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

2021

Annual Report 年報

* For identification purpose only
僅供識別

Contents

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 47 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
Headquarter in Japan and Registered Office	1-1-39 Hohaccho Koriyama-shi, Fukushima Japan 963-8811
Stock Code	1245
Investor and Media Relations Consultant	Strategic Financial Relations Limited
Website	www.ngch.co.jp
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 years ended 31 March 2021, 2020, 2019, 2018 and 2017.

	2021 ¥ million	2021 HK$ million	2020 ¥ million	2020 HK$ million	2019 ¥ million	2018 ¥ million	2017 ¥ million
Gross pay-ins	**94,414**	**6,631**	139,053	9,911	141,731	138,493	143,130
Gross pay-outs	**(77,531)**	**(5,445)**	(114,046)	(8,129)	(115,850)	(113,230)	(114,734)
Revenue from pachinko and pachislot business	**16,883**	**1,186**	25,007	1,782	25,881	25,263	28,396
Revenue from amusement arcade business	**1,015**	**71**	1,663	119	1,535	417	N/A
Other revenue	**643**	**45**	1,376	98	909	874	784
Revenue	**18,541**	**1,302**	28,046	1,999	28,325	26,554	29,180
Hall operating expenses	**(17,571)**	**(1,234)**	(21,234)	(1,513)	(22,875)	(22,640)	(24,110)
Administrative and other operating expenses	**(3,393)**	**(238)**	(5,655)	(403)	(4,307)	(3,918)	(4,120)
Impairment loss on property, plant and equipment and right-of-use assets	**(5,592)**	**(393)**	(676)	(48)	(195)	–	(271)
(Loss)/profit before income tax	**(8,502)**	**(597)**	581	41	1,093	213	902
(Loss)/profit attributable to the shareholders of the Company	**(5,481)**	**(385)**	179	13	610	(15)	492
(Loss)/earnings per share (expressed in Japanese Yen or Hong Kong dollar)	**(4.58)**	**(0.322)**	0.150	0.011	0.510	(0.013)	0.41
Overall revenue margin	**17.9%**	**–**	18.0%	–	18.3%	18.2%	19.8%
Net (loss)/profit margin	**(30.2%)**	**–**	(0.50%)	–	1.9%	(0.2%)	1.7%

Financial and Operational Highlights

	As at 31 March						
	2021		2020		2019	2018	2017
	¥ million	HK$ million	¥ million	HK$ million	¥ million	¥ million	¥ million
Current assets	**17,937**	**1,260**	16,092	1,147	16,401	17,363	15,276
Current liabilities	**23,805**	**1,672**	11,179	797	9,770	8,815	7,210
Net current (liabilities)/assets	**(5,868)**	**(412)**	4,913	350	6,631	8,548	8,066
Total assets	**77,491**	**5,442**	81,158	5,785	54,043	52,171	49,413
Total assets less current liabilities	**53,686**	**3,770**	69,979	4,988	44,273	43,356	42,203
Gearing ratio	**1.69**	**–**	1.30	–	0.18	0.12	0.10

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. ¥14.24 to HK$1.00, the exchange rate prevailing on 31 March 2021 (i.e. the last business day in March 2021);

2. ¥14.03 to HK$1.00, the exchange rate prevailing on 31 March 2020 (i.e. the last business day in March 2020).

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

Chairman's Statement

OUR BUSINESS ACTIVITIES AND VISION

The World Health Organization (WHO) declared an outbreak of the new coronavirus infection ("COVID-19") which was widespread in China as a global pandemic on 11 March 2020. The pandemic has disrupted consumer markets around the world, and hugely impacted the global economy since the Great Depression. Governments around the world have announced stay-at-home orders and social distancing measures to ensure the safety of their people, and also implemented fiscal stimulus packages to support businesses and the economy. Under these circumstances, the patterns of shopping, dining, work and entertainment by consumers have changed, and many of their behaviors and values have also changed. The IMF anticipated that the global economy will be recovered to 6.0% in 2021 after the shrinkage by 3.6% in 2020. However, uncertainty in the anticipation was not expected to be low considering the future development of the pandemic such as the spread of new variant and the effectiveness of political support that will lead to the normalization of vaccine-driven economic activities. COVID-19 contributing worldwide spread of infection had a considerable impact on the business of the Group.

In the pachinko hall business, which is the core business of the Group, the Japan Government announced the first state of emergency in April 2020, resulting in temporary closure of all outlets. Since then, the number of new infections has continued to move up and down, the second state of emergency was announced primarily in the Tokyo metropolitan area in January 2021, and the third state of emergency was also announced primarily in the Tokyo metropolitan area in April 2021. This state of emergency restricted travel and going-out activities not only in the specified target areas but also nationwide, resulting in significant impact on the local economy. Under these circumstances, although the Company has taken infection prevention measures so that customers who come to our outlets are able to play with a sense of security, many customers have stopped visiting pachinko halls or reduced the frequency of visits due to the spread of COVID-19, and the hall traffic has decreased significantly throughout the year. Therefore, the total revenue (gross pay-ins) of Niraku, a subsidiary that engages in pachinko hall business, declined by 32% compared with the previous period. Even now, we cannot exactly tell that the outbreak of COVID-19 has already settled down, and the number of customers has been recovering by around 80% before the pandemic. The pachinko market has shown a long-term decreasing tendency, and even if COVID-19 pandemic settles down, people's lifestyles are expected to change, and the recovery rate of the hall traffic will remain at around 80% with no significant improvement. In addition, due to the change of standards for machines, it is mandatory to replace all machines with the machines that comply with new standard by the end of 2021. This means that the gambling nature of machines will become lower than conventional ones, and it is expected that the revenue (gross pay-ins) per machine will decrease.

Chairman's Statement

Despite these harsh business conditions, such changes in the business environment can be taken as an opportunity to transform the business structure. In this fiscal year, to respond to these challenges, we not only complied with the industry's infection prevention guidelines in each outlet, but also have made efforts to create an environment where customers are able to come to the outlets with a sense of security and play comfortably. In addition, we have accelerated the closure of unprofitable outlets in accordance with medium-term business plan and closed 7 outlets, and we started to improve the efficiency of company-wide expenses by substantially re-examining operations of outlets. We have put effort on creating a corporate system that can secure profits even under these circumstances. On the other hand, we opened a mega outlet with more than 1,000 machines in August 2020. New outlet opening despite the shrinking market is important for increasing market share and shall constitute the core of Niraku's medium-term strategy. Thus, in the domestic pachinko hall business, we will proceed with the digitization to further improve cost efficiency, also we will build a solid profit structure in the future by investing in new outlets based on the financial foundation we have established.

The impact of the COVID-19 pandemic was also significant in our businesses in China and Southeast Asia, resulting in substantial drop in revenue due to intermittent temporary closures of restaurants and gaming arcades.

Dream Games, a subsidiary that operates gaming arcades business in Vietnam and Cambodia, resulted in a 39% decrease in operating revenue compared to the previous year due to a series of temporary closure upon the request by the governments of the countries and requests from malls where the outlets located to remove machines with high gambling elements. While the spread of COVID-19 has rebounded from April 2021, off-and-on suspension of business of gaming arcades continued, and an end to the epidemic is not in sight. In order to deal with this situation, although we have taken measures such as closure of unprofitable stores, cost reduction, and streamlining of expenses, we do not expect the business environment will improve immediately. We will continue to strengthen our business structure to cope with the unforeseen business environment by further reducing costs and improving cost efficiency. On the other hand, although the GDP growth rates of both countries dropped dramatically in 2020 due to the outbreak of COVID-19, IMF forecast the growth rate will recover to a high level again after the COVID-19 pandemic settles down, and we expect to see recovery and growth of business. While we closed three unprofitable outlets this fiscal year, we opened three outlets in Vietnam. One of these outlets is a large-scale outlet incorporating many athletic elements that are different from the traditional Japanese arcade style, and we are also making investments in anticipation of the settlement of the COVID-19 pandemic. As mentioned above, both countries are still developing countries, and we expect that consumption and leisure markets will continue to expand. The amusement arcade business in both Vietnam and Cambodia is centered on opening outlets in leading shopping malls. The new development plans of leading shopping mall development companies in both countries have not been changed on the assumption that future economic growth is foreseeable. While keeping an eye on this situation, we will continue to expand our business focusing on opening outlets in shopping malls.

The joint business of operating Japanese restaurant food court "YOKOCHO" in Shenzhen City, Guangdong Province, China, opened in July 2019, was considered to be difficult to continue operations given that the recovery of number of customers visiting the shopping malls where the outlets located cannot be expected due to the impact of the outbreak of COVID-19 within China. Accordingly, in February 2020, we decided to suspend operations. Nevertheless, China's domestic economy has improved as a result of success of Chinese government's measures against COVID-19 pandemic and initiatives at an early stage for resumption of economic activities. Therefore, we decided to resume the operations within 2021.

The Hong Kong-based e-sports joint business in the Asian region was significantly impacted by changes in the political circumstances and the outbreak of COVID-19. As a result, we were unable to hold any planned e-sports games events which are major source of earnings, and the situation has not improved yet. In this business, we have planned to form an e-sports university league mainly in the Asian region and organize events in various locations of the Asian region as the core of our business strategies. In the future, we will look for a path for business reconstruction, including a review of our business models.

Chairman's Statement

The Group's medium-term strategy is to focus on securing revenues and expanding market share in the pachinko hall business, which is our core business, and to invest in opening new outlets and M&A, aiming to create a structure that is able to secure stable earnings. At the same time, we will renovate existing outlets and make investments to promote digitization with the aim of further improving business efficiency. In addition, from a long-term perspective, the size of the pachinko market is on a declining trend, and we plan to branch out into new businesses in Japan.

In addition to Japan, while keeping an eye on COVID-19 pandemic in each country, we will focus on rebuilding and strengthening individual businesses in the short term and will put effort on stabilizing the business foundation as a priority issue. Over the medium term, we will also seek to expand existing businesses and create new business opportunities in order to respond to changes in the business environment in each country.

Last year, the Group resolved the ESG Management Declaration, which is the basic concept for conducting sustainable business, "NGCH Group prioritizes the public interest and considers its employees, customers, business partners, local communities, and the planet 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, SDGs (Sustainable Development Goals) established for the purpose of achieving a sustainable world is 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, venders 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 an 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 on halfway of 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 local economy. On the other hand, if the revitalization of local economy cannot be realized, the production and labor force population will not increase, and we cannot expect to retain or increase customers in 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 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 recorded a drastic decrease of ¥8,124 million, or 32.5%, from ¥25,007 million in 2020 to ¥16,883 million in 2021. The plunge was due to the declaration of the state of emergency by the government of Japan, restricting social activities and people-to-people contact to curb the spread of COVID-19. Following the declarations, pachinko and pachislot halls of the Group were temporarily closed. Though the restrictions were lifted subsequently, customers had low intention to visit the pachinko halls during the pandemic. Further, to reduce costs and preserve resources, during the financial year, seven loss-making pachinko halls were closed down. All these factors had caused disruption on the business and in turn dampened the revenue in 2021.

Gross pay-ins

For the year ended 31 March 2021, the Group's gross pay-ins from pachinko and pachislot business amounted to ¥94,414 million, comprising revenue from suburban halls of ¥92,014 million (2020: ¥132,706 million) and urban halls of ¥2,400 million (2020: ¥6,347 million), representing a drop of ¥40,692 million, or 30.7%, and ¥3,947 million, or 62.2%, respectively, as compared to last year. The overall decrease was caused by the factors mentioned above.

Gross pay-outs

Gross pay-outs, being the aggregate cost of G-prizes and general prizes exchanged by customers, dropped from ¥114,046 million in 2020 to ¥77,531 million in 2021, a plunge of ¥36,515 million, or 32.0%, which corresponded to the decrease in gross pay-ins.

Revenue margin

The revenue margin in current year decreased by 0.1% from 18.0% in 2020 to 17.9% in 2021 with no material change as compared to prior year.

Revenue from Amusement Arcade Business

Revenue from amusement arcade business decreased from ¥1,663 million in 2020 to ¥1,015 million in current year. The amount comprised revenue derived from Vietnam and Cambodia amounting to ¥872 million and ¥143 million, respectively (2020: ¥1,292 million and ¥371 million, respectively). The decrease in revenue was due to the lockdown and social distancing measures imposed by local governments, causing temporary closure of game centres in both Vietnam and Cambodia.

Other revenue

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

Vending machines income amounted to ¥335 million in 2021. The decrease of ¥145 million as compared to ¥480 million in 2020 was resulted from the negative impact of COVID-19 as mentioned above.

Income from hotel operation amounted to ¥55 million in 2021, recording a significant drop of ¥88 million, or 61.5%, as compared to 2020 of ¥143 million. The hit on hotel income is caused by extremely low occupancy rate of 41.7% for the year ended 31 March 2021 as compared to 66.5% in 2020, as the hotel was closed for few months during the early outbreak of COVID-19 in 2020 and the earthquake that happened in February 2021.

Revenue from restaurant also noted a decline of ¥500 million in current year, from ¥753 million in 2020 to ¥253 million in 2021 which was mainly resulted from the temporary suspension of YOKOCHO business during the pandemic.

Management Discussion and Analysis

Hall operating expenses

Hall operating expenses decreased by ¥3,663 million, or 17.3%, from ¥21,234 million in 2020 to ¥17,571 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 ¥4,650 million, ¥4,805 million and ¥4,124 million, respectively, for the year ended 31 March 2021 (31 March 2020: ¥6,692 million, ¥5,542 million and ¥4,384 million, respectively).

The decrease in hall operating expenses was resulted from the combined effects of (i) less pachinko and pachislot machines purchased during the current year; (ii) cancellation of interim bonus for staff; and (iii) decrease in variable costs such as repair and maintenance.

Administrative and other operating expenses

Administrative and other operating expenses dropped significantly by ¥2,262 million, or 40.0% from ¥5,655 million for the year ended 31 March 2020 to ¥3,393 million in 2021. The plunge in expenses was attributable to the decrease in staff and recruitment expenses and advertising expenses under the cost control measures.

Impairment loss

Impairment loss on property, plant and equipment and right-of-use assets increased drastically from ¥676 million in 2020 to ¥5,592 million in 2021. 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. The management carries out impairment assessment when there are events that indicate that the related asset values may not be recoverable, and when impairment indicators exist for the Group’s cash-generating units (“CGUs”).

The Group’s impairment indicators for previous years required impairment assessment on halls with operating at a loss for current financial year and performed below management’s expectations. Due to the outbreak of COVID-19 in Japan, there was a significant drop in customer traffic at pachinko halls during 2021, particularly when the Group was mandatorily required to temporarily suspend operations at its pachinko halls from mid-April 2020 to May 2020.

The management noted that its financial performance is highly sensitive to changes in market situations. Taking into account the ongoing development and impact of COVID-19 outbreak, management considered CGU with loss for one year or had performed below management’s revised expectation 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 ¥2,949 million and ¥2,643 million over plant, property and equipment and right-of-use assets, respectively.

Finance costs

Finance costs, net amounted to ¥1,299 million for the year ended 31 March 2021 as compared to ¥1,374 million in 2020. The drop was attributable to the increase in interest income received from sub-leasing, and decrease in interest expense on lease liabilities.

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

Loss attributable to shareholders of the Company of ¥5,481 million was recorded for the year ended 31 March 2021, as compared to profit attributable to shareholders of the Company of ¥179 million for the year ended 31 March 2020. The turnaround from profit in 2020 to loss in 2021 was due to the significant drop in revenue and substantive increase in provision for impairment loss on fixed assets caused by the negative impact of COVID-19 pandemic.

Management Discussion and Analysis

Basic loss per share for the year ended 31 March 2021 was ¥4.58 (basic earnings per share for the year ended 31 March 2020: ¥0.15). The Board has resolved not to declare a final dividend for the year ended 31 March 2021 (31 March 2020: Nil).

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 2021 and 2020, and operating cash flows before movements in working capital of the Group for the years ended 31 March 2021 and 2020, respectively:

	As at 31 March	
	2021 **¥ million**	2020 ¥ million
Cash and cash equivalents	**15,903**	14,128
Bank deposits with original maturity over 3 months	**42**	750
	15,945	14,878
Bank loans	**4,478**	4,792
Syndicated loans	**12,189**	8,294
Lease liabilities	**33,440**	34,577
	50,107	47,663
Working capital (Note 1)	**(5,868)**	4,913
Total equity	**20,206**	25,799
Gearing ratio (Note 2)	**1.7**	1.3

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

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

	For the year ended 31 March	
	2021 **¥ million**	2020 ¥ million
Operating cash flows before movements in working capital	**3,150**	7,122

As at 31 March 2021, net current liabilities of the Group totalled ¥5,868 million (31 March 2020: net current assets ¥4,913 million), and current ratio was 0.75 as at 31 March 2021 (31 March 2020: 1.44). As at 31 March 2021, there were cash and cash equivalents of ¥15,903 million (31 March 2020: ¥14,128 million), in which ¥14,480 million was denominated in Japanese Yen, ¥1,119 million was denominated in United States dollar, ¥238 million was denominated in Hong Kong dollar and ¥66 million was denominated in other currencies. As at 31 March 2021, the Group had total borrowings and lease liabilities of ¥50,107 million (31 March 2020: ¥47,663 million). Current portion of bank borrowings and current portion of lease liabilities amounted to ¥18,835 million as at 31 March 2021 (31 March 2020: ¥5,775 million).

The Group's bank borrowings during the current period comprised bank loans and syndicated loans. As at 31 March 2021, the total bank borrowings amounted to ¥16,667 million (31 March 2020: ¥13,086 million), with average effective interest rates on bank borrowings ranged from 0.67% to 1.68% (31 March 2020: 1.08% to 1.80%) per annum. Approximately 6.6% of bank borrowings as at 31 March 2021 were fixed rate borrowings.

HEDGING OF FLOATING RATE BORROWINGS AND FOREIGN EXCHANGE

As at 31 March 2021, 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 2021, gain on fair value for interest rate swap contracts amounted to ¥7 million (2020: ¥5 million).

The Group did not carry out significant foreign currency investment and its debts were all denominated in Japanese Yen as at 31 March 2021. 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 1.7 as at 31 March 2021 (31 March 2020: 1.3).

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:

	2021 **¥ million**	2020 ¥ million
Property, plant and equipment	**1,718**	1,473
Right-of-use assets	**2,293**	963
Investment property	**183**	–
Intangible assets	**40**	63
	4,234	2,499

Management Discussion and Analysis

CHARGES ON ASSETS

As at 31 March 2021 and 2020, the carrying values of charged assets were as below:

	2021 ¥ million	2020 ¥ million
Property, plant and equipment	**9,790**	10,475
Investment properties	**611**	630
Deposits and other receivables	**170**	178
	10,571	11,283

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2021 and 2020.

CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 31 March 2021 and 2020 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 2021, the Group had 1,717 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 resolved not to declare a final dividend in respect of the year ended 31 March 2021 (31 March 2020: Nil).

Corporate Governance Report

CORPORATE GOVERNANCE

During the year ended 31 March 2021, the Company has adopted and complied with all the applicable principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception for code provision A.2.1, which requires the roles of chairman and chief executive to be separated and should be performed by different individuals, and code provision E.1.3, which requires that notice for an annual general meeting should be sent to the shareholders at least 20 clear business days before the meeting.

Code Provision A.2.1

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

Code Provision E.1.3

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

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

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

Corporate Governance Report

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.

(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 under 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 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.

Independent Non-Executive Directors

The Company has received annual confirmations of independence from all independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all 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.

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the Board diversity policy as follows.

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. 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.

Corporate Governance Report

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.

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.

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 of the financial information of the Company, effectiveness of our risk management system, financial reporting system and internal control procedures, overseeing the audit process, 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 13 meetings during the year ended 31 March 2021 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 financial statements for the year ended 31 March 2021 and interim financial statements for the six months ended 30 September 2020 and 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 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 2021 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 2021, 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	2
¥30,000,001 to ¥100,000,000	–
¥100,000,001 to ¥160,000,000	1

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 4 meetings during the year ended 31 March 2021 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 Company's 2020 AGM, seven 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.

Attendance at meetings of the General Meeting, the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee:

	Number of meetings attended/Eligible to attend for year ended 31 March 2021				
Name of Directors	General Meeting	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Mr. Hisanori TANIGUCHI (谷口久徳)	1/1	16/16	–	3/3	4/4
Mr. Akinori OHISHI (大石明徳)	1/1	15/16	–	–	–
Mr. Masataka WATANABE (渡辺将敬)	1/1	16/16	–	–	–
Mr. Hiroshi BANNAI (坂内弘)	1/1	16/16	13/13	–	–
Mr. Michio MINAKATA (南方美千雄)	1/1	16/16	13/13	3/3	1/1
Mr. Yoshihiro KOIZUMI (小泉義広)	1/1	16/16	13/13	3/3	1/1
Mr. Kuraji KUTSUWATA (轡田倉治)	1/1	16/16	–	–	3/3
Mr. Akihito TANAKA (田中秋人) Note	1/1	11/16	–	–	3/3

Note:

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

There were 16 meetings of the Board held during the year ended 31 March 2021.

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.

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 statues, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on 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. 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 2021, the total fee in relation to the annual audit of the Group amounted to ¥113 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:

	2021 ¥ million
Types of services	
Statutory audit	100
Non-audit services (Note)	13
Total	113

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

Corporate Governance Report

JOINT COMPANY SECRETARY

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, associate director 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 2021, 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 2021.

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 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.

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.

RISK MANAGEMENT AND INTERNAL CONTROLS

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 are 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.

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;

- 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 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.

In 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 58, 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 38 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 and the representative director* (代表取締役) of Niraku Merrist Corporation ("Merrist").

EXECUTIVE DIRECTORS

Mr. Akinori OHISHI (大石明徳), aged 56, 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 is 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) 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 of Directors for monitoring the business based on his experience and expertise.

Mr. Masataka WATANABE (渡辺将敬), aged 52, worked at Yamaichi Securities Co., Ltd.* (山一證券株式会社) 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 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 of Directors to provide advice based on his experience and expertise.

Profile of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Hiroshi BANNAI (坂內弘), aged 82, 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* (專務理事) 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. Mr. Bannai is currently an advisor for Xebio Co., Ltd.* (株式会社ゼビオ). 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 54, 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 Yamato Tax Corporation* (やまと税理士法). Further, Mr. Minakata is currently also an advisor* (監査役) for Showcase TV Inc.* (株式会社ショーケース•テ ィービー), the shares of which are listed on the Market of The First Section of The Tokyo Stock Exchange (3909: JP). Mr. Minakata received a bachelor's degree in economics from the 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 66, 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* (慶応義塾大学商学部). 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 79, 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.* (有限會社くつわた商店)) 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.* (有限会社ヤツプ工業) 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 of Directors to provide advice based on his experience.

Mr. Akihito TANAKA (田中秋人), aged 73, 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 serves 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 provides support for restaurant and retail business in Asia.

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 55, 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).

SENIOR MANAGEMENT

Mr. Tatsuo TANIGUCHI (谷口龍雄), aged 67, 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 as an 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 hereby present the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 31 March 2021.

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 2021 is set out in Note 5 to the consolidated financial statements.

BUSINESS OVERVIEW

The Group's financial results for the year ended 31 March 2021 was deeply affected by the outbreak of COVID-19 pandemic. The state of emergency declaration in Japan had casted significant disruption to the pachinko business as citizens were requested to carry out self-isolation, and entertainment centres were required to shorten their business hours. As an aftermath, the Group's pachinko revenue was slashed by 32.5%, from ¥25,007 million in 2020 to ¥16,883 million in 2021; leading to substantive impairment provision on certain pachinko halls, which in turn deepening the net loss margin from 0.5% in 2020 to 30.2% in current year. Despite the subsequent lifting of the emergency measures, customer recovery has never rebounded to pre-pandemic level as there was immersive change of consumer behaviour and social habit. To cope with the impact of COVID-19, various cost saving measures were carried out by the Group, including control of labor costs, slow-down of pachinko machines replacement, bargain for rental concession, freezing recruitment and advertising activities. These measures had led to a 24.0% cost down in 2021 as compared to 2020. To strive for a fiscal balance and align with the Group's medium to long-term business strategies, 6 loss-making pachinko halls were closed during the third quarter of this financial year. Resources from closed halls were allocated to other halls including the mega store which was opened in August 2020.

The damage caused by the global pandemic also seriously impacted the Group's amusement arcade business in Southeast Asian countries. Social distancing and lockdown restrictions announced by the local governments in Vietnam and Cambodia had prohibited people and their families from visiting entertaining facilities, forcing the amusement arcades to temporarily suspend their operations. Consequently, revenue generated from this business segment recorded a drastic drop of 39.0% from ¥1,663 million in 2020 to ¥1,015 million in 2021. In the second half of the financial year, 3 game centres were closed and resources were allocated to 3 amusement arcades which were newly opened in the fourth quarter of this financial year, which followed the business plan of the Group.

The Group's food and beverage business, comprising 3 franchised brands namely "LIZZARAN", "KOMEDA" and "YOKOCHO", continued to be severe as social restrictions had refrained people from dinning in, while the take-away service was less popular. Revenue from this sector plunged by 66.4%, from ¥753 million in 2020 to ¥253 million in 2021, as YOKOCHO's operation was still halted as at the year end.

In spite of the unpredictable development of the pandemic causing global economic uncertainty, the Group is positive towards every challenge and is confident in achieving moderate recovery across all business segments. More detailed business, prospects and development of the Group, and analysis of the Group's performance for the year ended 31 March 2021 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 116 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 for the year ended 31 March 2021.

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 2021, the Group employed 1,312 staff for pachinko and pachislot business; and 405 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 2021.

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 2021 are set out in the consolidated statement of comprehensive income on page 45.

The Directors have resolved not to declare a final dividend in respect of the year ended 31 March 2021.

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;

- 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 2021 are set out in Note 24 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

During the year ended 31 March 2021, 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 2021 amounted to approximately ¥4,559 million.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2021 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 2021 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 2021 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 (大石明徳)
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) [Note]

Note:

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

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.

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 2021 and 2020 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 2021, the interests and short positions of the Directors and the chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register as required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

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

Notes:

(1) The interests held by Hisanori TANIGUCHI (谷口久徳) shown above include the 214,060,460 shares held in his own name for his own benefit and the 11,500,000 shares held by Densho Limited* (有限会社伝承), a company collectively wholly-owned by his children, the voting rights of which are exercisable by him.

(2) All interests stated are long positions.

(3) There were 1,195,850,460 shares in issue as at 31 March 2021.

Save as disclosed above, as at 31 March 2021, 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.

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

As at 31 March 2021, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

	Capacity/Nature of interest	Total	Approximate % of shareholding
Tatsuo TANIGUCHI (谷口龍雄)	Beneficial owner; interest of controlled corporation (1)	182,390,000 common shares	15.25%
Yoshihiro TANIGUCHI (谷口佳浩)	Beneficial owner; interest of controlled corporation; custodian (2)	98,440,000 common shares	8.23%
Seiai TANIGUCHI (谷口正愛)	Interest of a spouse (3)	225,560,460 common shares	18.86%
Hideko TANIGUCHI (谷口秀子)	Interest of a spouse (4)	182,390,000 common shares	15.25%
Yurie TANIGUCHI (谷口祐莉恵)	Interest of a spouse (5)	98,440,000 common shares	8.23%
Okada Holdings Limited	Beneficial owner (6)	80,500,000 common shares	6.73%
Universal Entertainment Corporation	Beneficial owner (6)	80,500,000 common shares	6.73%
Tiger Resort Asia Limited	Beneficial owner (6)	80,500,000 common shares	6.73%
Niraku Employee Stock Ownership Association	Trustee	60,060,000 common shares	5.02%

Notes:

(1) The interests held by Mr. Tatsuo TANIGUCHI (谷口龍雄) shown above include: (i) 161,690,000 shares held in his own name for his own benefit, (ii)19,320,000 shares held by Jukki Limited* (有限会社十起), a company collectively wholly-owned by his children, the voting rights of which are exercisable by Mr. Tatsuo TANIGUCHI (谷口龍雄); and (iii) 1,380,000 shares held by KAWASHIMA Co., Ltd.* (株式会社KAWASHIMA), a company collectively wholly-owned by our Chairman, Mr. Tatsuo TANIGUCHI (谷口龍雄) and Mr. Masataka TANIGUCHI (谷口晶貴), the voting rights of which are exercisable by Mr. Tatsuo TANIGUCHI (谷口龍雄).

(2) 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.

(3) 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.

(4) Mrs. Hideko TANIGUCHI (谷口秀子) is the spouse of Mr. Tatsuo TANIGUCHI (谷口龍雄) and is therefore deemed to be interested in the shares that Mr. Tatsuo TANIGUCHI (谷口龍雄) is interested in under the SFO.

(5) 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.

(6) Okada Holdings Limited indirectly holds 74.21% interest in Universal Entertainment Corporation, which directly holds Tiger Resort Asia Limited. Accordingly, each of the Universal Entertainment Corporation and Okada Holdings Limited is deemed to be interested in such 80,500,000 shares held by Tiger Resort Asia Limited.

(7) All interests stated are long positions.

(8) There were 1,195,850,460 shares in issue as at 31 March 2021.

Save as disclosed above, and as at 31 March 2021, 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 Short Positions in the Shares, Underlying Shares and Debentures of the Company or 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.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately ¥3 million.

CONNECTED TRANSACTIONS

The Directors confirm that during the year ended 31 March 2021, 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 2021, less than 1.0% of the Group's revenue were attributed by the Group's five largest customers; while 70.4% and 91.7% 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 2021 or any of their respective associates held any interest in any of the five largest suppliers of the Group.

Report of the Directors

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 Directors 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 of the Group for the year ended 31 March 2021.

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.

AUDITOR

PricewaterhouseCoopers has acted as auditor of the Company for the year ended 31 March 2021.

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 will be published separately no longer than three months after 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, 28 June 2021

* *For identification purpose only*

Independent Auditor's Report

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)

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") set out on pages 45 to 116, which comprise:

- the consolidated statement of financial position as at 31 March 2021;
- 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 a summary of significant accounting policies.

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 2021, 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.

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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 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 year. 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.

Key audit matters identified in our audit are summarised as follows:

- Assessment of going concern assumption

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

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of going concern assumption Refer to Note 2.1(i) to the consolidated financial statements. Due to the impact on revenue and the recognition of impairment losses in the current year as a result of the outbreak of Coronavirus Disease 2019 ("COVID-19"), the Group's recorded a net loss of approximately ¥5,604 million and a drop in net assets value of ¥5,593 million from ¥25,799 million to ¥20,206 million. As a result, as at 31 March 2021, the Group failed to comply with certain covenant requirements of part of the Group's borrowings amounting to approximately ¥14,758 million and could be subject to immediate repayment request by the lenders. In view of the breach of covenants, the Group reclassified the relevant non-current portion of the borrowings amounting to ¥7,063 million to current liabilities. Subsequent to the reclassification of the borrowings, the Group recorded a net current liabilities of ¥5,868 million. In view of the breach of covenants, the Group has obtained waivers on relevant lenders' right to call for immediate repayment and asked for and the lenders agreed to revise the financial covenants of these loans to be more favourable to the Group subsequent to the year end. The breach of financial covenants and the net current liabilities positions of the Group casted doubt on the Group's ability to continue as a going concern. Accordingly, management prepared profit and cash flow projections for a period covering the twelve months from 31 March 2021 ("Forecast Period") taking into account of the Group's ability to generate adequate cash inflows from its operation and the availability of banking facilities to meet its future liquidity requirements. Based on the projections, together with the availability of banking facilities and the above-mentioned waivers obtained, the directors considered it appropriate to prepare the consolidated financial statements on a going concern basis. We focused on this area due to the significant judgments and estimates involved in determination of the profit and cash flow projections, including the revenue growth rate, estimated working capital, operating expenses and availability of banking facilities.	In assessing the appropriateness of the going concern assumption and disclosure by management, we have performed the following procedures: • Obtained an understanding of the management's internal control and process on preparing profit and cash flow projections for the purpose of going concern assessment; • Inspected the letters issued by the banks subsequent to the year end for waiving the right to request for immediate repayment as a result of the breach of covenants for the year ended 31 March 2021; • Circulated confirmations to and inquired of relevant banks to confirm the validity of the wavier letters; • Inspected the amended loan agreements and validated the revision of clauses are in line with the management's representation and assessed the likelihood of the Group being able to meet these revised financial covenants in light of the Group's profit forecast; • Obtained the profit and cash flow projections prepared by management and discussed with directors to understand their future operation plans in the Forecast Period; • Checked the mathematical accuracy of the management's profit and cash flow projections; • Agreed the Group's projected repayments for loans included in the cash flow projection to committed repayment schedules in the loan agreements; • Compared the key assumptions used, including revenue growth rate, and estimated working capital and operating expenses, with historical trend and data of the Group to assess the reasonableness of the key assumptions adopted by management in the Forecast Period; • Performed sensitivity analysis around the key assumptions used by management within the profit and cash flow projections to ascertain the extent and likelihood of such changes have been appropriately considered; and • Considered whether the management disclosures relating to going concern included in the consolidated financial statements are appropriate. Based on the assessment above and our procedures performed, the event and condition that casted significant doubt on the entity's ability to continue as a going concern as at 31 March 2021 have already been remediated before the date of our auditor's report. We are of the view that there is no material uncertainty in respect of the Group's ability to continue as a going concern, and management has already provided adequate disclosures about these events and conditions.

Key Audit Matter	How our audit addressed the 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 2021, the Group had property, plant and equipment, right-of-use assets and other non-current assets of ¥18,581 million, ¥27,949 million and ¥1,186 million, respectively. 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, a pachinko and pachislot hall with hotel business, restaurants and amusement arcades.
 	
The performance of the Group's pachinko and pachislot hall operations and other operations were impacted by keen competition and the outbreak of COVID-19. Management reviews for impairment whenever events or changes in circumstances indicate that carrying amount of a CGU may not be recoverable. In view that some of the CGUs had performed below budget (revised after outbreak of COVID-19) or were loss-making, management considered there were impairment indicators for these CGUs.
 	
Management performed impairment assessments to assess the recoverable amounts of these CGUs, which were determined as the fair value less cost to sell ("FVLCD") or value-in-use ("ViU"), whichever was higher. The ViU calculations were derived from income approach based on future cash flow forecasts of the CGUs and the FVLCD was derived from either market approach supported by valuation prepared by independent professional qualified valuer or income approach. Based on management's assessment, provision for impairment loss of ¥2,949 million, ¥2,643 million and ¥37 million were recorded for property, plant and equipment, right-of-use assets and other non-current assets, respectively, during the year ended 31 March 2021.
 	
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, as well as the significant judgments and estimates involved in the determination of recoverable amounts using income approach and market approach, including the revenue growth rate, discount rate and unit price per square meter.
	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 which were to identify impairment indicators for the CGUs that had performed below management's expectation or were loss-making. 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 assessment included:
	
	• Understood and evaluated 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;
	
	• Assessed management's determination of CGUs for the respective standalone cash-generating units and whether they are reasonable based on our understanding of the Group's business;
	
	• Compared the ViU and FVLCD provided by the management and ensured the higher of the two values was applied for the provision of impairment;
	
	• For ViU which was determined by using income approach, we have:
	
	    • Challenged management's assumption of revenue growth rate by comparing the ratio to industry trends, the Group's historical performance and operational development;
	
	    • Assessed mathematical accuracy of the ViU calculations;
	
	    • Assessed management's assumption on discount rate by comparing to the cost of capital and cost of debt of comparable organisations in the industry;
	
	    • Compared the current year actual results with the prior year forecasts to assess the reasonableness of management's forecasts;
	
	    • Reconciled the data input to supporting evidence, such as approved budgets and considered the reasonableness of these budgets based on our knowledge to the business; and

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment, right-of-use assets and other non-current assets	• Evaluated the sensitivity analysis performed by management around the revenue growth rate to ascertain the extent and likelihood of such changes had been appropriately considered. • For FVLCD which was determined by using market approach, we have: • Evaluated the valuer's competence, capabilities and objectivity; • Assessed the mathematical accuracy of FVLCD calculations; • Reviewed the external valuation reports to assess the appropriateness of methodologies used; and • Assessed reasonableness of the valuations by comparing market quotation of similar properties based on our independent researches. • We 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 judgement 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.

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 THOSE CHARGED WITH GOVERNANCE 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.

Those charged with governance are 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 skepticism 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 those charged with governance 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 those charged with governance 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.

From the matters communicated with those charged with governance, 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, 28 June 2021

* *For identification purpose only*

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Note	2021 ¥ million	2020 ¥ million
Revenue	5	**18,541**	28,046
Other income	6	**639**	1,074
Other gains, net	6	**173**	400
Impairment loss on property, plant and equipment	7	**(2,949)**	(213)
Impairment loss on right-of-use assets	7	**(2,643)**	(463)
Hall operating expenses	7	**(17,571)**	(21,234)
Administrative and other operating expenses	7	**(3,393)**	(5,655)
Operating (loss)/profit		**(7,203)**	1,955
Finance income	9	**95**	62
Finance costs	9	**(1,394)**	(1,436)
Finance costs, net	9	**(1,299)**	(1,374)
Share of results of an associate	12	**–**	–
(Loss)/profit before income tax		**(8,502)**	581
Income tax credit/(expense)	10	**2,898**	(717)
Loss for the year		**(5,604)**	(136)
(Loss)/profit attributable to:			
Owners of the Company		**(5,481)**	179
Non-controlling interest		**(123)**	(315)
		(5,604)	(136)
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
— Basic and diluted (expressed in Japanese Yen per share)	11	**(4.58)**	0.15
Other comprehensive loss			
Items that will not be subsequently reclassified to profit or loss			
Change in value of financial assets through other comprehensive income		**17**	(241)
Items that have been or may be subsequently reclassified to profit or loss			
Currency translation difference		**(6)**	(45)
Total comprehensive loss for the year		**(5,593)**	(422)
Total comprehensive loss attributable to:			
Owners of the Company		**(5,458)**	(107)
Non-controlling interest		**(135)**	(315)
		(5,593)	(422)

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 2021

	Note	2021 ¥ million	2020 ¥ million
ASSETS			
Non-current assets			
Property, plant and equipment	13	**18,581**	22,257
Right-of-use assets	14	**27,949**	32,072
Investment properties	15	**737**	630
Intangible assets	16	**1,400**	1,601
Prepayments, deposits and other receivables	22	**4,545**	5,119
Financial assets at fair value through other comprehensive income	18	**577**	565
Deferred income tax assets	29	**5,765**	2,822
		59,554	65,066
Current assets			
Inventories	20	**21**	40
Trade receivables	21	**64**	48
Prepayments, deposits and other receivables	22	**1,327**	1,026
Financial assets at fair value through profit or loss	18	**106**	100
Current income tax recoverable		**474**	–
Bank deposits with original maturity over 3 months	23	**42**	750
Cash and cash equivalents	23	**15,903**	14,128
		17,937	16,092
Total assets		**77,491**	81,158

Consolidated Statement of Financial Position

As at 31 March 2021

	Note	2021 ¥ million	2020 ¥ million
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**3,000**	3,000
Reserves	25	**17,762**	23,220
		20,762	26,220
Non-controlling interest		**(556)**	(421)
Total equity		**20,206**	25,799
LIABILITIES			
Non-current liabilities			
Borrowings	28	**738**	9,853
Lease liabilities	14	**30,534**	32,035
Provisions and other payables	27	**2,192**	2,270
Derivative financial instruments	19	**16**	22
		33,480	44,180
Current liabilities			
Trade payables	26	**108**	114
Borrowings	28	**15,929**	3,233
Lease liabilities	14	**2,906**	2,542
Accruals, provisions and other payables	27	**4,131**	4,404
Derivative financial instruments	19	**3**	4
Current income tax liabilities		**728**	882
		23,805	11,179
Total liabilities		**57,285**	55,359
Total equity and liabilities		**77,491**	81,158

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

The financial statements on pages 45 to 116 were approved by the Board of Directors on 28 June 2021 and were signed on its behalf.

Hisanori Taniguchi
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Attributable to owners of the Company									
	Share capital ¥ million	Capital surplus (Note 25(a)) ¥ million	Capital reserve (Note 25(b)) ¥ million	Legal reserve (Note 25(c)) ¥ million	Investment revaluation reserve (Note 25(d)) ¥ million	Retained earnings ¥ million	Exchange reserve ¥ million	Sub-total ¥ million	Non-controlling interest ¥ million	Total ¥ million
Balances at 1 April 2019	3,000	13,954	(16,028)	107	64	26,514	6	27,617	(106)	27,511
Adjustment on adoption of IFRS 16	–	–	–	–	–	(1,086)	–	(1,086)	–	(1,086)
At 1 April 2019 (restated)	3,000	13,954	(16,028)	107	64	25,428	6	26,531	(106)	26,425
Comprehensive income										
Profit for the year	–	–	–	–	–	179	–	179	(315)	(136)
Other comprehensive loss										
Financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	(241)	–	–	(241)	–	(241)
Currency translation differences	–	–	–	–	–	–	(45)	(45)	–	(45)
Total comprehensive loss for the year	–	–	–	–	(241)	179	(45)	(107)	(315)	(422)
Final dividend relating to 2019 (Note 30)	–	–	–	–	–	(84)	–	(84)	–	(84)
Interim dividend relating to 2020 (Note 30)	–	–	–	–	–	(120)	–	(120)	–	(120)
Total transactions with owners	–	–	–	–	–	(204)	–	(204)	–	(204)
Balance at 31 March 2020	3,000	13,954	(16,028)	107	(177)	25,403	(39)	26,220	(421)	25,799
Balances at 1 April 2020	**3,000**	**13,954**	**(16,028)**	**107**	**(177)**	**25,403**	**(39)**	**26,220**	**(421)**	**25,799**
Comprehensive loss										
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(5,481)**	**–**	**(5,481)**	**(123)**	**(5,604)**
Other comprehensive loss										
Financial assets at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**–**	**17**	**–**	**–**	**17**	**–**	**17**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**–**	**6**	**6**	**(12)**	**(6)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**17**	**(5,481)**	**6**	**(5,458)**	**(135)**	**(5,593)**
Balance at 31 March 2021	**3,000**	**13,954**	**(16,028)**	**107**	**(160)**	**19,922**	**(33)**	**20,762**	**(556)**	**20,206**

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 2021

	Note	2021 ¥ million	2020 ¥ million
Cash flows from operating activities			
Cash generated from operations	31	**3,594**	6,286
Interest paid		**(239)**	(197)
Income tax paid		**(632)**	(619)
Net cash generated from operating activities		**2,723**	5,470
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(1,609)**	(1,446)
Purchase of investment properties	15	**(183)**	–
Purchase of intangible assets	16	**(40)**	(63)
Proceeds from disposal of property, plant and equipment		**437**	1,991
Proceeds from bank deposits with original maturity over 3 months		**708**	43
Placement of bank deposits with original maturity over 3 months		**–**	(750)
Interest received		**2**	5
Dividend received		**27**	55
Net cash used in investing activities		**(658)**	(165)
Cash flows from financing activities			
Proceeds from bank borrowings	31	**8,635**	7,294
Repayment of bank borrowings	31	**(5,054)**	(10,290)
Dividends paid		**–**	(204)
Principal elements of lease payments	31	**(2,923)**	(2,011)
Interest elements of lease payments	9	**(935)**	(1,131)
Net cash used in financing activities		**(277)**	(6,342)
Net increase/(decrease) in cash and cash equivalents		**1,788**	(1,037)
Cash and cash equivalents at beginning of the year		**14,128**	15,176
Exchange loss on cash and cash equivalents		**(13)**	(11)
Cash and cash equivalents at end of the year	23	**15,903**	14,128

The above consolidated statement of 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.* 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 28 June 2021.

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”). 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(i) Going concern basis

The Group reported a net loss of ¥5,604 million during the financial year ended 31 March 2021. As at 31 March 2021, the Group had total borrowings of approximately ¥16,667 million. As at 31 March 2021, management assessed that the Group was not able to comply with certain financial covenants for part of the Group's bank borrowings amounting to approximately ¥14,758 million ("Relevant Borrowings"). Such non-compliance of the covenants would grant the banks ("Relevant Banks") the right to request for immediate repayment of the borrowings. As a result, the Group reclassified borrowings of approximately ¥7,063 million, representing the non-current portion of the Relevant Borrowings to current liabilities. As at 31 March 2021, following the reclassification, the Group's current liabilities exceeded its current assets by approximately ¥5,868 million.

In June 2021, the Group obtained written consents from Relevant Banks on waiving their rights to request immediate repayment arising from the aforementioned non-compliance of financial covenants and therefore, the Relevant Borrowings would only be due for repayment in accordance with the original repayment terms. In addition, the Relevant Banks also agreed to revise the financial covenants of these borrowings to be more favourable to the Group. The Group will continue to monitor its compliance with the covenant requirements and the directors of the Company is confident that the Group will be able to comply with the revised and other existing financial covenants of its bank borrowings. Should the Group anticipate any non-compliance with the covenant requirements, management will discuss and negotiate with the respective banks and will seek to further revise the terms and covenant requirements or obtain a waiver of compliance with the covenant requirements from the banks as needed.

The directors of the Company have prepared cash flow projections covering a period of not less than twelve months from 31 March 2021, to assess the Group's ability to continue as a going concern. Based on the cash flow projections, which takes into account the anticipated cash flows generated from the Group's operations, the reasonably possible changes in operations under the COVID-19 pandemic, the continued compliance of the financial covenants and availability of the Group's bank borrowings, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 March 2021. Accordingly, the directors of the Company consider it appropriate to prepare the consolidated financial statements on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(ii) Amendments to standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2020:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IAS 39, IFRS 7 and IFRS 9	Interest Rate Benchmark Reform — Phase I
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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

(iii) New and amended standards, improvements and interpretations to existing standards (collectively, the "Amendments") not yet adopted by the Group

The following amendments have been published but not mandatory for 31 March 2021 reporting period and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to IFRS 16	Covid-19 Related Rent Concessions	1 June 2020
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform — Phase 2	1 June 2021
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to Annual Improvement project	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The 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.

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.

(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.

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.

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.

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.

The board of the Company has appointed a strategic steering committee which assesses the financial performance and position of the Group, and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.

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 is presented in Japanese Yen ("¥"), 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 profit or loss 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.

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 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
— Motor vehicles	2 to 5 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets

(i) Goodwill

Goodwill is measured as described in note 2.10. 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 relationship

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licences and customer relationship 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.

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, 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.

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/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- 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/(losses). 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/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- 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/(losses) 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/(losses) in the statement of profit or loss 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 HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 21 for further details.

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. The company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

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 (FIFO) 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 all classified as current.

Trade 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 the trade 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 21 for further information about the Group's accounting for trade receivables and 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 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 payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax (Continued)

(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.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits (Continued)

(ii) Bonus plans

The Group recognises a liability and an expense for bonuses 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.

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 payouts to customers. Gross pay-ins represents the amount received from customers for rental of pachinko balls and pachislot tokens. Gross payouts 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 at the end of each player's visit to a machine.

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 ("IC") 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.

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.

A contract liability is recognised when the Group has received upfront fees from the customers. Such contract liability is recognised as revenue when such services are rendered to customers.

(iv) Restaurant revenue from provision of catering services is recognised at a point in time when the related catering 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, see Note 6 below.

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

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 9 below. 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.

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.

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 asset's 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 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. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

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.

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$"), US dollar ("US$"), Vietnamese Dong ("VND") and 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 2021, if US$ had strengthened/weakened by 5% against the ¥, with all other variables held constant, post-tax profit for the year would have been approximately ¥36 million, higher or lower (2020: ¥30 million), 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 2021, if interest rates were increased or decreased by 25 basis points and all other variables were held constant, the Group's post-tax loss would have increased or decreased by approximately ¥1 million (2020: 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 Japanese Yen-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 2021 (2020: Same), and accordingly, sensitivity analysis has not been disclosed.

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.

	2021 **¥ million**	2020 ¥ million
Impact on other components of equity		
Share prices:		
— increase by 5%	**29**	28
— decrease by 5%	**(29)**	(28)

(b) Credit risk

Credit risk arises mainly from cash deposited at banks, trade receivables, deposits and other receivables, loan to an associate, 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 96% (2020: 95%) of the Group's revenue is settled in cash. The Group's credit risk mainly rises from service income from other operations.

The Group has set up long-term cooperative 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. Management makes periodic assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated financial statements.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 90 days when they fall due. The Group writes off trade receivables, in whole or in part, when it was exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include bankrupt or termination of contracts. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

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 during the years ended 31 March 2021 and 2020 is determined to be insignificant.

The Company adopts general approach for expected credit losses of other receivables and loan to an associate 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.

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk* (Continued)

The table below analyses the Group's non-derivative 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.

	Repayable on demand ¥ million	Within 1 year ¥ million	Between 1 and 2 years ¥ million	Between 2 and 5 years ¥ million	Over 5 years ¥ million	Total ¥ million
As at 31 March 2021						
Trade payables	–	108	–	–	–	108
Other payables (excluding accruals)	–	1,291	9	100	2,859	4,259
Borrowings	14,758	1,487	474	707	99	17,525
Lease liabilities	–	3,456	3,092	7,897	25,892	40,337
	14,758	6,342	3,575	8,704	28,850	62,229
As at 31 March 2020						
Trade payables	–	114	–	–	–	114
Other payables (excluding accruals)	–	1,861	–	28	3,150	5,039
Borrowings	–	3,531	2,609	5,912	2,190	14,242
Lease liabilities	–	3,622	3,381	8,077	29,763	44,843
	–	9,128	5,990	14,017	35,103	64,238

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.

	2021 ¥ million	2020 ¥ million
Borrowings	**16,667**	13,086
Lease liabilities	**33,440**	34,577
Less: Cash and cash equivalents	**(15,903)**	(14,128)
Total debt	**34,204**	33,535
Equity	**20,206**	25,799
Gearing ratio	**1.7**	1.3

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).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

	Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total ¥ million
As at 31 March 2021				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted securities	**–**	**106**	**–**	**106**
Financial assets at fair value through other comprehensive income				
— Listed securities	**577**	**–**	**–**	**577**
	577	**106**	**–**	**683**
Liabilities				
Derivative financial liabilities				
— Interest rate swaps	**–**	**19**	**–**	**19**
As at 31 March 2020				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted securities	–	100	–	100
Financial assets at fair value through other comprehensive income				
— Listed securities	565	–	–	565
	565	100	–	665
Liabilities				
Derivative financial liabilities				
— Interest rate swaps	–	25	–	25

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 2021, instruments included in level 2 comprise trust funds and interest rate swaps issued by a financial institution in Japan which were classified as financial assets at fair value through profit or loss.

There were no transfers between levels 1, 2 and 3 during the year ended 31 March 2021.

3.4 Offsetting financial assets and financial liabilities

As at 31 March 2021 and 2020, there were no financial assets or financial liabilities which were subject to offsetting, enforceable master netting or similar agreements.

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) Income taxes

The Group is subject to income taxes in Japan, Vietnam and Cambodia. 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.

(b) Impairment of property, plant and equipment and right-of-use assets

The Group has substantial investments in property, plant and equipment and right-of-use 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 less costs to sell or value-in-use, which is 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. Changing the assumptions used to determine the level, if any, of 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 test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment change to the profit or loss.

(c) 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 CGUs 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.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2021 ¥ million	2020 ¥ million
Revenue		
Gross pay-ins	94,414	139,053
Less: gross pay-outs	(77,531)	(114,046)
Revenue from pachinko and pachislot hall business	16,883	25,007
Revenue from amusement arcades	1,015	1,663
Vending machine income	335	480
Revenue from hotel operations	55	143
Revenue from restaurant operations	253	753
	18,541	28,046

During the year ended 31 March 2021, 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 ¥194 million and ¥1,132 million, respectively.

As at 31 March 2021, the amount of transaction price allocated to the contract liabilities in relation to rental receipt in advance and unutilised balls and tokens that are unfulfilled were ¥153 million and ¥1,225 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 chief operating decision maker ("CODM") that are used for making strategic decisions. The COMD 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 segment results, being adjusted (loss)/profit 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 operations 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 current income tax recoverable, deferred income tax assets and assets used for corporate functions including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and interest in an associate.

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

Notes to the 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 2021 and 2020 are as follows:

	Year ended 31 March 2021				
	Pachinko and pachislot hall operations	Amusement arcade operations	Restaurant operations	Others	Total
	Japan	Southeast Asia	China	Japan	
	¥ million	¥ million	¥ million	¥ million	¥ million
Timing of revenue recognition					
Over time	17,218	1,015	–	55	18,288
At a point in time	–	–	–	253	253
Segment revenue from external customers	17,218	1,015	–	308	18,541
Segment results	(6,493)	(308)	(260)	(506)	(7,567)
Corporate expenses					(935)
Loss before income tax					(8,502)
Income tax credit					2,898
Loss for the year					(5,604)
Other segment items					
Depreciation and amortisation expenses	(3,811)	(460)	(92)	(31)	(4,394)
Impairment loss on right-of-use assets	(2,488)	(58)	(97)	–	(2,643)
Impairment loss on intangible assets	(187)	–	(17)	–	(204)
Impairment loss on property, plant and equipment	(2,929)	(19)	(1)	–	(2,949)
Impairment loss on investment properties	(55)	–	–	–	(55)
Finance income	90	5	–	–	95
Finance costs	(1,289)	(105)	–	–	(1,394)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

	Year ended 31 March 2020				
	Pachinko and pachislot hall operations	Amusement arcade operations	Restaurant operations	Others	Total
	Japan	Southeast Asia	China	Japan	
	¥ million	¥ million	¥ million	¥ million	¥ million
Timing of revenue recognition					
Over time	25,487	1,663	–	144	27,294
At a point in time	–	–	304	448	752
Segment revenue from external customers	25,487	1,663	304	592	28,046
Segment results	2,438	56	(597)	(493)	1,404
Corporate expenses					(823)
Profit before income tax					581
Income tax expense					(717)
Loss for the year					(136)
Other segment items					
Depreciation and amortisation expenses	(4,401)	(466)	(85)	(56)	(5,008)
Impairment loss on right-of-use assets	(181)	–	(90)	(192)	(463)
Impairment loss on intangible assets	(1)	–	(10)	–	(11)
Impairment loss on property, plant and equipment	(107)	–	(1)	(105)	(213)
Finance income	60	2	–	–	62
Finance costs	(1,346)	(90)	–	–	(1,436)

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets as at 31 March 2021 and 2020 are as follows:

	Pachinko and pachislot hall operations	Amusement arcade operations	Restaurant operations	Others	Total
	Japan	Southeast Asia	China	Japan	
	¥ million	¥ million	¥ million	¥ million	¥ million
As at 31 March 2021					
Segment assets	62,150	1,750	576	933	65,409
Unallocated assets					6,317
Deferred income tax assets					5,765
Total assets					77,491
Addition to non-current assets other than financial instruments and deferred tax assets	3,909	231	4	90	4,234

	Pachinko and pachislot hall operations	Amusement arcade operations	Restaurant operations	Others	Total
	Japan	Southeast Asia	China	Japan	
	¥ million	¥ million	¥ million	¥ million	¥ million
As at 31 March 2020					
Segment assets	68,234	2,130	970	696	72,030
Unallocated assets					6,306
Deferred income tax assets					2,822
Total assets					81,158
Addition to non-current assets other than financial instruments and deferred tax assets	1,221	580	469	229	2,499

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:

	2021 ¥ million	2020 ¥ million
Japan	**47,722**	54,703
Southeast Asia	**948**	1,202
China	**412**	527
	49,082	56,432

No single external customer contributed more than 10% revenue to the Group's revenue for the years ended 31 March 2021 and 2020.

6 OTHER INCOME AND OTHER GAINS, NET

	2021 ¥ million	2020 ¥ million
Other income		
Rental income	**176**	410
Income from expired IC and membership cards	**19**	29
Dividend income	**27**	55
Compensation and subsidies (Note)	**243**	332
Income from scrap sales of used pachinko and pachislot machines	**86**	169
Others	**88**	79
	639	1,074
Other gains, net		
Gain on release of lease liabilities	**178**	151
Gain on fair value for financial assets at fair value through profit or loss	**6**	–
Gain on fair value for derivative financial instruments	**7**	5
(Loss)/gain on disposal of property, plant and equipment, net	**(55)**	317
Others	**37**	(73)
	173	400

Note: Compensation and subsidies received during the year ended 31 March 2021 mainly represents subsidies from the Government of Japan as a financial aid to Japanese corporations during the COVID-19 pandemic. During the year ended 31 March 2020, compensation and subsidies were mainly received from an insurance company for the typhoon that occurred in October 2019. The disaster caused significant damages to certain property, plant and equipment and inventories in certain pachinko and pachislot halls located principally in Fukushima Japan.

Notes to the Consolidated Financial Statements

7 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2021 ¥ million	2020 ¥ million
Auditors' remuneration		
— Audit fees	**100**	101
— Other services	**13**	14
Employee benefits expenses		
— Hall operations	**4,805**	5,542
— Administrative and others	**1,164**	1,830
Expense relating to short-term and low-value leases	**174**	291
Depreciation of property, plant and equipment	**1,974**	2,178
Depreciation of right-of-use assets	**2,335**	2,734
Depreciation of investment properties	**21**	20
Amortisation of intangible assets	**64**	76
Other taxes and duties	**372**	352
Utilities expenses	**761**	987
Consumables and cleaning	**853**	1,663
Outsourcing service expenses	**695**	960
Prizes procurement expenses to wholesalers	**680**	878
Pachinko and pachislot machines expenses (Note)	**4,650**	6,692
Advertising expenses	**723**	1,219
Impairment loss on other receivables	**271**	–
Impairment loss on property, plant and equipment	**2,949**	213
Impairment loss on right-of-use assets	**2,643**	463
Impairment loss on investment properties	**55**	–
Impairment loss on intangible assets	**204**	11
Legal and professional fees	**67**	49
Others	**983**	1,292
	26,556	27,565

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.

8 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 ¥ million	2020 ¥ million
Salaries, bonuses and allowances	**4,950**	6,034
Pension costs — defined contribution plan	**82**	79
Other employee benefits	**937**	1,259
	5,969	7,372

(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 (2020: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2021 include 2 directors (2020: 1 director) whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining 3 (2020: 4) individuals during the year ended 31 March 2021 are as follows:

	2021 ¥ million	2020 ¥ million
Salaries, allowances and other benefits	**55**	94
Bonuses	**–**	–
Pension cost — defined contribution plan	**2**	3
	57	97

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

	Number of individuals	
	2021	2020
Emolument bands		
¥Nil to ¥13,540,000 (equivalent to approximately HK$Nil to HK$1,000,000)	**1**	–
¥13,540,001 to ¥20,310,000 (equivalent to approximately HK$1,000,001 to HK$1,500,000)	**1**	2
¥20,310,001 to ¥27,080,000 (equivalent to approximately HK$1,500,001 to HK$2,000,000)	**–**	–
¥27,080,001 to ¥33,850,000 (equivalent to approximately HK$2,000,001 to HK$2,500,000)	**1**	2

9 FINANCE COSTS, NET

	2021 ¥ million	2020 ¥ million
Finance income		
Bank interest income	**2**	5
Interest income on lease receivables	**37**	–
Other interest income	**56**	57
	95	62
Finance costs		
Bank borrowings	**(239)**	(197)
Lease liabilities	**(935)**	(1,131)
Provision for unwinding discount	**(220)**	(108)
	(1,394)	(1,436)
Finance costs, net	**(1,299)**	(1,374)

10 INCOME TAX (CREDIT)/EXPENSE

	2021 ¥ million	2020 ¥ million
Current income tax		
— Japan	**2**	1,337
— Other Asian countries	**2**	38
	4	1,375
Deferred income tax	**(2,902)**	(658)
	(2,898)	717

No provision for Hong Kong profits tax or China income tax have been made for the years ended 31 March 2021 and 2020 as the Group did not generate any assessable profits arising in Hong Kong and China during the years ended 31 March 2021 and 2020.

Notes to the Consolidated Financial Statements

10 INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

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

	2021 ¥ million	2020 ¥ million
(Loss)/profit before income tax	**(8,502)**	581
Tax calculated at applicable Japan corporate income tax	**(2,544)**	174
Effect of difference in tax rates of subsidiaries	**(568)**	82
Income not subject to tax	**(14)**	(22)
Expenses not deductible for tax purpose	**65**	314
Unrecognised tax losses	**34**	6
Unrecognised deductible temporary differences	**129**	163
	(2,898)	717

11 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 March 2021 and 2020.

	2021	2020
(Loss)/profit attributable to owners of the Company (¥ million)	**(5,481)**	179
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	**1,195,850**	1,195,850
Basic and diluted (loss)/earnings per share (¥)	**(4.58)**	0.15

No diluted (loss)/earnings per share is presented as there was no potential dilutive shares during the years ended 31 March 2021 and 2020. Diluted (loss)/earnings per share is equal to the basic earnings per share.

12 INTEREST IN AN ASSOCIATE

	2021 ¥ million	2020 ¥ million
Investment in unlisted shares, at cost	**5**	5
Share of results:		
At 1 April	**(5)**	(5)
Share of loss for the year	**–**	–
	(5)	(5)
Interest in an associate at 31 March	**–**	–
Unrecognised share of loss for the year	**(94)**	(57)

Details of the associate as at 31 March 2021 and 2020 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 2021	Interest held 2020
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 USD100,000	**40%**	40%

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

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land ¥ million	Buildings ¥ million	Leasehold improvements ¥ million	Equipment and tools ¥ million	Motor vehicles ¥ million	Construction progress ¥ million	Total ¥ million
At 1 April 2019							
Cost	8,758	18,084	13,917	13,205	140	28	54,132
Accumulated amortisation	–	(8,040)	(7,741)	(9,758)	(70)	–	(25,609)
Net book amount	8,758	10,044	6,176	3,447	70	28	28,523
Year ended 31 March 2020							
Opening net book amount	8,758	10,044	6,176	3,447	70	28	28,523
Adjustment on adoption of IFRS16	–	(3,659)	–	(2)	–	–	(3,661)
Additions	113	43	318	515	–	484	1,473
Disposal	(1,115)	(153)	(205)	(181)	–	(20)	(1,674)
Depreciation	–	(450)	(753)	(975)	–	–	(2,178)
Transfer between categories	–	–	138	164	–	(302)	–
Impairment loss	–	(68)	(112)	(33)	–	–	(213)
Translation difference	–	–	(7)	(3)	–	(3)	(13)
Closing net book amount	7,756	5,757	5,555	2,932	70	187	22,257
At 31 March 2020 and 1 April 2020							
Cost	7,756	10,939	13,783	13,060	140	187	45,865
Accumulated amortisation	–	(5,182)	(8,228)	(10,128)	(70)	–	(23,608)
Net book amount	7,756	5,757	5,555	2,932	70	187	22,257
Year ended 31 March 2021							
Opening net book amount	7,756	5,757	5,555	2,932	70	187	22,257
Additions	–	438	453	759	–	68	1,718
Disposal	–	(14)	(395)	(13)	(70)	–	(492)
Depreciation	–	(423)	(688)	(863)	–	–	(1,974)
Transfer between categories	–	49	105	107	–	(261)	–
Impairment loss	(236)	(1,099)	(1,149)	(465)	–	–	(2,949)
Translation difference	–	–	6	9	–	6	21
Closing net book amount	7,520	4,708	3,887	2,466	–	–	18,581
At 31 March 2021							
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

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year ended 31 March 2020, the Group sold a pachinko hall property to an independent third party buyer at a consideration of ¥1,980 million, comprising freehold land and building with the net book values of ¥1,115 million and ¥223 million, respectively, at the date of disposal. There was no disposal of pachinko hall property during the year ended 31 March 2021.

Depreciation expenses of ¥1,852 million (2020: ¥2,096 million) has been charged in "hall operating expenses" and ¥122 million (2020: ¥82 million) has been charged in "administrative and other operating expenses" for the year ended 31 March 2021.

Construction in progress as at 31 March 2020 represents pachinko and pachislot halls being constructed in Japan.

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 2021 and 2020 has been disclosed in Note 28.

Impairment assessment

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, a pachinko and pachislot hall with hotel business, restaurants and amusement arcades whenever impairment indicator is noted. The assets under CGUs comprised property, plant and equipment, right-of-use assets and other non-current assets of ¥18,581 million, ¥27,949 million and ¥1,186 million respectively.

For the year ended 31 March 2021, in view of the increased development of COVID-19, the management regards CGU with loss for one year or had performed below management's revised expectation which had taken into account of the impact of COVID-19 (2020: loss for one year and had performed below management's expectation) as having impairment indicator. 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 to sell or value-in-use of calculation, whichever is higher.

The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The key assumptions used in the value-in-use calculation for the years ended 31 March 2021 and 2020.

	2021		2020	
	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	**0%**	**21%**	N/A	N/A
Restaurant operations	**0%**	**17%**	6%	17%

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.

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The fair value less cost of disposal calculation is based on the valuation carried out by independent professional qualified valuer, who holds recognised relevant professional qualifications and has 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 2021 and 2020 are as follows:

	2021	2020
Sales comparison approach		
Land — unit price square meter	**¥27,600 – ¥97,200**	N/A

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

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 independent valuer.

For the year ended 31 March 2021, as a result of the impairment review, impairment loss of approximately ¥2,949 million (2020: ¥213 million), ¥2,643 million (2020: ¥463 million) and ¥37 million (2020: nil) has been recognised on property, plant and equipment, right-of-use assets (Note 14) and other intangible assets, respectively.

For pachinko and pachislot operations, if the revenue growth rate in the value-in-use calculations increased or decreased by 2% with other assumptions remain constant, reduction or addition in impairment loss of ¥352 million would be recorded. If the discount rate in the value-in-use calculations increased or decreased by 1%, addition or reduction in impairment loss of ¥374 million would be recorded.

For amusement arcade operations, if the revenue growth rate in the value-in-use calculations increased or decreased by 2% with other assumptions remain constant, reduction or addition in impairment loss of ¥46 million would be recorded. If the discount rate in the value-in-use calculations increased or decreased by 2%, addition or reduction in impairment loss would be insignificant.

For restaurant operations, if the growth rate or the discount rate increased or decreased by 2% with other assumptions remain constant, reduction or addition in impairment loss would be immaterial.

Notes to the Consolidated Financial Statements

14 LEASES

During the year ended 31 March 2021, the Group received rent concessions in the form of a discount on fixed monthly rental payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of Coronavirus Disease 2019 ("COVID-19"). The Group has not early adopted the amendment to IFRS 16 "COVID-19-related rent concessions" and has accounted for the rent concessions as lease modifications.

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

	2021 ¥ million	2020 ¥ million
Right-of-use assets		
Buildings	**27,286**	30,565
Leasehold improvement	**355**	1,438
Equipment and tools	**263**	69
Vehicle	**45**	–
Total right-of-use assets	**27,949**	32,072
Lease liabilities		
Current	**2,906**	2,542
Non-current	**30,534**	32,035
	33,440	34,577

Additions and disposals to the right-of-use assets during the year ended 31 March 2021 were ¥2,293 million and ¥1,502 million (2020: ¥562 million and ¥36 million), respectively.

For the year ended 31 March 2021, as a result of the impairment review, impairment loss of approximately ¥2,643 million (2020: ¥463 millions) has been recognised on right-of-use assets.

14 LEASES (CONTINUED)

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	31 March 2021 ¥ million	31 March 2020 ¥ million
Depreciation of right-of-use assets		
Buildings	**1,946**	2,412
Leasehold improvement	**298**	292
Equipment and tools	**70**	30
Motor vehicles	**21**	–
	2,335	2,734
Interest expense (included in finance cost)	**935**	1,131
Expense relating to short-term leases (included in hall operating expenses)	**160**	259
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**14**	32

The total cash outflow for leases during the year ended 31 March 2021 was ¥4,032 million (2020: ¥3,142 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

	2021 ¥ million	2020 ¥ million
At 1 April		
Cost	**858**	858
Accumulated depreciation	**(228)**	(208)
	630	650
At cost		
At beginning of year	**630**	650
Additions	**183**	–
Impairment	**(55)**	–
Depreciation	**(21)**	(20)
At end of year	**737**	630
At 31 March		
Cost	**1,041**	858
Accumulated depreciation and provision for impairment	**(304)**	(228)
	737	630

During the year ended 31 March 2021, a wholly-owned subsidiary of the Group purchased a property from an independent third party seller at a consideration of ¥183 million, comprising freehold land and building. The property is a rental apartment as at 31 March 2021.

As at 31 March 2021, investment properties of ¥611 million (2020: ¥630 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 2021 and 2020.

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:

	2021 ¥ million	2020 ¥ million
Rental income	**92**	93
Direct operating expenses from property that generated rental income	**(22)**	(16)
	70	77

15 INVESTMENT PROPERTIES (CONTINUED)

The Group's investment properties were valued as at 31 March 2021 and 2020 by independent professionally qualified valuer, who hold recognised relevant professional qualifications and has recent experience in the locations and segments of the investment properties valued. The valuations were determined using the income capitalisation 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.

The key assumptions used for the valuations for the years ended 31 March 2021 and 2020 are as follows:

	2021	2020
Income approach		
Monthly rental per tsubo (equivalent to 3.3 square meter)	**¥5,000 – ¥15,000**	¥5,000 – ¥15,000
Discount rate	**5.4% – 6.2%**	5.6% – 6.2%
Vacancy rate after expiry of current lease terms	**3.0% – 5.0%**	3.0% – 5.0%

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

Where the valuation results indicate that the carrying amount of the investment properties exceed its recoverable amount, impairment loss will be recognised by the Group. As a result of the valuations, impairment loss of ¥55 million (2020: Nil) was recognised.

Notes to the Consolidated Financial Statements

16 INTANGIBLE ASSETS

	Goodwill ¥ million	Computer software ¥ million	Trademarks ¥ million	License ¥ million	Contract relationship ¥ million	Total ¥ million
At 1 April 2019						
Cost	1,205	491	131	81	294	2,202
Accumulated amortisation	–	(467)	(19)	(13)	(41)	(540)
Net book amount	1,205	24	112	68	253	1,662
Year ended 31 March 2020						
Opening net book amount	1,205	24	112	68	253	1,662
Additions	–	60	–	3	–	63
Amortisation (Note 7)	–	(27)	(12)	(11)	(26)	(76)
Impairment (Note 7)	–	–	–	(11)	–	(11)
Translation difference	(21)	–	(3)	(5)	(8)	(37)
Closing net book amount	1,184	57	97	44	219	1,601
At 31 March 2020 and 1 April 2020						
Cost	1,184	439	127	67	286	2,103
Accumulated amortisation	–	(382)	(30)	(23)	(67)	(502)
Net book amount	1,184	57	97	44	219	1,601
Year ended 31 March 2021						
Opening net book amount	1,184	57	97	44	219	1,601
Additions	–	32	–	8	–	40
Amortisation (Note 7)	–	(20)	(13)	(3)	(28)	(64)
Impairment (Note 7)	(187)	(1)	–	(16)	–	(204)
Translation difference	18	–	1	6	2	27
Closing net book amount	1,015	68	85	39	193	1,400
At 31 March 2021						
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

Notes to the Consolidated Financial Statements

16 INTANGIBLE ASSETS (CONTINUED)

Amortisation expenses of ¥64 million was charged in "hall operating expenses" for the year ended 31 March 2021 (2020: ¥76 million).

Impairment test for goodwill

Goodwill 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.

	2021 ¥ million	2020 ¥ million
Pachinko and pachislot operations	**104**	104
Amusement arcade operations	**911**	1,080
	1,015	1,184

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 based on value-in-use calculation. The calculation use pre-tax cash flow projections based on financial budget approved by management covering a three-year period.

For the goodwill allocated to pachinko and pachislot operations, the annual revenue growth rate during the projection period is 0% (2020: 0%). As a result of the impairment review, the recoverable amounts of the CGUs in which goodwill has been allocated are higher than their carrying amounts as at 31 March 2021 and 2020. As a result, no impairment loss was charged during the years ended 31 March 2021 and 2020.

For the goodwill allocated to amusement arcade operations, the annual revenue growth rate during the projection period is 4% (2020: -5% to 4%) whereas cash flows beyond the three-year period are extrapolated using an estimated growth rate of 3.8% (2020: 3.8%). The pre-tax discount rate is 21.0% (2020: 19.7%) which reflects the specific risks related to the relevant business. As a result of the impairment review, the recoverable amounts of the CGUs in which goodwill has been allocated are lower than their carrying amounts as at 31 March 2021 and an impairment loss of ¥187 million was charged during the year ended 31 March 2021 (2020: Nil).

For amusement arcade operations, if the revenue growth rate in the value-in-use calculations increased or decreased by 10% with other assumptions remain constant, addition or reduction in impairment loss of ¥30 million would be recorded. If the discount rate in the value-in-use calculations increased or decreased by 2%, addition or reduction in impairment loss of ¥152 million would be recorded.

Notes to the Consolidated Financial Statements

17 FINANCIAL INSTRUMENTS BY CATEGORY

	2021 ¥ million	2020 ¥ million
Financial assets		
Financial assets at fair value		
Fair value through profit or loss	**106**	100
Fair value through other comprehensive income	**577**	565
	683	665
Financial assets at amortised cost		
Trade receivables	**64**	48
Loan to an associate (Note 22)	**–**	351
Deposits and other receivables	**4,292**	4,948
Bank deposits with original maturity over 3 months	**42**	750
Cash and bank balances	**15,945**	14,878
	20,343	20,975
	21,026	21,640
Financial liabilities		
Financial liabilities at fair value		
Derivative financial instruments	**19**	26
Financial liabilities at amortised cost		
Trade payables	**108**	114
Other payables	**3,443**	3,685
Borrowings	**16,667**	13,086
Lease liabilities	**33,440**	34,577
	53,658	51,462
	53,677	51,488

Notes to the Consolidated Financial Statements

18 FINANCIAL ASSETS AT FAIR VALUE

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

	2021 ¥ million	2020 ¥ million
Unlisted securities	**106**	100

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 securities are with level 2 of fair value hierarchy (Note 3.3).

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

	2021 ¥ million	2020 ¥ million
Listed securities		
— Equity securities	**577**	565

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 1 of the fair value hierarchy (Note 3.3).

19 DERIVATIVE FINANCIAL INSTRUMENTS

	2021 ¥ million	2020 ¥ million
Interest rate swaps	**19**	26
Less: non-current portion	**(16)**	(22)
Current portion	**3**	4

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 2021, the notional amount of the outstanding interest rate swaps agreement with the banks amounted to ¥2,000 million (2020: same).

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20 INVENTORIES

	2021 ¥ million	2020 ¥ million
Supplies	**21**	40

The cost of inventories recognised as expenses and included in "hall operating expenses" amounted to ¥4,651 million (2020: ¥6,693 million) for the year ended 31 March 2021.

21 TRADE RECEIVABLES

	2021 ¥ million	2020 ¥ million
Trade receivables	**64**	48

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 2021 and 2020, the ageing analysis of the trade receivables, based on invoice date, is as follows:

	2021 ¥ million	2020 ¥ million
Less than 30 days	**64**	48

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 2021 and 2020 and are denominated in ¥.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 ¥ million	2020 ¥ million
Non-current portion		
Rental and other deposits	**2,578**	2,902
Lease receivables (Note a)	**1,314**	1,375
Loan to an associate (Note b)	**–**	281
Loans to other employees	**1**	1
Other prepayments and receivables	**652**	560
	4,545	5,119
Current portion		
Prepayment for prizes in operation for pachinko and pachislot halls	**456**	466
Rental prepayments	**119**	130
Lease receivables (Note a)	**61**	58
Loans to an associate (Note b)	**–**	70
Loans to other employees	**1**	2
Consumption tax receivables	**344**	–
Other prepayments and receivables	**346**	300
	1,327	1,026

Note a: In October 2019, the Group entered into a sub-lease agreement with an independent third party to sub-lease properties located in Japan for a period of approximately 19 years.

Note b: The Group entered into a loan agreement with YEAH to provide it with a US$3,200,000 loan (equivalent to approximately ¥341 million) with interest rate at 4% per annum. The loan was provided on 15 November 2018 and would be repayable every six months by instalments over four years. The first repayment amounted to US$640,000 (equivalent to approximately ¥70 million) was received on 1 December 2020.

As impacted by the COVID-19 outbreak, majority of the offline gaming events were postponed with uncertainty over the rescheduling. Management was aware of the high uncertainty on the ability of YEAH to generate positive cash flow and has assessed the net current assets position of YEAH as of 30 September 2020 and noted it would not be able to repay the remaining balance of loan. As such, management considered YEAH to have financial difficulty given the decrease in cash position. The management has assessed the risk of default of the loan and regarded the outstanding portion of the loan amounting to US$2.56 million (equivalent to approximately ¥271 million) was credit-impaired due to the significant increase in credit risk and recorded an impairment loss amounted to ¥271 million (Note 7). As at 31 March 2021, management was not aware of any significant changes in circumstances that could give rise to a possible reversal of impairment loss recognised and the loan to YEAH continued to be considered as unrecoverable.

The carrying amounts of prepayment, deposits and other receivables approximate their fair values as at 31 March 2021 and 2020.

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

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23 CASH AND BANK BALANCES

	2021 ¥ million	2020 ¥ million
Current portion		
Cash on hand	699	747
Cash at banks	14,976	12,744
Short term bank deposits	228	637
Cash and cash equivalents	15,903	14,128
Bank deposits with original maturity over 3 months	42	750
Total cash and bank balances	15,945	14,878

Cash and cash equivalents are denominated in the following currencies:

	2021 ¥ million	2020 ¥ million
Japanese Yen	14,521	13,604
United States dollar	1,119	856
Hong Kong dollar	239	250
Vietnamese dong	59	152
Others	7	16
	15,945	14,878

24 SHARE CAPITAL

	Number of shares	Share Capital ¥ million
Ordinary shares, issued and fully paid:		
At 31 March 2020, 1 April 2020 and 31 March 2021	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 legal capital reserve and 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.

26 TRADE PAYABLES

The aging analysis of the trade payables based on invoice dates as at 31 March 2021 and 2020 were as follows:

	2021 ¥ million	2020 ¥ million
Less than 30 days	**108**	114

The carrying amounts of trade payables approximate their fair values as at 31 March 2021 and 2020.

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27 ACCRUALS, PROVISIONS AND OTHER PAYABLES

	2021 ¥ million	2020 ¥ million
Non-current portion		
Provision for reinstatement costs	**1,973**	2,059
Rental deposit received	**156**	145
Other payables	**63**	66
	2,192	2,270
Current portion		
Accrued purchases for pachinko and pachislot machines	**433**	434
Accrued purchases for property, plant and equipment	**109**	236
Accrued staff costs	**736**	878
Contract liabilities:		
Vending machine rental receipt in advance	**153**	194
Unutilised balls and tokens	**1,225**	1,132
Other tax payable	**726**	745
Office expenses and consumables	**454**	554
Utilities payable	**34**	43
Other payables	**261**	188
	4,131	4,404

The carrying amounts of other payables approximate their fair values as at 31 March 2021 and 2020.

Notes to the Consolidated Financial Statements

28 BORROWINGS

	2021 ¥ million	2020 ¥ million
Non-current portion		
Bank loans	**738**	3,365
Syndicated loans	**–**	6,488
	738	9,853
Current portion		
Bank loans	**3,740**	1,427
Syndicated loans	**12,189**	1,806
	15,929	3,233
Total borrowings	**16,667**	13,086

As at 31 March 2021 and 2020, the Group's borrowings were repayable as follows:

	2021 ¥ million	2020 ¥ million
Within 1 year	**15,929**	3,233
Between 1 and 2 years	**326**	2,389
Between 2 and 5 years	**406**	5,454
Over 5 years	**6**	2,010
	16,667	13,086

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

	2021	2020
Bank loans	**1.68%**	1.80%
Syndicated loans	**0.67%**	1.08%

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:

	2021 ¥ million	2020 ¥ million
Property, plant and equipment	**9,790**	10,475
Investment properties	**611**	630
Deposits and other receivables	**170**	178
	10,571	11,283

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

	2021 ¥ million	2020 ¥ million
Floating rate		
— Expiring over 1 year	**1,383**	600

The carrying amounts of borrowings of the Group approximate their fair values as at 31 March 2021 and 2020.

As at 31 March 2021, the Group had total borrowings of approximately ¥16,667 million, of which approximately ¥14,758 million are subject to annual financial covenant assessment. As at 31 March 2021, management assessed that the Group was not able to comply with certain covenants of part of the Group's bank borrowings amounting to approximately ¥14,758 million. In June 2021, the Group obtained written consents from all relevant banks on waiving the right to request for immediate repayment arising from the breach of covenants for the year ended 31 March 2021. These consents would remain in force until next annual assessment. The Group will repay the outstanding borrowings in accordance with the original repayment schedules.

29 DEFERRED INCOME TAX

The analysis of deferred income tax assets is as follows:

	2021 ¥ million	2020 ¥ million
Deferred income tax assets		
— to be recovered after more than 12 months	5,236	2,110
— to be recovered within 12 months	1,404	1,603
	6,640	3,713
Deferred income tax liabilities		
— to be recovered after more than 12 months	(875)	(891)
Deferred income tax assets, net	5,765	2,822

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

	2021 ¥ million	2020 ¥ million
At 1 April	2,822	1,588
Adjustment on adoption of IFRS 16	–	471
At 1 April (Restated)	2,822	2,059
Credited to the consolidated statement of other comprehensive income	41	105
Credited to profit or loss	2,902	658
Deferred income tax assets	5,765	2,822

29 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the years ended 31 March 2021 and 2020 is as follows:

Deferred income tax assets

	Property, plant and equipment ¥ million	Asset retirement obligation ¥ million	Fair value through profit and loss ¥ million	Right-of-use assets ¥ million	Fair value through other comprehensive income ¥ million	Other provisions ¥ million	Total ¥ million
Balances at 1 April 2019	1,502	545	35	–	–	666	2,748
Adjustment on adoption of IFRS 16 (Note 14)	–	(545)	–	1,016	–	–	471
Balances at 31 March 2019 and 1 April 2019 (Restated)	1,502	–	35	1,016	–	666	3,219
Credited to profit or loss	223	–	–	136	–	134	493
Balance at 31 March 2020	1,725	–	35	1,152	–	800	3,712
Credited/(charged) to profit or loss	2,420	–	–	(501)	–	1,009	2,928
Credited to other comprehensive income	–	–	–	–	–	–	
Balance at 31 March 2021	4,145	–	35	651	–	1,809	6,640

Notes to the Consolidated Financial Statements

29 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities

	Property, plant and equipment ¥ million	Fair value through other comprehensive income ¥ million	Other provisions ¥ million	Total ¥ million
1 April 2019	(1,104)	(55)	–	(1,159)
Credited to profit or loss	166	–	–	166
Credited to other comprehensive income	–	102	–	102
Balances at 31 March 2020 and 1 April 2020	(938)	47	–	(891)
Credited/(charged) to profit or loss	29	–	(54)	(25)
Credited to other comprehensive income	–	41	—	41
Balance at 31 March 2021	(909)	88	(54)	(875)

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 2021, the Group has unrecognised tax losses of approximately ¥280 million (2020: ¥246 million) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of ¥128 million (2020: ¥102 million) which will be carried forward for 9 years.

Other than the above, there was no material unprovided deferred income tax as at 31 March 2021 and 2020.

30 DIVIDENDS

No dividend was declared during the year ended 31 March 2021. For the year ended 31 March 2020, the Company paid interim dividend of ¥120 million (¥0.10 per ordinary share) and final dividend of ¥84 million (¥0.07 per ordinary share) to its shareholders in respect of the years ended 31 March 2020 and 2019, respectively.

The board of directors of the Company has resolved not to declare a final dividend in respect of the year ended 31 March 2021 (2020: Nil).

Notes to the Consolidated Financial Statements

31 CASH GENERATED FROM OPERATIONS

	2021 ¥ million	2020 ¥ million
(Loss)/profit before income tax	**(8,502)**	581
Adjustments for:		
Depreciation of property, plant and equipment	**1,974**	2,178
Depreciation of right-of-use assets	**2,335**	2,734
Depreciation of investment properties	**21**	20
Amortisation of intangible assets	**64**	76
Loss/(gain) on disposal of property, plant and equipment	**55**	(317)
Impairment loss on property, plant and equipment	**2,949**	213
Impairment loss on right-of-use assets	**2,643**	463
Impairment loss on intangible assets	**204**	11
Impairment loss on investment properties	**55**	–
Impairment loss on other receivables	**271**	–
Finance income	**(95)**	(62)
Finance costs	**1,394**	1,436
Dividend income	**(27)**	(55)
Gain on fair value for derivative financial instruments	**(7)**	(5)
Gain on fair value for financial assets at fair value through profit or loss	**(6)**	–
Gain on lease and sub-lease arrangement	**(178)**	(151)
Changes in working capital:		
Inventories	**19**	69
Trade receivables	**(16)**	5
Prepayments, deposits and other receivables	**273**	(825)
Trade payables	**(6)**	(175)
Accruals, provisions and other payables	**174**	90
Cash generated from operations	**3,594**	6,286

Notes to the Consolidated Financial Statements

31 CASH GENERATED FROM OPERATIONS (CONTINUED)

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

	2021 ¥ million	2020 ¥ million
Net book amount	**492**	1,674
(Loss)/gain on disposal of property, plant and equipment	**(55)**	317
Proceeds from disposal of property, plant and equipment	**437**	1,991

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year ended 31 March 2021 and 2020 presented.

	2021 ¥ million	2020 ¥ million
Cash and cash equivalents	**15,903**	14,128
Bank deposits with maturity over 3 months	**42**	750
Lease liabilities	**(33,440)**	(34,577)
Borrowings	**(16,667)**	(13,086)
Net debt	**(34,162)**	(32,785)

Notes to the Consolidated Financial Statements

31 CASH GENERATED FROM OPERATIONS (CONTINUED)

Net debt reconciliation (Continued)

	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
Net debt at 31 March 2019	15,176	43	(3,420)	(16,082)	(4,283)
Adoption of IFRS 16	–	–	(32,205)	–	(32,205)
Net debt 1 April 2019 (restated)	15,176	43	(35,625)	(16,082)	(36,488)
Cash flows	(1,032)	707	2,011	2,996	4,682
Foreign exchange adjustments	(16)	–	–	–	(16)
Other non-cash movements	–	–	(963)	–	(963)
Net debt at 31 March 2020 and 1 April 2020	14,128	750	(34,577)	(13,086)	(32,785)
Cash flows	1,788	(708)	2,923	(3,581)	422
Accrued interest elements of lease repayment	–	–	935	–	935
Interest paid	–	–	(935)	–	(935)
Foreign exchange adjustments	(13)	–	–	–	(13)
Other non-cash movements	–	–	(1,786)	–	(1,786)
Net debt at 31 March 2021	15,903	42	(33,440)	(16,667)	(34,162)

32 CONTINGENCIES

As at 31 March 2021, the Group did not have any significant contingent liabilities (2020: Same).

33 COMMITMENTS

Capital commitments

The outstanding commitments not provided for in the consolidated financial statements as at 31 March 2021 and 2020 are as follows:

	2021 **¥ million**	2020 ¥ million
Contracted but not provided for		
Purchase of property, plant and equipment	**5**	664

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 2021 and 2020:

	2021 ¥ million	2020 ¥ million
Interest income		
YEAH	**13**	14
Service fee expenses		
Niraku USA, Inc.	**25**	33

The interest income received was in relation to the loan to an associate, YEAH as disclosed in Note 22.

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.

(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:

	2021 ¥ million	2020 ¥ million
Directors' fees	**251**	285
Basic salaries, allowances and other benefits in kind	**41**	42
Employee's contribution to pension scheme	**6**	5
	298	332

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	At 31 March 2021 ¥ million	2020 ¥ million
ASSETS			
Non-current assets			
Property, plant and equipment		15	31
Intangible assets		–	1
Deposits and other receivables		5	5
Loans to subsidiaries		4,122	5,593
Investments in subsidiaries		18,156	18,206
Financial assets at fair value through profit or loss		157	348
Deferred income tax assets		205	47
		22,660	24,231
Current assets			
Prepayments, deposits and other receivables		329	957
Loans to subsidiaries		7,139	1,612
Financial assets at fair value through profit or loss		106	100
Bank deposits with maturity over 3 months		–	707
Cash and cash equivalents		5,339	3,590
		12,913	6,966
Total assets		35,573	31,197
EQUITY			
Share capital		3,000	3,000
Reserves	(a)	18,953	18,503
Total equity		21,953	21,503
LIABILITIES			
Non-current liabilities			
Borrowings		505	6,943
Lease liabilities		–	11
Other payables		22	24
Derivative financial instruments		16	22
		543	7,000

Notes to the Consolidated Financial Statements

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

	Note	At 31 March 2021 ¥ million	2020 ¥ million
Current liabilities			
Borrowings		**12,438**	2,032
Lease liabilities		**12**	14
Other payables		**49**	63
Derivative financial instruments		**3**	4
Current income tax liabilities		**575**	581
		13,077	2,694
Total liabilities		**13,620**	9,694
Total equity and liabilities		**35,573**	31,197

(a) Reserves movement of the Company

	Share capital ¥ million	Capital surplus ¥ million	Retained earnings ¥ million	Total ¥ million
Balance at 1 April 2019	3,000	13,954	3,875	20,829
Profit for the year	–	–	878	878
Final dividend related to 2019	–	–	(84)	(84)
Interim dividend related to 2020	–	–	(120)	(120)
Balances at 31 March 2020 and 1 April 2020	3,000	13,954	4,549	21,503
Profit for the year	–	–	450	450
Balances at 31 March 2021	3,000	13,954	4,999	21,953

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 2021 and 2020 is set out below:

For the year ended 31 March 2021

Name	Fee ¥ million	Salaries, allowances and other benefits ¥ million	Defined contribution pension costs ¥ million	Total ¥ million
Executive directors				
Hisanori Taniguchi (also the Chief Executive)	117	–	1	118
Akinori Ohishi	29	–	1	30
Masataka Watanabe	10	–	1	11
Non-executive director				
Hiroshi Bannai	4	–	–	4
Independent non-executive directors				
Michio Minakata	6	–	–	6
Yoshihiro Koizumi	4	–	–	4
Kuraji Kutsuwata	3	–	–	3
Akihito Tanaka (Note)	2	–	–	2
	175	–	3	178

Note: Mr. Akihito Tanaka was appointed as an independent non-executive director on 29 July 2020.

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 2020

Name	Fee ¥ million	Salaries, allowances and other benefits ¥ million	Defined contribution pension costs ¥ million	Total ¥ million
Executive directors				
Hisanori Taniguchi (also the Chief Executive)	151	–	1	152
Akinori Ohishi (Note i)	29	–	1	30
Masataka Watanabe (Note i)	8	–	1	9
Non-executive director				
Hiroshi Bannai	4	–	–	4
Independent non-executive directors				
Hiroaki Morita (Note iii)	3	–	–	3
Michio Minakata	6	–	–	6
Yoshihiro Koizumi	4	–	–	4
Kuraji Kutsuwata (Note ii)	3	–	–	3
	208	–	3	211

Notes:

i. Mr. Akinori Ohishi and Mr. Masataka Watanabe were appointed as executive directors on 27 June 2019.

ii. Mr. Kuraji Kutsuwata was appointed as independent non-executive director on 27 June 2019.

iii. Mr. Hiroaki Morita resigned as independent non-executive directors on 30 November 2019.

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 2021 (2020: same).

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 March 2021 (2020: Nil).

During the year ended 31 March 2021, the Group does not pay consideration to any third parties for making available directors' services (2020: Nil).

As at 31 March 2021, there is no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2020: 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 (2020: Nil).

37 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 March 2021 and 2020:

Name	Country and date of incorporation	Principal activities	Type of legal status	Issued and paid up capital as at 31 March 2021	Issued and paid up capital as at 31 March 2020	Effective interest held as at 31 March 2021	Effective interest held as at 31 March 2020
Directly held							
Niraku Corporation	Japan, 27 August 1969	Pachinko and pachislot hall operations	Limited liability company	**¥100 million**	¥257 million	**100%**	100%
Nexia Inc.	Japan, 19 June 2009	Property investment	Limited liability company	**¥30 million**	–	**100%**	–
NGCH Hong Kong Limited	Hong Kong, 4 May 2017	Investment holding	Limited liability company	**HK$700,000**	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**	US$2,912,412	**100%**	100%
Indirectly held							
Nexia Inc.	Japan, 19 June 2009	Property investment	Limited liability company	**–**	¥30 million	**–**	100%
Niraku Merrist Corporation*	Japan, 24 February 2010	Provision of cleaning service	Limited liability company	**¥5 million**	¥5 million	**100%**	100%
NPJ Hong Kong Limited	Hong Kong, 10 May 2017	Investment holding	Limited liability company	**HK$700,000**	HK$700,000	**51%**	51%
Dream Games (Japan) CO., Ltd.	Japan, 9 April 2013	Investment holding	Limited liability company	**¥100 million**	¥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 (equivalents to US$1,650,000)**	VND35,145,000,000 (equivalents to US$1,650,000)	**100%**	100%
Dream Games Cambodia Co., Ltd	Cambodia, 1 February 2011	Amusement centre operation	Limited liability company	**9,100,000,000 Riels (equivalents to US$2,275,000)**	9,100,000,000 Riels (equivalents to US$2,275,000)	**100%**	100%
NPJ China Yokocho Co., Ltd. 深圳上横町餐飲管理有限公司	China, 31 January 2018	Restaurant operation	Limited liability company	**US$2,100,000**	US$2,100,000	**51%**	51%

* The English translation is unofficial and for identification purpose only.

NIRAKU GC HOLDINGS

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