

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

2024/2025

INTERIM REPORT 中期報告

* For identification purpose only
僅供識別

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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.

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 29,000 pachinko and pachislot machines serving customers in ten prefectures in Japan.

* For identification purpose only

Corporation Information and Information for Investors

CORPORATE INFORMATION

Executive Directors	Mr. Hisanori TANIGUCHI (<i>Chairman</i>) 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 (<i>Committee Chairman</i>) Mr. Hiroshi BANNAI Mr. Yoshihiro KOIZUMI
Remuneration Committee	Mr. Yoshihiro KOIZUMI (<i>Committee Chairman</i>) Mr. Hisanori TANIGUCHI Mr. Michio MINAKATA
Nomination Committee	Mr. Hisanori TANIGUCHI (<i>Committee Chairman</i>) Mr. Kuraji KUTSUWATA Mr. Akihito TANAKA

INFORMATION FOR INVESTORS

Principal Bankers	Mizuho Bank, Ltd. Sumitomo Mitsui Bank Corporation The Toho Bank, Ltd.
Auditor	PricewaterhouseCoopers <i>Certified Public Accountants</i> 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
Investor Relation Inquiry	e-mail: niraku@sprg.com.hk

Financial and Operational Highlights

The following table summarises the results of the Group for the financial periods ended 30 September 2024 and 2023.

	For the six months ended 30 September			
	2024		2023	
	¥ million	HK\$ million	¥ million	HK\$ million
Gross pay-ins	71,653	3,898	63,890	3,547
Gross pay-outs	(59,279)	(3,225)	(52,272)	(2,903)
Revenue from pachinko and pachislot business	12,374	673	11,618	644
Revenue from amusement arcade business	896	49	941	52
Other revenue	888	48	630	35
Revenue	14,158	770	13,189	732
Hall operating expenses	(10,733)	(584)	(10,610)	(589)
Administrative expenses	(2,095)	(114)	(1,828)	(101)
Profit before income tax	935	51	969	54
Profit attributable to the owners of the Company	451	25	622	35
Earnings per share (expressed in Japanese Yen or Hong Kong dollar)	0.38	0.02	0.52	0.03
Overall revenue margin (Note 1)	17.3%	17.3%	18.2%	18.2%
Net profit margin	3.2%	3.2%	4.6%	4.6%

	As at 30 September 2024		As at 31 March 2024	
	¥ million	HK\$ million	¥ million	HK\$ million
	Current assets	12,336	671	13,872
Current liabilities	13,673	744	14,017	725
Net current liabilities	(1,337)	(73)	(145)	(8)
Total assets	64,677	3,519	65,760	3,400
Total assets less current liabilities	51,004	2,775	51,743	2,675
Gearing ratio	1.4	1.4	1.4	1.4

Note 1: Overall revenue margin is calculated at revenue from pachinko and pachislot business divided by gross pay-ins.

Financial and Operational Highlights

CURRENCY TRANSLATIONS

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

1. ¥18.38 to HK\$1.00, the exchange rate prevailing on 30 September 2024 (i.e. the last business day in September 2024);
2. ¥18.01 to HK\$1.00, the exchange rate prevailing on 29 September 2023 (i.e. the last business day in September 2023);
and
3. ¥19.34 to HK\$1.00, the exchange rate prevailing on 28 March 2024 (i.e. the last business day in March 2024).

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

Management Discussion and Analysis

BUSINESS OVERVIEW

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

BUSINESS SEGMENT ANALYSIS

Pachinko business

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

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

Amusement arcade business

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

Restaurant business

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

Management Discussion and Analysis

PROSPECT AND FUTURE DEVELOPMENT

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

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

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

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

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

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

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

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

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue from pachinko and pachislot business

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

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

Gross pay-ins

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

Gross pay-outs

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

Revenue margin

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

Revenue from amusement arcade business

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

Other revenue

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

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

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

Management Discussion and Analysis

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

Hall operating expenses

Hall operating expenses noted a mild increase of ¥123 million, or 1.2%, from ¥10,610 million for the six months ended 30 September 2023 to ¥10,733 million for the same period in current year. Major components of hall operating expenses are pachinko and pachislot machine expenses, staff cost for hall staff and depreciation expenses, amounting to ¥3,770 million, ¥2,132 million and ¥1,748 million, respectively, for the six months ended 30 September 2024 (30 September 2023: ¥4,197 million, ¥1,733 million and ¥1,736 million, respectively).

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

Administrative expenses

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

Finance costs

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

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

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

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

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 relies on short-term and long-term borrowings for financing working capital, future expansion plans and unexpected needs. The Group's treasury objective is mainly to ensure there is sufficient cash flow to meet the payment of expenses, loans and to fund any capital expenditure and commitment that the Group may have from time to time. The Group's cash surpluses are placed in short-term and long-term fixed deposits to maintain liquidity. The Group has not experienced any difficulty in repaying its borrowings.

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

The table below sets forth the information regarding the cash and bank balances, borrowings, lease liabilities, working capital, total equity and gearing ratio of the Group as at 30 September 2024 and 31 March 2024, and operating cash flows before movements in working capital of the Group for the six months ended 30 September 2024 and 2023, respectively:

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

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

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

Management Discussion and Analysis

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

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

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

HEDGING OF FLOATING RATE BORROWINGS AND FOREIGN EXCHANGE

As at 30 September 2024, the Group had three floating to fixed interest rate swap contracts with banks in Japan (i.e. the Group pays fixed interest rates and receives interests at floating rate). These interest rate swap contracts were entered into as a measure to manage interest rate risk in relation to loans of the Group. As interest rates of some of the Group's loans are on a floating rate basis, the floating to fixed interest rate swap contracts enabled the Group to reduce the volatility in the amount of interest being paid. For the six months ended 30 September 2024, gain on fair value for interest rate swap contracts amounted to ¥1 million (For the six months ended 30 September 2023: ¥1 million).

The Group did not carry out significant foreign currency investment and its debts were all denominated in Japanese Yen as at 30 September 2024. As the functional currency of certain subsidiaries are different from the Company, the Group will be exposed to foreign exchange risk arising from such exposure, namely in Singapore Dollar, Vietnamese Dong and Cambodian Riel against Japanese Yen. The management is assessing the significance of the foreign currency exposures faced by the Group and will consider adopting appropriate measures to mitigate the risk, including but not limited to entering into currency hedges.

GEARING RATIO

The gearing ratio, defined as the aggregate of interest-bearing loans and lease liabilities less cash and cash equivalents, divided by total equity, was 1.4 as at 30 September 2024 (31 March 2024: 1.4).

Management Discussion and Analysis

CAPITAL EXPENDITURE

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

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

CHARGES ON ASSETS

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

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 30 September 2024 and 31 March 2024 are set out in Note 23 to the interim condensed consolidated financial information.

Management Discussion and Analysis

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

Except for the acquisition of two companies as disclosed in this interim report, during the six months ended 30 September 2024, the Group did not conduct any significant investments, material acquisitions or disposals. Save for those disclosed in this interim report, the Group had no plan authorised by the Board for other material investments or additions of capital assets as at the date of this interim report.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2024, the Group had 1,307 employees. The remuneration policy of the Group (including those for Directors and employees) is determined by the Remuneration Committee under the Board as per the performance, qualifications and competence of the employees. Details of the key management remuneration of the Company are set forth in Note 24(b) to the interim condensed consolidated financial information.

FINANCIAL KEY PERFORMANCE INDICATORS

Certain financial key performance indicators which complement and supplement the financial disclosures are set out in “Management Discussion and Analysis” on pages 6 to 13 and the “Interim Condensed Consolidated Financial Statements” on pages 20 to 25 of this interim report.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

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

Code Provision C.2.1

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

DIRECTORS’ SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Corporate Governance and Other Information

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

As at 30 September 2024, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register as required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix C3 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 30 September 2024.

Save as disclosed above, as at 30 September 2024, none of the Directors and chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

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

As at 30 September 2024, 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 ⁽¹⁾	98,440,000 common shares	8.23%
Seiai TANIGUCHI (谷口正愛)	Interest of a spouse ⁽²⁾	85,624,184 common shares	7.16%
Yurie TANIGUCHI (谷口祐莉恵)	Interest of a spouse ⁽³⁾	98,440,000 common shares	8.23%
Okada Holdings Limited	Beneficial owner ⁽⁴⁾	80,500,000 common shares	6.73%
Universal Entertainment Corporation	Beneficial owner ⁽⁴⁾	80,500,000 common shares	6.73%
Tiger Resort Asia Limited	Beneficial owner ⁽⁴⁾	80,500,000 common shares	6.73%
DENSHO Co., Ltd.	Beneficial owner	226,020,460 common shares	18.90%
JUKKI Limited	Beneficial owner	181,470,000 common shares	15.17%

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 30 September 2024.

Corporate Governance and Other Information

Save as disclosed above, and as at 30 September 2024, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

CHANGE TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Directors since the date of the Company's annual report 2023/2024 is set out below:

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

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

INTERIM DIVIDEND

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

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the unaudited interim condensed consolidated financial information and the interim report of the Group for the six months ended 30 September 2024 and discussed the financial related matters with the management. The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 September 2024 has been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

* For identification purpose only

Report on Review of Interim Financial Information



To the Board of Directors of 株式会社ニラク・ジー・シー・ホールディングス Niraku GC Holdings, Inc.*
(incorporated in Japan with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 50, which comprises the interim condensed consolidated statement of financial position of 株式会社ニラク・ジー・シー・ホールディングス NIRAKU GC HOLDINGS, INC.* (the “Company”) and its subsidiaries (together, the “Group”) as at 30 September 2024 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

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Report on Review of Interim Financial Information

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 November 2024

* *For identification purpose only*

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2024

	Note	Six months ended 30 September	
		2024 ¥ million (Unaudited)	2023 ¥ million (Unaudited)
Continuing operations			
Revenue	6	14,158	13,189
Other income	7	202	259
Other (losses)/gains, net	7	(155)	389
Hall operating expenses	8	(10,733)	(10,610)
Administrative expenses	8	(2,095)	(1,828)
Operating profit		1,377	1,399
Finance income		36	47
Finance costs		(478)	(477)
Finance costs, net	9	(442)	(430)
Profit before income tax		935	969
Income tax expense	10	(484)	(361)
Profit for the period from continuing operations		451	608
Loss for the period from discontinued operation	11	–	(426)
Profit for the period		451	182
Profit/(loss) for the period attributable to:			
Owners of the Company:			
Continuing operations		451	622
Discontinued operation		–	(217)
		451	405
Non-controlling interests			
Continuing operations		–	(14)
Discontinued operation		–	(209)
		–	(223)
		451	182

Interim Condensed Consolidated Statement of Comprehensive Income (CONTINUED)

For the six months ended 30 September 2024

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

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

Interim Condensed Consolidated Statement of Financial Position

As at 30 September 2024

		30 September 2024	31 March 2024
		¥ million	¥ million
	Note	(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	17,783	17,453
Right-of-use assets	15	23,378	23,752
Investment properties	14	1,324	668
Intangible assets	14	270	285
Prepayments, deposits and other receivables		4,174	4,148
Interest in an associate	21	–	–
Financial assets at fair value through other comprehensive income		405	534
Deferred income tax assets		5,007	5,048
		52,341	51,888
Current assets			
Inventories		48	55
Trade receivables	16	172	154
Prepayments, deposits and other receivables		986	866
Financial assets at fair value through profit or loss		102	102
Bank deposits with maturity over 3 months		878	345
Cash and cash equivalents		10,150	12,350
		12,336	13,872
Total assets		64,677	65,760

Interim Condensed Consolidated Statement of Financial Position (CONTINUED)

As at 30 September 2024

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

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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2024

	Attributable to shareholders of the Company									
	Share capital	Capital surplus	Capital reserve	Legal reserve	Investment revaluation reserve	Retained earnings	Exchange reserves	Sub-total	Non-controlling interest	Total
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Balance at 1 April 2023	3,000	13,954	(16,028)	107	(206)	19,194	7	20,028	(734)	19,294
Comprehensive income										
Profit for the period	-	-	-	-	-	405	-	405	(223)	182
Other comprehensive loss										
Financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	32	-	-	32	-	32
Currency translation difference	-	-	-	-	-	-	(28)	(28)	(139)	(167)
Total comprehensive income for the period	-	-	-	-	32	405	(28)	409	(362)	47
Final dividends relating to 2023 (Note 13)	-	-	-	-	-	(132)	-	(132)	-	(132)
Total transactions with owners	-	-	-	-	-	(132)	-	(132)	-	(132)
Balance at 30 September 2023 (Unaudited)	3,000	13,954	(16,028)	107	(174)	19,467	(21)	20,305	(1,096)	19,209
Balance at 1 April 2024	3,000	13,954	(16,028)	107	(187)	19,369	(52)	20,163	(1,182)	18,981
Comprehensive income										
Profit for the period	-	-	-	-	-	451	-	451	-	451
Other comprehensive (loss)/income										
Financial assets at fair value through other comprehensive (loss)/income, net of tax	-	-	-	-	(88)	-	-	(88)	-	(88)
Currency translation difference	-	-	-	-	-	-	59	59	10	69
Total comprehensive (loss)/income for the period	-	-	-	-	(88)	451	59	422	10	432
Final dividends relating to 2024 (Note 13)	-	-	-	-	-	(203)	-	(203)	-	(203)
Total transactions with owners	-	-	-	-	-	(203)	-	(203)	-	(203)
Balance at 30 September 2024 (Unaudited)	3,000	13,954	(16,028)	107	(275)	19,617	7	20,382	(1,172)	19,210

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2024

	Six months ended 30 September	
	2024 ¥ million (Unaudited)	2023 ¥ million (Unaudited)
Cash flows from operating activities		
Cash generated from operations	3,819	3,972
Interest paid	(68)	(70)
Income tax (paid)/refunded	(449)	35
Net cash generated from operating activities	3,302	3,937
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired (Note 25)	(82)	–
Purchase of property, plant and equipment	(1,141)	(1,238)
Purchase of investment properties	(666)	–
Purchase of intangible assets	(2)	(4)
Proceeds from disposal of property, plant and equipment	112	48
Proceeds from bank deposits with maturity over 3 months	701	502
Placement of bank deposits with maturity over 3 months	(1,233)	(442)
Interest received	6	3
Dividend received	13	12
Net cash used in investing activities	(2,292)	(1,119)
Cash flows from financing activities		
Proceeds from borrowings	2,796	3,633
Repayment of borrowings	(3,596)	(3,227)
Dividends paid	(203)	(132)
Principal elements of lease payments	(1,860)	(2,056)
Interest elements of lease payments	(346)	(351)
Net cash used in financing activities	(3,209)	(2,133)
Net (decrease)/increase in cash and cash equivalents	(2,199)	685
Cash and cash equivalents at beginning of the period	12,350	10,435
Effect of exchange rate changes on cash and cash equivalents	(1)	2
Cash and cash equivalents at end of the period	10,150	11,122

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

Notes to the Interim Condensed Consolidated Financial Information

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in pachinko and pachislot hall operations, hotel and restaurant operations in Japan, amusement arcade operations in Southeast Asian countries, and was previously also engaged in restaurant operations in China. In August 2023, the Group discontinued the restaurant operation in China. Details are set out in Note 11. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

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

2 BASIS OF PREPARATION

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

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

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

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

3 ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

4 ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 March 2024.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2024.

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

5.2 Liquidity risk

There was no material change in the liquidity risk since 31 March 2024.

5.3 Fair value estimation

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

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

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value estimation (Continued)

	Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total ¥ million
As at 30 September 2024 (Unaudited)				
Assets				
Financial assets at fair value through profit or loss				
— Trust fund	–	102	–	102
Financial assets at fair value through other comprehensive income				
— Listed securities	405	–	–	405
	405	102	–	507
Liabilities				
Derivative financial liabilities				
— Interest rate swaps	–	–	–	–
As at 31 March 2024 (Audited)				
Assets				
Financial assets at fair value through profit or loss				
— Trust fund	–	102	–	102
Financial assets at fair value through other comprehensive income				
— Listed securities	534	–	–	534
	534	102	–	636
Liabilities				
Derivative financial liabilities				
— Interest rate swaps	–	1	–	1

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value estimation (Continued)

(i) *Financial instruments in level 1*

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

(ii) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at 30 September 2024, instruments included in level 2 comprise trust fund and interest rate swaps issued by financial institutions in Japan and which were classified as financial assets/liabilities at fair value through profit or loss.

There were no transfers between levels 1, 2 and 3 during the six months ended 30 September 2024.

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

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

(b) Segment information

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

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

In August 2023, the Group has terminated the restaurant operation in China. As a result, the restaurant operation is reported in current period as discontinued operation. Details are set out in Note 11.

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

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

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

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

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

	Pachinko and pachislot hall operations	Amusement arcade operations	Other	Restaurant operations	Total
	Japan ¥ million	Southeast Asia ¥ million	Japan & Hong Kong ¥ million	China ¥ million	¥ million
As at 30 September 2024					
Segment assets	52,141	1,724	1,511	11	55,387
Unallocated assets					4,283
Deferred income tax assets					5,007
Total assets					64,677
Addition to non-current assets other than financial instruments and deferred tax assets					
	1,966	430	222	–	2,618
As at 31 March 2024					
Segment assets	53,420	1,364	1,001	11	55,796
Unallocated assets					4,916
Deferred income tax assets					5,048
Total assets					65,760
Addition to non-current assets other than financial instruments and deferred tax assets					
	2,802	595	154	–	3,551

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

	As at 30 September 2024 ¥ million (Unaudited)	As at 31 March 2024 ¥ million (Audited)
Japan	42,290	41,560
Southeast Asia	725	870
	43,015	42,430

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

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

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

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

8 OPERATING PROFIT FROM CONTINUING OPERATIONS

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

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

Note:

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

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

9 FINANCE COSTS, NET FROM CONTINUING OPERATIONS

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

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

10 INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

	Six months ended 30 September	
	2024 ¥ million (Unaudited)	2023 ¥ million (Unaudited)
Current tax		
— Japan	405	421
— Other Asian countries	31	28
	436	449
Deferred income tax	48	(88)
	484	361

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

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

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

11 DISCONTINUED OPERATION

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

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

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

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

Note:

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

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

11 DISCONTINUED OPERATIONS (CONTINUED)

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

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

12 EARNINGS/(LOSS) PER SHARE

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

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

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

13 DIVIDENDS

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

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

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

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

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

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

As at 30 September 2024, property, plant and equipment and investment properties of ¥8,582 million and ¥566 million, respectively (31 March 2024: ¥8,946 million and ¥553 million, respectively), were pledged to secure bank borrowings.

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

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

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

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS (CONTINUED)

The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 18-month period. Cash flows beyond the 18-month period are extrapolated using the estimated growth rates stated below. The key assumptions used in the value-in-use calculations for the six months ended 30 September 2024 and 2023 are as follows:

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

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

The fair value less cost of disposal is calculated for CGU with significant self-owned property, management made reference to the recent transaction of similar properties and valuation carried out by an independent qualified professional valuer, who holds recognised relevant professional qualifications and has recent experiences in the locations and segments of the property valued. For the six months ended 30 September 2024 and 2023, the valuation was determined using the market approach, which largely used observable and unobservable inputs, including unit price per square meter of sales comparable for land. The fair values of the CGU subject to fair value less cost of disposal calculation is within level 3 of the fair value hierarchy.

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

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

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

For the six months ended 30 September 2024, as a result of the impairment review, impairment loss of approximately ¥42 million (For the six months ended 30 September 2023: ¥82 million) and ¥55 million (For the six months ended 30 September 2023: ¥34 million) has been recognised on property, plant and equipment and right-of-use assets (Note 15) respectively. There was no impairment loss recognised for other non-current assets for the six months ended 30 September 2024 (For the six months ended 30 September 2023: same).

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS (CONTINUED)

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

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

15 LEASES

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

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

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

For the six months ended 30 September 2024, as a result of the impairment review, impairment loss of approximately ¥55 million (For the six months ended 30 September 2023: ¥34 million) has been recognised on right-of-use assets. Please refer to Note 14 for details of the impairment review.

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

16 TRADE RECEIVABLES

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

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

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

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

17 SHARE CAPITAL

	Number of shares (thousands)	Share capital ¥ million
Ordinary shares, issued and fully paid:		
At 30 September 2023, 1 April 2024 and 30 September 2024	1,195,850	3,000

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

18 RESERVES

(a) Capital surplus

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

(b) Capital reserve

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

(c) Legal reserve

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

(d) Investment revaluation reserve

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

19 TRADE PAYABLES

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

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

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

20 BORROWINGS

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

21 INTEREST IN AN ASSOCIATE

	30 September 2024	31 March 2024
	¥ million (Unaudited)	¥ million (Audited)
Investment in unlisted shares, at cost	5	5
Share of results:		
At 1 April	(5)	(5)
Share of loss	-	-
Interest in an associate	-	-

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

21 INTEREST IN AN ASSOCIATE (CONTINUED)

Details of the associate as at 30 September 2024 and 31 March 2024 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held	
				30 September 2024	31 March 2024
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.

22 CONTINGENCIES

As at 30 September 2024, the Group did not have any significant contingent liabilities (31 March 2024: same).

23 COMMITMENTS

Capital commitments

The outstanding capital commitments no provided or in the interim condensed consolidated financial information are as follows:

	30 September 2024	31 March 2024
	¥ million (Unaudited)	¥ million (Audited)
Contracted but not provided for		
Purchase of property, plant and equipment	232	858

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

24 RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

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

	Six months ended 30 September	
	2024 ¥ million (Unaudited)	2023 ¥ million (Audited)
Service fee expenses		
Niraku USA, Inc.	12	16

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

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

(b) Key management compensation

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

	Six months ended 30 September	
	2024 ¥ million (Unaudited)	2023 ¥ million (Audited)
Directors' fees	143	147
Basic salaries, allowances and other benefits in kind	17	19
Employee's contribution to pension scheme	3	3
	163	169

25 BUSINESS COMBINATION

(a) Summary of acquisition

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

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

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

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

* less than one million

Notes to the Interim Condensed Consolidated Financial Information (CONTINUED)

25 BUSINESS COMBINATION (CONTINUED)

(a) Summary of acquisition (Continued)

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

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

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

(b) Purchase consideration – cash outflow

	¥ million
Net cash outflow arising from the Acquisition	
Cash paid	100
Cash and cash equivalents acquired	(18)
	<hr/>
Net cash outflow	82
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NIRAKU GC HOLDINGS



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