included in the valuation carried out by an independent professionally qualified valuer on a similar property. The valuations were determined using the sales comparison approach, which largely used observable and unobservable inputs, including unit price per square meter of sales comparable for land and building. 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 key assumptions used for fair value less costs of disposal calculations for the years ended 31 March 2023 and 2022 are as follows:

	2023	2022
<b>Sales comparison approach</b>		
Land — unit price square meter	¥599,000	¥586,000

The Group's finance department includes a team that reviews the valuations performed by the independent valuer on a similar property which management made reference to, 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.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the senior management.

The management compared the recoverable amounts derived by the value-in-use and fair value less cost of disposal, and applied the higher of the two for the provision for impairment

For the year ended 31 March 2023, as a result of the impairment review of CGUs with impairment indicator, impairment loss of approximately ¥214 million (2022: ¥149 million), ¥371 million (2022: ¥755 million) and ¥1 million (2022: ¥61 million) has been recognised on property, plant and equipment, right-of-use assets (Note 14) and irrecoverable prepayments, respectively. No impairment loss was provided for intangible assets during the year ended 31 March 2023 (2022: ¥9 million).

For pachinko and pachislot operations, if the revenue growth rate in the value-in-use calculations decreases by 2% (2022: Same) with other assumptions remain constant, no additional impairment loss would be recorded (2022: increase by ¥171 million). If the discount rate in the value-in-use calculations increases by 1% (2022: Same) with other assumptions remain constant, no additional impairment loss would be recorded (2022: increase by ¥59 million). If the unit price per square meter of land and building in the fair value less cost of disposal calculations decreases by 1% (2022: Same), with other assumptions remain constant, no additional impairment loss would be recorded (2022: Same).

# Notes to the Consolidated Financial Statements

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Impairment assessment (Continued)

For amusement arcade operations, if the revenue growth rate in the value-in-use calculations decreases by 2% (2022: Same) with other assumptions remain constant, impairment loss would be increase by ¥4 million (2022: increase in impairment loss would be immaterial). If the discount rate in the value-in-use calculations increases by 2% (2022: Same) with other assumptions remain constant, no additional impairment loss would be recorded (2022: Same).

For other operations, if the revenue growth rate decreases by 2% (2022: Same), or the discount rate increases by 1% (2022: Same), with other assumptions remain constant, no additional impairment loss would be recorded (2022: Same).

## 14 LEASES

During the year ended 31 March 2023, the Group entered into a number of lease agreements for and recognised additions of right-of-use assets of ¥1,932 million (2022: ¥3,402 million).

During the year ended 31 March 2022, the Group received COVID-19-related rent concessions in the form of waiver or reduction on fixed monthly rental and has accounted such rent concessions as lease modifications. No COVID-19-related rent concession was received by the Group for the year ended 31 March 2023.

### (a) Amounts recognised in the consolidated statement of financial position

	2023 ¥ million	2022 ¥ million
<b>Right-of-use assets</b>		
Buildings	21,891	21,959
Leasehold improvement	3,000	3,963
Equipment and tools	223	243
Vehicle	31	28
<b>Total right-of-use assets</b>	<b>25,145</b>	26,193
<b>Lease liabilities</b>		
Current	2,762	2,599
Non-current	26,968	28,090
	<b>29,730</b>	30,689

For the year ended 31 March 2023, as a result of the impairment review of CGUs with impairment indicator (Note 13) and annual impairment assessment on goodwill (Note 16), impairment loss of approximately ¥371 million (2022: ¥759 million) has been recognised on right-of-use assets.

# Notes to the Consolidated Financial Statements

## 14 LEASES (CONTINUED)

### (b) Amounts recognised in the consolidated statement of financial position

	2023 ¥ million	2022 ¥ million
<b>Depreciation of right-of-use assets</b>		
Buildings	2,329	2,019
Leasehold improvement	231	440
Equipment and tools	43	43
Vehicle	15	19
	<b>2,618</b>	<b>2,521</b>
Interest expense (included in finance cost)	750	784
Expense relating to short-term leases (included in hall operating expenses)	232	127
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	11	6

The total cash outflow for leases during the year ended 31 March 2023 was ¥3,856 million (2022: ¥4,039 million).

### (c) The Group's leasing activities and how these are accounted for

The Group leases various offices, pachinko and pachislot halls, amusement arcades centres, equipment and motor vehicles. Rental contracts are typically made for fixed periods of 5 to 20 years but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

### (d) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable under mutual agreement by the Group and the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

# Notes to the Consolidated Financial Statements

## 15 INVESTMENT PROPERTIES

	2023 ¥ million	2022 ¥ million
<b>At 1 April</b>		
Cost	1,041	1,041
Accumulated depreciation	(327)	(304)
	714	737
<b>At cost</b>		
At beginning of year	714	737
Depreciation	(23)	(23)
<b>At end of year</b>	691	714
<b>At 31 March</b>		
Cost	1,041	1,041
Accumulated depreciation and provision for impairment	(350)	(327)
	691	714

As at 31 March 2023, investment properties of ¥572 million (2022: ¥592 million) was pledged to secure general facilities granted to the Company (Note 28).

The Group had no unprovided contractual obligations for future repairs and maintenance as at 31 March 2023 and 2022.

# Notes to the Consolidated Financial Statements

## 15 INVESTMENT PROPERTIES (CONTINUED)

Investment properties are situated in Japan and rented out under operating lease. Amounts recognised in consolidated statement of comprehensive income for investment properties are as follows:

	2023 ¥ million	2022 ¥ million
Rental income	104	97
Direct operating expenses from property that generated rental income	(17)	(16)

The fair value of Group's investment properties were valued as at 31 March 2023 and 2022 by an independent professionally qualified valuer who holds recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. The valuations were determined using the income approach (term and reversionary method) which largely used observable and unobservable inputs, including market rent, yield and estimation in vacancy rate after expiry of current lease. Such fair values estimation of investment properties are categorised under level 3 of the fair value hierarchy. As at 31 March 2023, the fair value of investment properties amounted to ¥1,046 million (2022: ¥1,037 million).

The key assumptions used for the valuations for the years ended 31 March 2023 and 2022 are as follows:

	2023	2022
<b>Income approach</b>		
Monthly rental per square meter	¥1,105–¥4,584	¥1,513–¥4,538
Discount rate	5.1%–5.9%	5.4%–6.2%
Vacancy rate after expiry of current lease terms	3.0%–5.0%	3.0%–5.0%

# Notes to the Consolidated Financial Statements

## 16 INTANGIBLE ASSETS

	Goodwill ¥ million	Computer software ¥ million	Trademarks ¥ million	License ¥ million	Contract relationship ¥ million	Total ¥ million
<b>At 1 April 2021</b>						
Cost	1,202	471	128	81	288	2,170
Accumulated amortisation and provision for impairment	(187)	(403)	(43)	(42)	(95)	(770)
Net book amount	1,015	68	85	39	193	1,400
<b>Year ended 31 March 2022</b>						
Opening net book amount	1,015	68	85	39	193	1,400
Additions	–	2	–	–	–	2
Write-off	–	–	–	(33)	–	(33)
Amortisation (Note 7)	–	(10)	(13)	(6)	(30)	(59)
Impairment (Note 7)	(1,021)	(4)	(47)	(5)	–	(1,077)
Translation difference	96	–	9	5	18	128
<b>Closing net book amount</b>	<b>90</b>	<b>56</b>	<b>34</b>	<b>–</b>	<b>181</b>	<b>361</b>
<b>At 31 March 2022 and 1 April 2022</b>						
Cost	1,202	436	143	54	322	2,157
Accumulated amortisation and provision for impairment	(1,112)	(380)	(109)	(54)	(141)	(1,796)
Net book amount	90	56	34	–	181	361
<b>Year ended 31 March 2023</b>						
Opening net book amount	90	56	34	–	181	361
Additions	–	4	–	–	–	4
Amortisation (Note 7)	–	(20)	(13)	–	(29)	(62)
Translation difference	–	–	5	–	14	19
<b>Closing net book amount</b>	<b>90</b>	<b>40</b>	<b>26</b>	<b>–</b>	<b>166</b>	<b>322</b>
<b>At 31 March 2023</b>						
Cost	1,202	428	156	54	352	2,192
Accumulated amortisation and provision for impairment	(1,112)	(388)	(130)	(54)	(186)	(1,870)
Net book amount	90	40	26	–	166	322

# Notes to the Consolidated Financial Statements

## 16 INTANGIBLE ASSETS (CONTINUED)

Amortisation expenses of ¥62 million was charged in “hall operating expenses” for the year ended 31 March 2023 (2022: ¥59 million).

### Impairment test for goodwill

Goodwill arises from the acquisitions of certain pachinko and pachislot halls and a subsidiary which engages in amusement arcade business in previous years, and is monitored by management at the level of individual pachinko and pachislot hall and the operating segment of amusement arcade operations. A segment-level summary of the goodwill allocation is represented below.

	2023 ¥ million	2022 ¥ million
Pachinko and pachislot operations	90	90
Amusement arcade operations	–	–
	<b>90</b>	<b>90</b>

Management reviews annually whether the carrying amount of the CGU or the group of CGUs is higher than the recoverable amount which results in impairment of goodwill. The recoverable amount of a CGU is determined as the higher of value-in-use or fair value less cost of disposal.

The value-in-use calculations are used in both pachinko and pachislot operations and amusement arcade operations, and the calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period, which management assumes no operation suspensions with cash flows remains the same as the latest financial performance. Cash flows beyond the three-year period are extrapolated using the estimated growth rates.

The key assumptions used in the value-in-use calculation for the years ended 31 March 2023 and 2022 are as follows:

	2023		2022	
	Revenue growth rate	Pre-tax discount rate	Revenue growth rate	Pre-tax discount rate
Pachinko and pachislot hall operations	0%	9%	0%	9%
Amusement arcade operations	N/A*	N/A*	3%	20%

\* Goodwill of amusement arcade operations has been fully impaired during the year ended 31 March 2022.

# Notes to the Consolidated Financial Statements

## 16 INTANGIBLE ASSETS (CONTINUED)

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.

For the year ended 31 March 2023, no fair value less cost of disposal was determined for the pachinko and pachislot hall with goodwill given value-in-use as the recoverable amount exceeded the carrying amount of the pachinko and pachislot hall.

For the year ended 31 March 2022, the fair value less cost of disposal calculations are used in pachinko and pachislot operations and are based on valuation carried out by an independent professionally qualified valuer, who holds recognised relevant professional qualifications and have recent experiences in the locations and segments of the properties valued. The valuations were determined using the sales comparison 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 key assumptions used for fair value less costs of disposal calculations for the years ended 31 March 2022 is as follows:

2022

### Sales comparison approach

Land and buildings — unit price square meter

¥17,945–¥78,190

For the year ended 31 March 2023, as a result of the annual impairment review on CGU with goodwill allocated, no impairment loss has been recorded. For the year ended 31 March 2022, as a result of the annual impairment review on CGU or group of CGUs with goodwill allocated, impairment loss of ¥1,091 million has been recorded. The impairment loss is allocated first to the goodwill and then to other assets included in the CGU on pro-rata basis, to the extent which would not reduce the carrying value of an asset below its recoverable amount. As a result, impairment loss of ¥1,021 million, ¥47 million, ¥4 million and ¥19 million has been recognised on goodwill, other intangible assets excluding goodwill, right-of-use assets and property, plant and equipment, respectively.

For the value-in-use calculations of pachinko and pachislot operations as at 31 March 2023, if the revenue growth rate decreases by 2% (2022: Same) with other assumptions remain constant, no impairment loss would be recorded (2022: impairment loss for would increase by ¥19 million). If the discount increases by 1% (2022: Same) with other assumptions remain constant, no impairment loss would be recorded (2022: impairment loss for would increase by ¥13 million).

For the fair value less cost of disposal calculations of pachinko and pachislot operations as at 31 March 2022, if the unit price per square meter of land and building decreases by 1%, with other assumptions remain constant, no impairment loss would be recorded.

For the value-in-use calculation of amusement arcade operations as at 31 March 2022, if the revenue growth rate decreases by 2% or discount rate increases by 2% with other assumptions remain constant, impairment loss would increase by ¥146 million or ¥118 million, respectively.

# Notes to the Consolidated Financial Statements

## 17 FINANCIAL INSTRUMENTS BY CATEGORY

	2023 ¥ million	2022 ¥ million
<b>Financial assets</b>		
<b><i>Financial assets at fair value</i></b>		
Fair value through profit or loss	98	105
Fair value through other comprehensive income	511	605
	609	710
<b><i>Financial assets at amortised cost</i></b>		
Trade receivables	107	74
Deposits and other receivables	4,514	4,371
Bank deposits with original maturity over 3 months	528	242
Cash and bank balances	10,435	11,451
	15,584	16,138
	16,193	16,848
<b>Financial liabilities</b>		
<b><i>Financial liabilities at fair value</i></b>		
Derivative financial instruments	4	11
<b><i>Financial liabilities at amortised cost</i></b>		
Trade payables	125	108
Other payables	3,400	3,586
Borrowings	10,206	11,641
Lease liabilities	29,730	30,689
	43,461	46,024
	43,465	46,035

# Notes to the Consolidated Financial Statements

## 18 FINANCIAL ASSETS AT FAIR VALUE

### (a) Financial assets at fair value through profit or loss

	2023 ¥ million	2022 ¥ million
Unlisted securities	98	105

Change in fair value of financial assets at fair value through profit or loss are recorded in “other gains, net” in the consolidated statement of comprehensive income (Note 6).

The fair values of these debt and equity securities are determined by discounted cash flow approach.

### (b) Financial assets at fair value through other comprehensive income

	2023 ¥ million	2022 ¥ million
Listed securities		
— Equity securities	511	605

Changes in fair values of financial assets at fair value through other comprehensive income are recorded in “investment revaluation reserve” in the consolidated statement of changes in equity. The fair values of all equity securities are based on the current bid prices and recent transaction prices in an active market. The fair values are within level 2 of the fair value hierarchy (Note 3.3).

## 19 DERIVATIVE FINANCIAL INSTRUMENTS

	2023 ¥ million	2022 ¥ million
Interest rate swaps	4	11
Less: non-current portion	(3)	(9)
Current portion	1	2

Derivative financial instruments are utilised by the Group in the management of its interest rate exposures. The Group’s policy is not to utilise derivative financial instruments for trading or speculative purposes. The Group has entered into interest rate swaps agreement with banks mainly to swap floating interest rate borrowings to fixed interest rate borrowings to manage the fixed and floating interest rate mix of the Group’s total debt portfolio. As at 31 March 2023, the notional amount of the outstanding interest rate swaps agreement with the banks was denominated in ¥ and amounted to ¥2,000 million (2022: Same).

# Notes to the Consolidated Financial Statements

## 20 INVENTORIES

	2023 ¥ million	2022 ¥ million
Supplies	67	44

The cost of inventories recognised as expenses and included in “hall operating expenses” amounted to ¥6,537 million (2022: ¥6,649 million) for the year ended 31 March 2023.

## 21 TRADE RECEIVABLES

	2023 ¥ million	2022 ¥ million
Trade receivables	107	74

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

As at 31 March 2023 and 2022, the ageing analysis of the trade receivables, based on invoice date, is as follows:

	2023 ¥ million	2022 ¥ million
Less than 30 days	106	46
Over 30 days	1	28
	107	74

The maximum exposure to credit risk at the reporting date is the carrying value of the receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of trade receivables approximate their fair values as at 31 March 2023 and 2022 and were mainly denominated in ¥.

# Notes to the Consolidated Financial Statements

## 22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 ¥ million	2022 ¥ million
<b>Non-current portion</b>		
Rental and other deposits	2,691	2,668
Lease receivables	1,188	1,252
Other prepayments and receivables	547	399
	<b>4,426</b>	<b>4,319</b>
<b>Current portion</b>		
Prepayment for prizes in operation for pachinko and pachislot halls	372	402
Rental prepayments	123	163
Lease receivables	64	62
Consumption tax receivables	—	—
Other prepayments and receivables	423	469
	<b>982</b>	<b>1,096</b>

The carrying amounts of prepayment, deposits and other receivables approximate their fair values as at 31 March 2023 and 2022 and were mainly denominated in ¥.

Certain deposits and other receivables have been pledged to secure general facilities granted to the Company (Note 28).

## 23 CASH AND BANK BALANCES

	2023 ¥ million	2022 ¥ million
<b>Current portion</b>		
Cash on hand	783	755
Cash at banks	9,569	10,468
Short term bank deposits	83	228
Cash and cash equivalents	<b>10,435</b>	<b>11,451</b>
Bank deposits with maturity over 3 months	528	242
Total cash and bank balances	<b>10,963</b>	<b>11,693</b>

# Notes to the Consolidated Financial Statements

## 23 CASH AND BANK BALANCES (CONTINUED)

Cash and bank balances are denominated in the following currencies:

	2023 ¥ million	2022 ¥ million
¥	9,768	10,585
US\$	753	775
HK\$	307	267
VND	113	48
Others	22	18
	10,963	11,693

## 24 SHARE CAPITAL

	Number of shares	Share Capital ¥ million
<b>Ordinary shares, issued and fully paid:</b>		
At 31 March 2022, 1 April 2022 and 31 March 2023	1,195,850,460	3,000

## 25 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 capital reserve and legal reserve 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 Consolidated Financial Statements

## 26 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice dates as at 31 March 2023 and 2022 were as follows:

	2023 ¥ million	2022 ¥ million
Less than 30 days	51	15
Over 30 days	74	93
	<b>125</b>	<b>108</b>

The carrying amounts of trade payables approximate their fair values as at 31 March 2023 and 2022 and were mainly denominated in ¥.

## 27 ACCRUALS, PROVISIONS AND OTHER PAYABLES

	2023 ¥ million	2022 ¥ million
<b>Non-current portion</b>		
Provision for reinstatement costs	1,965	2,032
Rental deposit received	151	159
Other payables	42	53
	<b>2,158</b>	<b>2,244</b>
<b>Current portion</b>		
Accrued purchases for pachinko and pachislot machines	274	341
Accrued purchases for property, plant and equipment	117	202
Accrued staff costs	787	776
Contract liabilities:		
Receipt in advance	165	171
Unutilised balls and tokens	1,710	1,398
Other tax payable	538	677
Office expenses and consumables	361	405
Utilities payable	54	44
Other payables	281	230
	<b>4,287</b>	<b>4,244</b>

The carrying amounts of other payables approximate their fair values as at 31 March 2023 and 2022 and were mainly denominated in ¥.

# Notes to the Consolidated Financial Statements

## 28 BORROWINGS

	2023 ¥ million	2022 ¥ million
<b>Non-current portion</b>		
Bank loans	3,112	3,158
Syndicated loans	2,653	3,781
	<b>5,765</b>	6,939
<b>Current portion</b>		
Bank loans	2,900	2,557
Syndicated loans	1,541	2,145
	<b>4,441</b>	4,702
<b>Total borrowings</b>	<b>10,206</b>	11,641

As at 31 March 2023 and 2022, the Group's borrowings were repayable as follows:

	2023 ¥ million	2022 ¥ million
Within 1 year	4,441	4,702
Between 1 and 2 years	2,366	2,294
Between 2 and 5 years	3,281	4,065
Over 5 years	118	580
	<b>10,206</b>	11,641

The average effective interest rates (per annum) at the end of each reporting period were set out as follows:

	2023	2022
Bank loans	1.57%	1.62%
Syndicated loans	0.97%	0.93%

# Notes to the Consolidated Financial Statements

## 28 BORROWINGS (CONTINUED)

At the end of each reporting period, the total borrowings are pledged by certain assets and their carrying values are shown as below:

	2023 ¥ million	2022 ¥ million
Property, plant and equipment	9,230	9,542
Investment properties	572	592
Deposits and other receivables	162	166
	<b>9,964</b>	10,300

The undrawn borrowing facilities of the Group at each reporting period are as follows:

	2023 ¥ million	2022 ¥ million
Floating rate		
— Expiring over 1 year	1,682	1,225

The carrying amounts of borrowings of the Group approximate their fair values as at 31 March 2023 and 2022 and were denominated in ¥.

## 29 DEFERRED INCOME TAX

The analysis of deferred income tax assets is as follows:

	2023 ¥ million	2022 ¥ million
Deferred income tax assets		
— to be recovered after more than 12 months	5,307	5,575
— to be recovered within 12 months	843	830
	<b>6,150</b>	6,405
Deferred income tax liabilities		
— to be recovered after more than 12 months	(735)	(1,063)
Deferred income tax assets, net	<b>5,415</b>	5,342

# Notes to the Consolidated Financial Statements

## 29 DEFERRED INCOME TAX (CONTINUED)

The net movement on the deferred income tax account is as follows:

	2023 ¥ million	2022 ¥ million
At 1 April	5,342	5,765
Credited/(charged) to the consolidated statement of other comprehensive income	64	(4)
Credited/(charged) to profit or loss	9	(419)
Deferred income tax assets	5,415	5,342

The movement in deferred income tax assets and liabilities during the years ended 31 March 2023 and 2022 is as follows:

### Deferred income tax assets

	Property, plant and equipment ¥ million	Fair value through profit and loss financial assets ¥ million	Right-of-use assets ¥ million	Fair value through other comprehensive income ¥ million	Loss carried forward ¥ million	Other provisions ¥ million	Total ¥ million
Balances at 1 April 2021	4,145	35	651	88	1,269	540	6,728
(Charged)/credit to profit or loss	39	(35)	89	-	(589)	177	(319)
Charged to other comprehensive income	-	-	-	(4)	-	-	(4)
Balance at 31 March 2022 and 1 April 2022	4,184	-	740	84	680	717	6,405
(Charged)/credited to profit or loss	(1,440)	-	1,115	-	(289)	295	(319)
Credited to other comprehensive income	-	-	-	64	-	-	64
Balance at 31 March 2023	2,744	-	1,855	148	391	1,012	6,150

# Notes to the Consolidated Financial Statements

## 29 DEFERRED INCOME TAX (CONTINUED)

### Deferred income tax liabilities

	Property, plant and equipment ¥ million	Other provisions ¥ million	Total ¥ million
Balances at 1 April 2021	(909)	(54)	(963)
Charged to profit or loss	(42)	(58)	(100)
Balance at 31 March 2022 and 1 April 2022	(951)	(112)	(1,063)
Credited to profit or loss	216	112	328
Balance at 31 March 2023	(735)	–	(735)

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same taxation authority. The amounts shown in the consolidated statement of financial position are determined after appropriate offsetting.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. As at 31 March 2023, the Group has unrecognised tax losses of approximately ¥1,449 million (2022: ¥1,144 million) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of ¥277 million (2022: ¥95 million) and ¥502 million (2022: ¥516 million) which will be carried forward for 10 years and 5 years, respectively.

Other than the above, there was no material unprovided deferred income tax as at 31 March 2023 and 2022.

## 30 DIVIDENDS

During the year ended 31 March 2023, the Company paid final dividend of ¥478 million (¥0.40 per common share) and interim dividend of ¥203 million (¥0.17 per common share) to their shareholders in respect of the years ended 31 March 2022 and 31 March 2023, respectively.

The board of directors of the Company declared a final dividend of ¥0.11 per common share totalling ¥132 million in respect of the year ended 31 March 2023. These consolidated financial statements do not reflect this dividend payable.

# Notes to the Consolidated Financial Statements

## 31 CASH GENERATED FROM OPERATIONS

	2023 ¥ million	2022 ¥ million
Profit/(loss) before income tax	1,363	(171)
Adjustments for:		
Depreciation of property, plant and equipment	1,468	1,593
Depreciation of right-of-use assets	2,618	2,521
Depreciation of investment properties	23	23
Amortisation of intangible assets	62	59
Loss/(gain) on disposal of property, plant and equipment	10	(23)
Loss on write-off of intangible assets	–	33
Impairment loss on property, plant and equipment	214	168
Impairment loss on right-of-use assets	371	759
Impairment loss on intangible assets	–	1,077
Impairment loss on irrecoverable prepayments	1	61
Finance income	(84)	(79)
Finance costs	979	1,111
Dividend income	(25)	(21)
Gain on change in fair value of derivative financial instruments	(7)	(8)
Loss on change in fair value of financial assets at fair value through profit or loss	7	1
Gains on modification of leases	(52)	(1,423)
Changes in working capital:		
Inventories	(23)	(23)
Trade receivables	(33)	(10)
Prepayments, deposits and other receivables	90	471
Trade payables	17	–
Accruals, provisions and other payables	(127)	(87)
Cash generated from operations	<b>6,872</b>	6,032

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment and comprise:

	2023 ¥ million	2022 ¥ million
Net book amount	112	18
(Loss)/gain on disposal of property, plant and equipment	(10)	23
Proceeds from disposal of property, plant and equipment	<b>102</b>	41

# Notes to the Consolidated Financial Statements

## 31 CASH GENERATED FROM OPERATIONS (CONTINUED)

### Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year ended 31 March 2023 and 2022 presented.

	2023 ¥ million	2022 ¥ million
Cash and cash equivalents	10,435	11,451
Bank deposits with maturity over 3 months	528	242
Lease liabilities	(29,730)	(30,689)
Borrowings	(10,206)	(11,641)
Net debt	(28,973)	(30,637)

	Other assets		Liabilities from financing activities		
	Cash and cash equivalents ¥ million	Bank deposits with maturity over 3 months ¥ million	Lease liabilities ¥ million	Borrowings ¥ million	Total ¥ million
At 1 April 2021	15,903	42	(33,440)	(16,667)	(34,162)
Cash flows	(4,406)	200	3,906	5,026	4,726
Accrued interest elements of lease repayment	–	–	(784)	–	(784)
Other non-cash movements	(46)	–	(371)	–	(417)
At 31 March 2022 and 1 April 2022	11,451	242	(30,689)	(11,641)	(30,637)
Cash flows	(972)	286	3,613	1,435	4,362
Accrued interest elements of lease repayment	–	–	(750)	–	(750)
Other non-cash movements	(44)	–	(1,904)	–	(1,948)
Net debt at 31 March 2023	10,435	528	(29,730)	(10,206)	(28,973)

## 32 CONTINGENCIES

As at 31 March 2023, the Group did not have any significant contingent liabilities (2022: Same).

# Notes to the Consolidated Financial Statements

## 33 COMMITMENTS

### Capital commitments

The outstanding commitments not provided for in the consolidated financial statements as at 31 March 2023 and 2022 are as follows:

	2023 ¥ million	2022 ¥ million
Contracted but not provided for		
Purchase of property, plant and equipment	102	2

## 34 RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, 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.

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

### (a) Transactions with related parties

The following transactions were undertaken by the Group with related parties during the years ended 31 March 2023 and 2022:

	2023 ¥ million	2022 ¥ million
<b>Service fee expenses</b>		
Niraku USA, Inc.	29	24

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 the United States of America. 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.

# Notes to the Consolidated Financial Statements

## 34 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Key management compensation of the Company

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:

	2023 ¥ million	2022 ¥ million
Directors' fees	301	272
Basic salaries, allowances and other benefits in kind	52	35
Employee's contribution to pension scheme	6	6
	<b>359</b>	<b>313</b>

## 35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	At 31 March	
Note	2023 ¥ million	2022 ¥ million
<b>ASSETS</b>		
<b>Non-current assets</b>		
Right-of-use assets	10	22
Deposits and other receivables	5	5
Loans to subsidiaries	3,052	3,122
Investments in subsidiaries	16,286	16,286
Deferred income tax assets	71	56
	<b>19,424</b>	<b>19,491</b>
<b>Current assets</b>		
Prepayments, deposits and other receivables	469	462
Loans to subsidiaries	1,930	2,549
Financial assets at fair value through profit or loss	98	105
Cash and cash equivalents	3,824	4,759
	<b>6,321</b>	<b>7,875</b>
<b>Total assets</b>	<b>25,745</b>	<b>27,366</b>

# Notes to the Consolidated Financial Statements

## 35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

	Note	At 31 March	
		2023 ¥ million	2022 ¥ million
<b>EQUITY</b>			
Share capital		3,000	3,000
Reserves	(a)	16,314	16,450
<b>Total equity</b>		<b>19,314</b>	19,450
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		4,115	4,953
Lease liabilities		–	10
Other payables		10	15
Derivative financial instruments		3	9
		<b>4,128</b>	4,987
<b>Current liabilities</b>			
Borrowings		2,189	2,616
Lease liabilities		10	12
Other payables		53	53
Derivative financial instruments		1	2
Current income tax liabilities		50	246
		<b>2,303</b>	2,929
<b>Total liabilities</b>		<b>6,431</b>	7,916
<b>Total equity and liabilities</b>		<b>25,745</b>	27,366

(a) Reserves movement of the Company

	Share capital ¥ million	Capital surplus ¥ million	Retained earnings ¥ million	Total ¥ million
<b>Balance at 1 April 2021</b>	3,000	13,954	4,999	21,953
Loss for the year	–	–	(2,503)	(2,503)
<b>Balances at 31 March 2022 and 1 April 2022</b>	3,000	13,954	2,496	19,450
Profit for the year	–	–	545	545
Final dividend related to 2022	–	–	(478)	(478)
Interim dividend related to 2023	–	–	(203)	(203)
<b>Balances at 31 March 2023</b>	3,000	13,954	2,360	19,314

# Notes to the Consolidated Financial Statements

## 36 BENEFITS AND INTERESTS OF DIRECTORS

### Directors and chief executive's emoluments

The remuneration of every director of the Company paid/payable by the Group for the year ended 31 March 2023 and 2022 is set out below:

For the year ended 31 March 2023

Name	Fee ¥ million	Salaries, allowances and other benefits ¥ million	Defined contribution pension costs ¥ million	Total ¥ million
<b>Directors</b>				
Hisanori Taniguchi (also the Chief Executive)	152	–	1	153
Akinori Ohishi	33	–	1	34
Masataka Watanabe	13	–	1	14
<b>Non-executive director</b>				
Hiroshi Bannai	4	–	–	4
<b>Independent non-executive directors</b>				
Michio Minakata	6	–	–	6
Yoshihiro Koizumi	4	–	–	4
Kuraji Kutsuwata	4	–	–	4
Akihito Tanaka	4	–	–	4
	220	–	3	223

# Notes to the Consolidated Financial Statements

## 36 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### Directors and chief executive's emoluments (Continued)

For the year ended 31 March 2022

Name	Fee ¥ million	Salaries, allowances and other benefits ¥ million	Defined contribution pension costs ¥ million	Total ¥ million
<b>Directors</b>				
Hisanori Taniguchi (also the Chief Executive)	129	–	1	130
Akinori Ohishi	31	–	1	32
Masataka Watanabe	11	–	1	12
<b>Non-executive director</b>				
Hiroshi Bannai	4	–	–	4
<b>Independent non-executive directors</b>				
Michio Minakata	6	–	–	6
Yoshihiro Koizumi	4	–	–	4
Kuraji Kutsuwata	4	–	–	4
Akihito Tanaka	4	–	–	4
	193	–	3	196

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or their capacity as directors of the Company during the years ended 31 March 2023 and 2022.

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 March 2023 and 2022.

During the year ended 31 March 2023, the Group does not pay consideration to any third parties for making available directors' services (2022: Nil).

As at 31 March 2023, there is no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2022: Nil).

Save as disclosed in Note 34, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2022: Nil).

# Notes to the Consolidated Financial Statements

## 37 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 March 2023 and 2022:

Name	Principal place of operation and place and date of incorporation	Principal activities	Type of legal status	Issued and paid up capital	Effective interest held as at 31 March		Ownership held by non-controlling interest as at 31 March	
					2023	2022	2023	2022
<b>Directly held</b>								
Niraku Corporation	Japan, 27 August 1969	Pachinko and pachislot hall operations	Limited liability company	¥257 million	100%	100%	–	–
Nexia Inc.	Japan, 19 June 2009	Property investment	Limited liability company	¥30 million	100%	100%	–	–
NGCH Hong Kong Limited	Hong Kong, 4 May 2017	Investment holding	Limited liability company	HK\$700,000	100%	100%	–	–
Dream Games Singapore Pte. Ltd.	Singapore, 3 November 2014	Wholesale of computer games, sporting and other recreational goods	Limited liability company	US\$2,912,412	100%	100%	–	–
<b>Indirectly held</b>								
Niraku Merrist Corporation	Japan, 24 February 2010	Provision of cleaning service	Limited liability company	¥5 million	100%	100%	–	–
OOCube Inc.	Japan, 21 July 2021	Human resources management company	Limited liability company	¥20 million	100%	100%	–	–
NPJ Hong Kong Limited	Hong Kong, 10 May 2017	Investment holding	Limited liability company	HK\$700,000	51%	51%	49%	49%
Dream Games (Japan) CO., Ltd.	Japan, 9 April 2013	Investment holding	Limited liability company	¥100 million	100%	100%	–	–
Dream Games Vietnam Co., Ltd.	Socialist Republic of Vietnam, 10 April 2013	Amusement centre operation	Limited liability company	VND35,145,000,000	100%	100%	–	–
Dream Games Cambodia Co., Ltd	Cambodia, 1 February 2011	Amusement centre operation	Limited liability company	9,100,000,000 Riels	100%	100%	–	–
NPJ China Yokocho Co., Ltd.	China, 31 January 2018	Restaurant operation	Limited liability company	US\$6,000,000	51%	51%	49%	49%

# NIRAKU GC HOLDINGS



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