OKURA HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
Stock Code: 1655

2022
ANNUAL REPORT

This report is printed on environmentally friendly paper

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Katsuya YAMAMOTO (Chairman)
Mr. Yutaka KAGAWA
Mr. Toshiro OE

Independent Non-executive Directors

Mr. Mitsuru ISHII
Mr. Yuji MATSUZAKI
Mr. Kazuyuki YOSHIDA

COMPANY SECRETARY

Mr. MAN Yun Wah *ACG, HKACG, MCG*

AUDIT COMMITTEE

Mr. Kazuyuki YOSHIDA (Chairman)
Mr. Mitsuru ISHII
Mr. Yuji MATSUZAKI

REMUNERATION COMMITTEE

Mr. Kazuyuki YOSHIDA (Chairman)
Mr. Mitsuru ISHII
Mr. Yuji MATSUZAKI
Mr. Katsuya YAMAMOTO
Mr. Yutaka KAGAWA

NOMINATION COMMITTEE

Mr. Katsuya YAMAMOTO (Chairman)
Mr. Kazuyuki YOSHIDA
Mr. Mitsuru ISHII
Mr. Yuji MATSUZAKI
Mr. Yutaka KAGAWA

RISK MANAGEMENT COMMITTEE

Mr. Yutaka KAGAWA (Chairman)
Mr. Toshiro OE
Mr. Satoshi MAEDA
Mr. Koji NAKAO
Mr. Hayato TOBISAWA
Mr. Seiji KITAJIMA
Mr. Shota MIYANO
Mr. Seiji OTOFUJI
Mr. Masayuki SAKATA
Mr. Yuki DOMOTO

AUTHORISED REPRESENTATIVES

Mr. Yutaka KAGAWA
Mr. MAN Yun Wah *ACG, HKACG, MCG*

HEADQUARTERS IN JAPAN

7/F, 13–10 Motofuna-machi
Nagasaki City
Nagasaki Prefecture
Japan 850–0035

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11/F, Admiralty Centre Tower II
18 Harcourt Road
Admiralty, Hong Kong

PRINCIPAL BANKERS

Sumitomo Mitsui Banking Corporation, Saga Branch
2–3, Hachimankoji
Saga City, Saga Prefecture
Japan 840–0834

Mizuho Bank, Ltd., Nagasaki Branch
3–28 Hamamachi
Nagasaki City, Nagasaki Prefecture
Japan 850–0853

Juhachi-Sinwa Bank, Sumiyoshi-Chuo Branch
2–22, Sumiyoshimachi
Nagasaki City, Nagasaki Prefecture
Japan 852–8154

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

HONG KONG LEGAL ADVISOR

Taylor Wessing
21/F, No. 8 Queen's Road Central
Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

1655

COMPANY'S WEBSITE

www.okura-holdings.com

Definitions

In this Report, unless the context otherwise requires, the following words and expressions shall have the following meanings.

"1st Series Bond"	the first series of the Bonds
"2022 AGM"	the 2022 annual general meeting of the Company to be held on Tuesday, 22 November 2022
"2nd Series Bond"	the second series of the Bonds
"6M2022"	the six months ended 31 December 2021
"Adward"	Adward Co., Ltd.* (アドワード株式会社), a company incorporated under the laws of Japan on 16 October 2007 and a former indirectly wholly-owned subsidiary of the Company which merged with Aratoru on 1 January 2019
"Aisen"	Aisen Co., Ltd.* (株式会社アイセン), a company incorporated under the laws of Japan on 9 March 2000 and a former indirectly wholly-owned subsidiary of the Company which merged with Okura Nishinihon on 1 January 2019
"Amusement Business Law"	the Act on Control and Improvement of Amusement Business etc.* (風俗営業等の規制及び業務の適正化等に関する法律) of Japan (Act No. 122 of 1948), as amended, supplemented or otherwise modified from time to time
"Aratoru"	Aratoru Co., Ltd.* (アラトル株式会社), a company incorporated under the laws of Japan on 22 February 2007 and an indirectly wholly-owned subsidiary of the Company
"Articles"	the articles of association of the Company as amended from time to time
"Audit Committee"	the audit committee of the Company
"BA Dazaifu"	Big Apple. Dazaifu hall located at 2–1–1, Ozano, Dazaifu-shi, Fukuoka Prefecture, Japan
"BA Sumiyoshi"	Big Apple. Sumiyoshi hall located at 6–4, Sumiyoshimachi, Nagasaki-shi, Nagasaki Prefecture, Japan
"Board"	the board of Directors
"Bond Issuer"	Sinwa Co., Ltd.* (株式会社しんわ), a company incorporated under the laws of Japan and an independent third party of the Company
"Bonds"	two series of bonds issued by the Bond Issuer in an aggregate amount of ¥1,000 million
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time
"CGUs"	cash generating units

"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	Okura Holdings Limited
"Controlling Shareholder"	Mr. Katsuya YAMAMOTO, being the controlling shareholder of the Company
"COVID-19"	the Coronavirus Disease of 2019
"CSR"	corporate social responsibility
"Deed"	the deed of non-competition entered into between the Controlling Shareholder and the Company on 10 April 2017
"Director(s)"	the director(s) of the Company
"EQU"	EQU Co., Ltd.* (株式会社EQU), a company incorporated under the laws of Japan on 9 March 2005, which merged with K's Works on 1 November 2015
"EQU Limited Company"	EQU Limited Company* (有限会社イーキユーユー)
"ESG Report"	the Environmental, Social and Governance Report of the Company
"Everglory Capital"	Everglory Capital Co., Ltd.* (株式会社エバーグローリー • キャピタル), an independent third party of the Company
"FY2021"	the financial year ended 30 June 2021
"FY2022" or "Year"	the financial year ended 30 June 2022
"Group"	the Company and our subsidiaries (or the Company and any one or more of our subsidiaries, as the content may require) or, where the context so requires, in respect of the period before the Company became the holding company of our present subsidiaries, the present subsidiaries of the Company and the businesses carried on by such subsidiaries or (as the case may be) their respective predecessors
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"K's Holdings"	K's Holdings Co., Ltd.* (株式会社ケーズ • ホールデイングス), a company incorporated under the laws of Japan on 27 October 2008 and a former directly wholly-owned subsidiary of the Company which merged with Okura Japan on 1 January 2019
"K's Property"	K's Property Co., Ltd.* (株式会社ケイズプロパテイー), a company incorporated under the laws of Japan on 30 March 2001 and an indirectly wholly-owned subsidiary of the Company

"K's Works"	K's works Co., Ltd.* (株式会社K's works), a company incorporated under the laws of Japan on 18 November 2008 and an indirectly wholly-owned subsidiary of the Company, which merged with K's Property on 1 November 2015
"Listing Date"	15 May 2017, the date on which dealings in the Shares on the Main Board of the Stock Exchange first commenced
"Listing Rules"	the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"Monaco"	Monaco Sumiyoshi Honten hall located at 1–5, Sumiyoshimachi, Nagasaki-shi, Nagasaki Prefecture, Japan
"Nagasaki Centre"	the Company's employment support centre for persons with neurodevelopmental disorders in Nagasaki City, Japan
"Nomination Committee"	the nomination committee of the Company
"Okura Japan"	Okura Co., Ltd.* (王蔵株式会社), a company incorporated under the laws of Japan on 3 April 1984 and an indirectly wholly-owned subsidiary of the Company
"Okura Kyushu"	Okura Kyushu Co., Ltd.* (王蔵九州株式会社), a company incorporated under the laws of Japan on 17 February 2017 and a former indirectly wholly-owned subsidiary of the Company which merged with Okura Japan on 1 January 2018
"Okura Nishinihon"	Okura Nishinihon Co., Ltd.* (王蔵西日本株式会社), a company incorporated under the laws of Japan on 3 December 2012 and an indirectly wholly-owned subsidiary of the Company
"Palazzo"	Palazzo Co., Ltd.
"Palazzo Tokyo Plaza Group"	Palazzo, together with its subsidiaries
"Prospectus"	the prospectus of the Company dated 28 April 2017
"Remuneration Committee"	the remuneration committee of the Company
"Report"	the annual report for the Year
"Risk Management Committee"	the risk management committee of the Company

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Share Option Scheme"	the share option scheme adopted by the Company on 10 April 2017
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Three Party System"	the industry practice under which pachinko hall operators, G-prize buyers and G-prizes wholesalers participate in the sale and purchase cycle of G-prizes obtained by a customer of a pachinko hall operator by playing pachinko and pachislot machines in Japan, as described in more detail in the sections headed "Three Party System" and "Applicable Laws and Regulations" of the Prospectus
"HK$", "HKD", "Hong Kong dollar(s)" or "cent(s)"	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
"¥" or "JPY"	Japanese Yen, the lawful currency of Japan
"%"	per cent

* The English titles marked with "*" are unofficial English translations of the Japanese titles of natural persons, legal persons, governmental authorities, institutions, laws, rules, regulations and other entities for which no official English translation exists. These titles are for identification purpose only

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present to you the annual report of Okura Holdings Limited together with our subsidiaries for the Year.

COMPANY OVERVIEW

We are a pachinko hall operator in Japan, operating mainly pachinko and pachislot machines. We currently operate 12 pachinko halls in the Kyushu, Kanto, Kansai and Chugoku regions in Japan under the trading names "Big Apple." and "K's Plaza".

As disclosed in previous interim reports and annual reports of the Company, the pachinko industry in Japan has been suffering a continuing contraction in recent years due to increasing competition from other forms of entertainment in Japan such as horse racing, boat racing and online social gaming and the introduction of measures to curb the gaming element in pachinko and pachislot games. In particular, since the outbreak of COVID-19 in Japan in January 2020, the pachinko industry has been struggling to cope with further worsened business conditions which may accelerate the industry's decline.

Despite the emergence of new variants of COVID-19 in Japan during the Year, there has been no industry-wide shutdowns of the pachinko halls in FY2022. However, in light of the COVID-19 situations which remained challenging in Japan during the Year, the Group has implemented infection prevention measures based on the "Guidelines for Preventing the Spread of New Coronavirus Infections in Pachinko and Pachislot Hall Operation" issued by the 21st Century Pachinko and Pachislot Industry Association on 21 May 2020, in its business operations such as requiring all of our employees to wear face masks at all times and applying disinfectant to pachinko machines from time to time to control the spread of the COVID-19 pandemic in the Group's pachinko halls and provide a safe working environment for its employees.

During FY2022, the Group observed a partial recovery of customer traffic at some of its pachinko halls, particularly those located in the Kyushu region. Notwithstanding the recovery of customer traffic at those pachinko halls, the Group had closed down three pachinko halls, namely Big Apple. Dazaifu hall located at 2–1–1, Ozano, Dazaifu-shi, Fukuoka Prefecture, Japan, Big Apple. Sumiyoshi hall located at 6–4, Sumiyoshimachi, Nagasaki-shi, Nagasaki Prefecture, Japan, and Monaco Sumiyoshi Honten hall located at 1–5, Sumiyoshimachi, Nagasaki-shi, Nagasaki Prefecture, Japan on 31 August 2021. The management considered that the closure of the aforementioned three pachinko halls will be more beneficial for the Group as the Group would be able to focus its resources on its other more promising pachinko halls by enhancing customer experience there and minimise further losses from business operations by closing down those halls with weaker performance. For further details, please refer to the announcement of the Company dated 31 August 2021.

Despite the closure of the aforementioned three pachinko halls, the Group has recorded a loss before income tax of approximately ¥1,205 million for FY2022, representing an increase in loss before income tax of approximately 341.4% from approximately ¥273 million for FY2021. The increase in loss before income tax for FY2022 was mainly attributable to (i) the loss on fair value changes of the Group's financial assets at fair value through profit or loss of approximately ¥504 million in FY2022, as compared with a gain of approximately ¥16 million in FY2021, due to fluctuations in the market prices of the underlying assets in the Company's investments, (ii) the decrease in gain on release of lease liabilities, which is approximately ¥460 million in FY2022 as compared with approximately ¥731 million in FY2021, due to the fewer number of lease agreements that were terminated in FY2022 as compared with that in FY2021, and (iii) the increase in provision for impairment loss of investment properties, which is approximately ¥160 million in FY2022 as compared with approximately ¥44 million in FY2021, due to the continuing uncertainty in the business performance of the Group's investment properties caused by the prolonged impact of COVID-19 and its new variants in Japan in FY2022.

COPING WITH OBSTACLES AND UNCERTAINTIES FROM REGULATORY MEASURES

As disclosed in the previous interim reports and annual reports of the Company, the "Regulations to Partially Amend Regulations on the Entertainment and Amusement Trades Rationalising Act and Regulations on Certifying Machines and Conducting Type Test on Machines" issued by the National Public Safety Commission of Japan on 1 February 2018 (the "**2018 Regulations**") has continued to have an adverse impact on the pachinko and pachislot industry in Japan by reducing the attractiveness of the game and contributing to the continuous decline of pachinko and pachislot players, as pachinko and pachislot machines with a higher gaming element are required to gradually phase out of the pachinko industry in batches by the end of January 2021. Pursuant to revisions of the 2018 Regulations in May 2020 and May 2021 (the "**Revised 2018 Regulations**"), the deadline of January 2021 for phasing out certain types of game machines has subsequently been extended to the end of January 2022, enabling pachinko hall operators more time to replace their pachinko and pachislot machines in order to meet the requirements of the 2018 Regulations. The phasing out and replacement of all pachinko and pachinko machines with a higher gaming element have been completed by the Group by the end of January 2022. As a result of the removal of these pachinko and pachislot machines with a higher gaming element, the Group had recorded a temporary decrease in the number of pachinko and pachislot players. However, the Company has subsequently been observing a recovering trend in the number of pachinko and pachislot players in the second half of FY2022. Moving forward, we will continue to closely monitor the performance of the replaced pachinko and pachislot machines at our pachinko halls in order to strategically formulate different plans to continuously attract customers and improve revenue.

CONTINUING TO DIVERSIFY THE GROUP'S REVENUE STREAM

As disclosed in previous interim reports and annual reports of the Company, the management has continuously been striving to establish alternative streams of income and diversify the Group's operations into different business segments. For FY2022, the Group derived revenue from its pachinko hall business, vending machines, rental properties including but not limited to premises of commercial facilities and residential units, and its other operations such as the provision of horse management services.

On 26 July 2018, the Company entered into two agreements with the Bond Issuer pursuant to which the Company subscribed for the Bonds. On 25 January 2019, 24 January 2020, 25 January 2021 and 25 January 2022, the Company, the Bond Issuer and Everglory Capital entered into amendment agreements to, among others, extend the maturity/redemption date of the 2nd Series Bond, increase its interest rate and include Everglory Capital as a guarantor to guarantee the obligations of the Bond Issuer of its obligations under the 2nd Series Bond. On 30 July 2021, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to, among others, extend the maturity/redemption date of the 1st Series Bond, increase its interest rate for the extended period, and include Everglory Capital as a guarantor to guarantee the obligations of the Bond Issuer of its obligations under the 1st Series Bond. Such amendments enable the Group to extend its investment and generate more income from the Bonds, which constitutes a stable revenue stream for the Group. For details, please refer to the announcements of the Company dated 26 July 2018, 25 January 2019, 24 January 2020, 25 January 2021, 30 July 2021 and 25 January 2022 and the circular of the Company dated 29 October 2021.

Closure of non-performing employment support centre

On 31 August 2021, the Company closed down the Nagasaki Centre, having considered the (i) unsatisfying financial performance of the Nagasaki Centre, and (ii) the difficulty to attract and retain experienced staff in dealing with persons with neurodevelopmental disorders as well as potential job seekers. For details, please refer to the announcement of the Company dated 31 August 2021. The Company has also ceased the commencement of operations of the two employment support centres of the same nature in Hiroshima City, Japan as well as the operation of similar employment support centres in the future.

MARKET THREATS AND PROSPECTS

Although 2021 and 2022 have been the challenging years for Japan's pachinko industry overall, the Group's revenue for FY2022 has managed to recover slightly as a result of the management's efforts in prioritising the Group's resources in the recovery of customer traffic, ensuring continuous compliance with the Japanese government's measures to prevent and control the spread of COVID-19, and voluntarily implementing safety measures to ensure the health and safety of customers at its pachinko halls. The management will continue to adopt the above measures in order to encourage customer traffic and speed up the recovery of the Group's operations, while exploring new opportunities to diversify into other business segments to expand the Group's sources of revenue.

APPRECIATION

I would like to take this opportunity to convey my deepest appreciation to our senior management and employees for their unswerving dedication and invaluable expertise over the past financial year. The management and staff of the Group will strive to deliver better performance and generate attractive returns to our Shareholders.

On behalf of the Board
Katsuya YAMAMOTO
Chairman

Tokyo, Japan, 28 September 2022

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's total revenue is comprised of revenue from (i) pachinko and pachislot hall business, being gross pay-ins less gross pay-outs, (ii) vending machine income, (iii) property rental, and (iv) other operations mainly relating to horse management services. During the Year, revenue from pachinko and pachislot hall business remained the majority source of income for the Company, accounting for approximately 91.3% of the Group's total revenue (FY2021: approximately 90.4%). The Group's total revenue increased slightly by approximately ¥139 million, or 2.6%, from approximately ¥5,423 million in FY2021, to approximately ¥5,562 million in FY2022. This increase was mainly a result of the increase in approximately 3.5% in revenue generated from the Group's overall pachinko and pachislot business, from approximately ¥4,905 million in FY2021 to approximately ¥5,078 million in FY2022, primarily due to the partial recovery of customer traffic at the Group's pachinko halls.

The Group derived income from vending machines installed at its halls provided by vending machine operators under service agreements. The vending machines sell drinks and food and the Group shares a certain portion of income generated by such vending machines. The Group's vending machine income remained generally stable at approximately ¥88 million in FY2022 as compared with approximately ¥93 million in FY2021.

The Group derived rental income from renting out (i) premises to G-prize wholesalers, (ii) car parks, (iii) commercial facilities, and (iv) residential units. Property rental income remained stable at approximately ¥355 million for the FY2022 as compared with approximately ¥351 million for FY2021.

The Group derived income from the provision of horse management services and employment support services which commenced in June 2019 and June 2020, respectively. Such income decreased by approximately 44.6%, from approximately ¥74 million for FY2021 to approximately ¥41 million in FY2022, due to the closure of the Nagasaki Centre on 31 August 2021 as mentioned above and the decrease in income from the provision of horse management services.

Gross pay-ins

The Group's gross pay-ins represents the gross amount received from customers for the rental of pachinko balls and pachislot tokens. Gross pay-ins are primarily affected by the level of customer spending at the Group's pachinko and pachislot halls. The Group's accounting policy recognises gross pay-ins net of consumption tax. The consumption tax rate in Japan was 10% during FY2022.

The Group's gross pay-ins recorded an increase of approximately ¥945 million, or approximately 3.9%, from approximately ¥24,232 million in FY2021 to approximately ¥25,177 million in FY2022, which was mainly due to the reasons mentioned in the paragraph headed "Revenue" above.

Gross pay-outs

The Group's gross pay-outs represent the aggregate cost of G-prizes and general prizes exchanged by the Group's customers, taking into consideration the G-prize mark-up and the value of any unutilised balls and tokens during the relevant period. The Group's gross pay-outs recorded an increase of approximately ¥772 million, or approximately 4.0%, from approximately ¥19,327 million in FY2021 to approximately ¥20,099 million in FY2022 as a result of the increase in gross pay-ins for the reasons mentioned above.

Revenue margin

Revenue margin for the Group's pachinko and pachislot business represented the Group's revenue from pachinko and pachislot hall business divided by gross pay-ins. The level of revenue margin is dependent on the combination of the payout ratio of the pachinko and pachislot machines, the G-prize mark-up imposed and the mix of pachinko and pachislot machines with different jackpot probability in the Group's halls, and as a result of the resultant changes in customer behavior (i.e., rounds of play and machine utilisation). The Group's revenue margin remained stable at approximately 20.2% in FY2022 as compared with approximately 20.2% in FY2021.

Other income

The Group's other income is mainly comprised of (i) income from scrap sales of used pachinko and pachislot machines to machines broker for reselling in the second-hand market, (ii) dividend income, (iii) income from expired IC card, (iv) government subsidies in relation to COVID-19, and (v) other income sources, which mainly included income from forfeited pachinko balls and pachislot tokens.

Other income increased by approximately ¥64 million, or approximately 20.7%, from approximately ¥309 million for FY2021 to approximately ¥373 million for FY2022, mainly due to an increase in income from scrap sales of used pachinko machines by approximately ¥78 million which is attributable to the rising prices of used pachinko machines, which was partially offset by the decrease in income from government subsidies related to COVID-19 by approximately ¥15 million as the Group received fewer subsidies relating to COVID-19 in FY2022 as compared to FY2021.

Other net losses/gains

Other net losses/gains is mainly comprised of (i) gain on release of lease liabilities, (ii) provision for impairment loss of investment properties, (iii) provision for impairment loss of property, plant and equipment, (iv) net exchange gains, (v) gains/losses on fair value changes on financial assets at fair value through profit or loss, (vi) gains on disposal of financial assets at fair value through profit or loss, and (vii) other gains/losses which are mainly comprised of insurance claims.

The Group recorded other net losses of approximately ¥180 million in FY2022 as opposed to other net gains of approximately ¥786 million in FY2021. The other net losses of approximately ¥180 million in FY2022 was mainly attributable to (i) the provision for impairment losses on the Group's property, plant and equipment of approximately ¥76 million due to the impairment loss relating to the competition horses, (ii) the losses on fair value changes on financial assets at fair value through profit or loss of approximately ¥504 million due to fluctuations in the market prices of the underlying assets in the Company's investments, (iii) the provision for impairment loss of investment properties of approximately ¥160 million primarily due to the decrease in fair value of the Group's car parks as a result of the expected drop in number of customers using the Group's car parks, which was partially offset by (iv) the gain on release of lease liabilities of approximately ¥460 million as compared with approximately ¥731 million in FY2021 due to the fewer number of lease agreements that were terminated in FY2022 as compared with that in FY2021, and (v) the net exchange gains of approximately ¥82 million in FY2022.

Hall operating expenses and administrative and other operating expenses

Hall operating expenses increased by approximately ¥209 million, or approximately 3.6%, from approximately ¥5,767 million in FY2021 to approximately ¥5,976 million in FY2022. This is primarily due to (i) the increase in pachinko and pachislot machine expenses by approximately ¥195 million, as a result of the replacement and phasing out of the pachinko and pachislot machines with the higher gaming element to comply with the Revised 2018 Regulations as mentioned above, (ii) the increase in impairment loss of approximately ¥405 million for right-of-use assets, (iii) the impairment loss of approximately ¥133 million for property, plant and equipment in FY2022 as compared with the reversal of impairment loss of approximately ¥22 million for property, plant and equipment in FY2021, and (iv) the increase of other hall operating expenses of approximately ¥62 million. The increase in impairment loss for right-of-use assets as set out in (ii) above and the change to impairment loss in FY2022 from the reversal of impairment loss in FY2021 as set out in (iii) above were mainly because more impairment loss to our Group's assets was recognised taking into account the continuing impact of COVID-19 on the business performance of a certain number of the Group's pachinko halls. This is offset by (i) the decrease in employee benefit expenses of approximately ¥163 million due to the decrease in number of employees arising from the closure of certain pachinko halls of the Group in FY2022, (ii) the decrease in impairment loss of approximately ¥141 million for intangible assets as the Group recognised much less impairment loss on the goodwill of one of its CGU, (iii) the decrease in depreciation and amortisation expenses of approximately ¥124 million due to the closure of three pachinko halls in FY2022 leading to a reduction in the Group's property, plant and equipment, and (iv) the decrease in outsourcing service expenses of approximately ¥64 million.

Administrative and other operating expenses decreased by approximately ¥25 million, or approximately 3.0%, from approximately ¥832 million in FY2021 to approximately ¥807 million in FY2022, primarily due to (i) the decrease in employee benefit expenses of approximately ¥10 million mainly due to the decrease in salaries of the Group's key management staff, (ii) the decrease in depreciation and amortisation expenses of approximately ¥10 million due to the termination of lease agreements relating to the Nagasaki Centre and horse management services, and (iii) the decrease in other administrative and other operating expenses of approximately ¥17 million as fewer number of trainings took place in FY2022 which led to a reduction in training costs as well as the closure of three pachinko halls which led to a decrease in union fees, which was partially offset by (iv) the increase in auditor's remuneration for audit services of approximately ¥28 million due to the additional auditing work performed in relation to the Bonds for FY2022.

Impairment loss for cash-generating units

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 Group's 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 CGUs.

In FY2021, the Group's management regarded operating loss for FY2021 or performing below management expectation, defined as not fulfilling the projected operating profit or loss for FY2021, as the impairment indicator. For FY2022, the Company continued to apply the aforementioned impairment indicator and the management identified 8 CGUs (FY2021: 15 CGUs) had resulted in operating loss or not fulfilling management's expectations for FY2022, and therefore the management considered there were impairment indicators for these CGUs. The management accordingly performed impairment assessment to assess the recoverable amounts of these CGUs. In addition, there is another CGU that has goodwill and is required to perform impairment assessment at least once per year.

The recoverable amounts of the 8 CGUs identified by the Group were determined by using the higher of their value-in-use and fair value less cost of disposal as mentioned below. Value-in-use was calculated for all CGUs while fair value less cost of disposal was calculated for CGUs with significant self-owned properties. Accordingly, the recoverable amounts of 6 CGUs were determined by their value-in-use, and the remaining 2 CGUs with significant self-owned properties were determined by their fair value less cost of disposal. As a result, for FY2022, the Group recorded provisions for impairment losses of approximately ¥209 million and ¥160 million on property, plant and equipment and investment properties, respectively.

Value-in-use approach

The value-in-use calculations were based on future cash flow forecasts of the CGUs adopted under the single scenario approach.

The value of inputs and key assumptions used by the management under the value-in-use approach included:

(a) the revenue growth of the Group is 0% after incorporating the management's plan on the Group's operations based on its business performance in the fourth quarter of FY2022;

(b) discount rate is 10.97%; and

(c) there is no change in size and scale of the Group's operations.

Save as disclosed above, there are no significant changes in the value of the inputs and assumptions from those previously adopted in FY2021.

Fair value less cost of disposal approach

The recoverable amounts of the 2 CGUs with significant self-owned properties were determined based on fair value less cost of disposal calculations performed by the Group's management based on their estimation or valuation carried out by an independent professionally qualified valuer (as the case may be). It is considered that the cost approach, which focuses on cost by deducting depreciation from the replacement cost and uses observable and unobservable inputs such as sales comparables per square metre for land and estimation of useful life and construction costs for buildings, is a more suitable calculation approach as the rental market for subject assets of similar characteristics is not active. Accordingly, the cost approach was adopted to determine the recoverable amounts of the aforesaid 2 CGUs.

Value of inputs and key assumptions

By using the cost approach, the management and the independent professional valuer considered the expected useful life of the CGUs, the incidental expenses for land and buildings and construction costs of similar buildings.

No subsequent changes to the valuation methods adopted

Save as disclosed above, there have been no changes to the valuation methods (including valuation assumptions) adopted in relation to impairment testing.

Loss before income tax

Loss before income tax amounted to approximately ¥1,205 million for FY2022, as compared with the loss before income tax of approximately ¥273 million for FY2021. This was mainly attributable to (i) the provision for impairment losses on the Group's property, plant and equipment, intangible assets and right-of-use assets, (ii) the provision for impairment loss of investment properties, (iii) the losses in relation to fair value changes on financial assets at fair value through profit or loss, (iv) the decrease in gain on release of lease liabilities as compared with FY2021 and the other net losses recorded in the Year as compared with the other net gains in FY2021, as aforementioned.

Loss for the year attributable to shareholders of the Company

Loss for the year attributable to shareholders of the Company amounted to approximately ¥1,321 million for FY2022, as compared with the loss for the year attributable to shareholders of the Company of approximately ¥577 million for FY2021. This was mainly due to the reasons mentioned in the paragraph headed "Loss before income tax" above, which is offset by the decrease in income tax expense of approximately ¥188 million given the increase in loss before income tax for FY2022 as compared with that in FY2021.

ANALYSIS OF FINANCIAL POSITION

LIQUIDITY AND FINANCIAL RESOURCES

The Company's primary uses of cash are for the payment of hall operating expenses, staff costs, various operating expenses, fund and repayments of its interest and principal of bank borrowings and capital expenditure. These have been funded through a combination of cash generated from operations and borrowings.

As at 30 June 2022, the Company had total borrowings of approximately ¥5,404 million (30 June 2021: approximately ¥5,495 million), of which approximately 72.6% represented bank borrowings, approximately 26.8% represented loans from governmental financial institution, and approximately 0.6% represented bonds. The Company's borrowings are all denominated in Japanese Yen.

Investment policy

The Group adopted a treasury and investment policy for financial assets that sets out overall principles as well as detailed approval processes of the Group's investment activities. Such policy includes, amongst other things, the following:

(i) investments in low liquidity products being avoided;

(ii) investments should be yield-earning in nature and the primary objectives of investment activities are to diversify the Group's investments and control their risk;

(iii) investments should be undertaken only in situations where the Group has surplus cash not required for short or medium term of use; and

(iv) investments should be undertaken only to the extent that adequate liquid capital is maintained.

The Group's finance division is responsible for the initial assessment and analysis on the expected benefit and potential risk of the Group's investment activities and compiling of relevant data and information from banks. The Group's investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to the Group's short and medium-term cash requirement, the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit and potential loss of the investment.

For any investments, formal approval must be obtained from the Board before the execution or disposal of any investment. The Group's finance division is also responsible for reporting the status of the Group's investment activities to the Directors regularly. The report should include the total investment return.

Funding and treasury policy

The Group has adopted a prudent financial management approach towards its funding and treasury policy and thus maintained a healthy liquidity position for FY2022. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. For FY2022, the Group did not use any risk hedging instrument.

Cash and cash equivalents

As at 30 June 2022, the Company had cash and cash equivalents of approximately ¥2,340 million (30 June 2021: approximately ¥2,617 million), and short-term bank deposits of approximately ¥100 million (30 June 2021: approximately ¥100 million). The Company's cash and cash equivalents and short-term bank deposits are denominated in Japanese Yen, US Dollar and HK Dollar.

Capital structure

For FY2022, there has been no change to the Group's capital structure. As at 30 June 2022, the capital structure of the Group comprised share capital and reserves. As at 30 June 2022, equity attributable to shareholders of the Company amounted to approximately ¥2,160 million (30 June 2021: approximately ¥3,477 million). As at 30 June 2022, total assets of the Group amounted to approximately ¥18,602 million (30 June 2021: approximately ¥21,324 million).

Borrowings

The following table illustrates the maturity profile of the Group's borrowings:

	As at 30 June 2022		As at 30 June 2021	
	¥ million	**%**	¥ million	%
Within 1 year	**739**	**13.7**	792	14.4
Between 1 year and 2 years	**661**	**12.2**	738	13.4
Between 2 years and 5 years	**2,001**	**37.0**	1,992	36.3
Over 5 years	**2,003**	**37.1**	1,973	35.9
	5,404	**100.0%**	5,495	100.0

As illustrated above, the proportion of the Group's borrowings repayable within 1 year, repayable in between 1 year and 2 years decreased, while the borrowings repayable in between 2 years and 5 years, and repayable in over 5 years increased. The change of maturity profile of the Group's borrowings was primarily due to the (i) repayment of certain borrowings that are repayable within 1 year and in between 1 year and 2 years and (ii) the Company entered into new borrowings which are repayable over 5 years. As at 30 June 2022, the Group's borrowings of approximately ¥2,006 million were subject to a fixed interest rate.

Bonds

The Group issued its bonds on 13 March 2019 in the principal amount of ¥260 million. The value of the outstanding bond issued by the Group as at 30 June 2022 amounted to approximately ¥32 million (30 June 2021: approximately ¥97 million). No new bond was issued during FY2022. For details, please refer to note 28 of the notes to the consolidated financial statements in this Report.

Pledged assets

As at 30 June 2022, the Company pledged assets, including (i) property, plant and equipment, (ii) investment properties, and (iii) listed securities, in the sum of approximately ¥6,794 million (30 June 2021: approximately ¥7,004 million) to secure certain general banking facilities of the Group. The decrease in pledged assets was primarily attributable to the decrease in carrying amount of the underlying assets as a result of depreciation.

Gearing ratio

The gearing ratio, being the aggregate of interest-bearing loans and lease liabilities less cash and cash equivalents, and liquid investment divided by total equity of the Company, was approximately 84.9% as at 30 June 2022 (30 June 2021: approximately 78.8%). The increase was mainly attributable to the Company entering into a new loan of ¥700 million with a government-affiliated financial institution in February 2022.

Interest rate and foreign exchange exposure

The Group is exposed to interest rate risk as its bank balances and some of its bank borrowings are carried at variable rates. The Group manages its interest rate exposure with a focus on reducing its overall cost of debt and exposure to changes in interest rates. During FY2022, the Group did not use any hedge instrument or interest rate swap to manage its interest rate exposure.

The Group operates in Japan and its business transactions are principally denominated in Japanese Yen. However, it is exposed to foreign exchange risks associated with United States Dollars for expenses it incurs in such currency. The Group's finance division monitors the Group's foreign exchange fluctuation exposure closely. In light of the continued fluctuation of Japanese Yen against United States Dollars in recent years, the Group will continue to look for opportunities to manage its exposures in United States Dollars by maintaining significant amount of its cash and bank balances in Japanese Yen.

Contractual and capital commitments

As a lessor, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	As a lessor As at 30 June	
	2022 **¥ million**	2021 ¥ million
No later than 1 year	**50**	52

As at 30 June 2022, the Group did not have capital commitments which were contracted but not yet incurred in respect of purchase of property, plant and equipment (30 June 2021: nil).

Capital expenditures

Our capital expenditures mainly consisted of expenditures on additions to property, plant and equipment, right-of-use assets, investment properties and intangible assets. The Group incurred capital expenditures of approximately ¥1,007 million for FY2022 (FY2021: approximately ¥568 million), a majority of which came from equipment and fixtures for its pachinko halls. The increase in capital expenditures was due to the renovation of a pachinko hall which took place in July 2021. These capital expenditures were financed by the Group's internal funds.

Contingent liabilities

As at 30 June 2022, the Company did not have any material contingent liabilities or guarantees.

SIGNIFICANT INVESTMENTS

As at 30 June 2022, the Group held (i) investments primarily in investment properties of approximately ¥2,982 million, which represented 14 land and premises situated in Japan and rented out under operating leases, with each of their respective investment value being less than 5% of the Company's total assets as at 30 June 2022, and (ii) financial assets of approximately ¥1,375 million, which represented bonds including the bonds issued by the Bond Issuer, trust funds, and listed and unlisted securities. As at 30 June 2022, save as the 1st Series Bond and the 2nd Series Bond which in aggregate constituted approximately 5.4% of the Company's total assets, the Group did not hold any other significant investment with a value of 5% or more of the Company's total assets.

Investment properties

The Group's investment properties comprise properties for office, residential and parking purposes which are rented out under operating leases and held by the Company for long-term rental yields. All of the Group's investment properties are stated at historical cost less accumulated depreciation and impairment losses. Impairment loss will be recognised by the Group where the valuation results indicate that the carrying amount of the investment properties exceed its recoverable amount. Impairment loss of approximately ¥160 million was recognised on the Group's investment properties for FY2022 (FY2021: approximately ¥44 million). The recoverable amounts for investment properties are stated at fair value less cost of disposal based on valuations performed by management. The valuation was determined using the income approach or the sales comparison approach. The fair values of all investment properties are within level 3 of the fair value hierarchy.

The valuation of the Group's investment properties are dependent on various key assumptions and inputs, including but not limited to (i) the monthly rental per square meter of the investment property, (ii) a capitalisation rate of 5.0% to 10.0% based on that of similar properties, interviews with real estate investors and various published indices, (iii) a discount rate of 5.8% to 9.8% derived by adding risks premiums to the base rate and using the band of investment method, (iv) the vacancy rate after expiry of the lease terms of the investment property, and (v) the unit price per square meter of the investment property based on sales comparables occurred in the property market.

Save as disclosed herein, there have been no significant changes in the value of inputs or key assumptions adopted and no subsequent changes to the valuation methods adopted.

As at the date of this Report, the Company planned to continue to hold these investment properties for long-term rental yields.

Financial assets

In relation to the Group's financial assets, the Group recorded a loss of approximately ¥504 million for the fair value changes on financial assets at fair value through profit or loss in FY2022 as opposed to a gain of approximately ¥16 million in FY2021 which is primarily attributable to fluctuations in the market prices of the underlying assets in the Company's investments. Although changes in market conditions will continue to result in fair value gains or losses from financial assets, the Directors are of the view that the investment in financial assets will help to increase the average yield earned from the excess funds from the Group's business overall. To the best of their knowledge and as at the date of this Report, the Directors do not foresee any default or any impairment to be made to any financial assets held by the Group.

Furthermore, as disclosed in the previous interim reports and annual reports of the Company, on 26 July 2018, the Company entered into two agreements with the Bond Issuer, pursuant to which the Company subscribed for two series of Bonds at face value issued by the Bond Issuer, in an aggregate amount of ¥1,000 million. The Bond Issuer is a company incorporated under the laws of Japan and headquartered in Fukuoka, Japan, engaging in the business of commercial and consumer finance. Completion of the subscription of such Bonds took place on 27 July 2018. On 25 January 2019, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to, among others, extend the maturity/redemption date of the 2nd Series Bond and include Everglory Capital as a guarantor to guarantee the obligations of the Bond Issuer of its obligations under the 2nd Series Bond. On 24 January 2020, the Company, the Bond Issuer and Everglory Capital entered into an agreement to further extend the maturity/redemption date of the 2nd Series Bond and increase its interest rate for the extended period. On 25 January 2021, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to further extend the maturity/redemption date of the 2nd Series Bond. On 30 July 2021, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to, among others, extend the maturity/redemption date of the 1st Series Bond, increase its interest rate for the extended period, and include Everglory Capital as a guarantor to guarantee the obligations of the Bond Issuer of its obligations under the 1st Series Bond. On 25 January 2022, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to further extend the maturity/redemption date of the 2nd Series Bond. For details, please refer to the announcements of the Company dated 26 July 2018, 25 January 2019, 24 January 2020, 25 January 2021, 30 July 2021 and 25 January 2022 and the circular of the Company dated 29 October 2021.

As at 30 June 2022, the fair value of each of the 1st Series Bond and the 2nd Series Bond is ¥500 million, which in aggregate constitutes approximately 5.4% of the Company's total assets. There is no change to the fair value of each of the 1st Series Bond and the 2nd Series Bond for FY2022 as they are calculated at amortised cost. For FY2022, the amount of interest earned by the Group under each of the 1st Series Bond and the 2nd Series Bond is approximately ¥19.6 million and ¥20.0 million, respectively.

The Company expects that the subscription of the Bonds will allow the Group to earn a higher yield. In light of the ongoing uncertainty in the pachinko industry, which has been worsened by the outbreak of COVID-19 as mentioned above, the Directors consider the additional amount of interest to be received by the Group pursuant to the extension of the maturity/redemption date and/or change of interest rate (as the case may be) of the 1st Series Bond and the 2nd Series Bond will continue to generate a stable source of cash flow and income for the Group, which is beneficial to the Group's financial position, particularly when the Group's pachinko business has been struggling to cope with the continuing disruption caused by COVID-19.

Save as disclosed herein, the Group did not hold any significant investments as at 30 June 2022.

REQUIREMENT IN CONNECTION WITH PUBLICATION OF "NON-STATUTORY ACCOUNTS" UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the Year and FY2021 that is included in the Company's preliminary annual results announcements of the Group for the year ended 30 June 2022 dated 28 September 2022 and for the year ended 30 June 2021 dated 27 September 2021, respectively does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for FY2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the Year in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

HUMAN RESOURCES

Employees and remuneration policies

As at 30 June 2022, the Group had 367 employees (30 June 2021: 454 employees), almost all of whom were based in Japan, and of whom 305 were stationed at the Group's pachinko halls. For newly recruited employees, we prepared a series of training sessions which mainly focuses on pachinko hall operations and customer service. Upon appointment of every three years, as required by the Public Safety Commission, each hall manager is required to attend the training course conducted by the Public Safety Commission.

The staff costs include all salaries and benefits payable to the Group's employees and staff, including our Directors. The total staff costs for FY2022 amounted to approximately ¥1,136 million (FY2021: approximately ¥1,309 million), which accounted for approximately 16.7% (FY2021: approximately 19.8%) of the total operating expenses, including the remuneration of the Directors.

The Directors and employees receive compensation in the form of salaries, and where applicable, allowances, bonuses and other benefits-in-kind, including the Group's contribution to the pension scheme. The Company's policy concerning the remuneration of the Directors and employees is that the amount of remuneration is determined on the basis of the relevant Director's or employee's experience, responsibility, performance and the time devoted to the Group's business.

Apart from basic remuneration, share options may be granted to individual Directors and employees under the Share Option Scheme adopted by our Company on 10 April 2017, by reference to their performance.

The Share Option Scheme

On 10 April 2017, the Company adopted the Share Option Scheme. The principal terms of the Share Option Scheme were summarised in the paragraph headed "Statutory and General Information — F. Share Option Scheme" in Appendix VI to the prospectus of the Company.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and providing benefits to eligible participants and for such other purposes as the Board approves from time to time.

Since the adoption of the Share Option Scheme, and up to the date of this Report, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

ISSUE FOR CASH OF EQUITY SECURITIES

During the Year, the Company did not issue for cash any equity securities (including securities convertible into equity securities).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITION AND/OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Year, the Group did not conduct any material acquisitions or disposals of subsidiaries, associates and joint ventures.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period up to the date of this Report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL INVESTMENTS

Save for those disclosed in this Report, the Group has no plan authorised by the Board for other material investments or additions of capital assets as at the date of this Report.

BOARD OF DIRECTORS

Executive Directors

Mr. Katsuya YAMAMOTO

Mr. Yamamoto, aged 62, is the chief executive officer of the Company, an executive Director and the chairman of the Board. He was appointed as an executive Director on 16 June 2015 and is primarily responsible for overseeing the general management and business development of the Group, and formulating business strategies and policies for our business management and operations.

Mr. Yamamoto is the son of late Mr. Katsumitsu YAMAMOTO, our founder. Mr. Yamamoto founded the Group in 1984 by incorporating Okura Japan to operate a pachinko hall in Nagasaki and has been the chairman of Okura Japan since June 2001. As at 30 June 2022, Mr. Yamamoto was also a representative director of each of Okura Japan, K's Property and Okura Nishinihon.

Mr. Yamamoto has spent over 37 years operating and managing the pachinko hall business of the Group, during which he obtained extensive experience in the management and operation of pachinko halls, corporate governance, strategic planning, and financial management.

Mr. Yamamoto graduated from Chuo University in Japan with a bachelor's degree in commerce in March 1982 and had worked towards the establishment and development of Okura Japan since then.

Details of Mr. Yamamoto's interest in the Shares as at 30 June 2022 are set out in the paragraph headed "Interests and Short Positions of the Directors and the Chief Executive of the Company in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" of this Report.

Mr. Yutaka KAGAWA

Mr. Kagawa, aged 44, was appointed as an executive Director on 27 April 2016. Mr. Kagawa was appointed as head of administration of Okura Japan in March 2022 and is primarily responsible for overseeing the management and operation of the Group. Mr. Kagawa has also been the head of corporate planning department of Okura Japan since January 2019, and is primarily responsible for overall corporate planning including pachinko hall development. He was previously a manager of the general affairs team of K's Works from April 2012 to January 2014 and the head of planning and development office of K's Holdings from February 2014 to December 2018, prior to its merger with Okura Japan in January 2019. Prior to that, he served various positions in Okura Japan between May 2007 and March 2012 with his last position as the managing executive officer. He also served as an exclusive member of business standardization committee and head of system promotion team of EQU from April 2004 to April 2007.

Before joining the Group, Mr. Kagawa was a researcher at Toyoshinyaku Co., Ltd., a company engaged in manufacturing healthy food, from April 2002 to March 2003.

Mr. Kagawa graduated from Kyushu University in Japan with a bachelor's degree in agricultural chemistry in March 2000 and a master's degree in bioscience and biotechnology in March 2002.

Mr. Toshiro OE

Mr. Oe, aged 63, was appointed as an executive Director on 27 April 2016. Mr. Oe has been the head of accounting and finance of Okura Japan since January 2019 and is primarily responsible for overseeing the accounting and financial management of the Group. He was previously the group manager of finance and accounting group of Okura Japan from May 2016 to January 2019.

Mr. Oe first joined the Group as the chief of the finance section in EQU Limited Company in September 2001 and had then served in various positions. He worked in K's Works from October 2008 to August 2015 with his last position as a team leader of the accounting team. Prior to that, Mr. Oe worked in EQU between June 2002 and September 2008 with his last position as the head of finance department.

Prior to joining the Group, Mr. Oe worked in Hiroshi Yamashita Certified Tax Accountant Office between June 1991 and September 2001, and Ishii Certified Tax Accountant Office between October 1989 and October 1990.

Mr. Oe obtained a bachelor's degree in commerce in Chuo University in Japan in March 1982.

Independent Non-executive Directors

Mr. Mitsuru ISHII

Mr. Ishii, aged 68, was appointed as an independent non-executive Director on 10 April 2017.

Mr. Ishii has been the representative director of Ishii Co., Ltd., a company engaged in restaurant management business, since April 1987, and the chairman and director of M Factory Co., Ltd., a company engaged in restaurant management business, since December 1999.

Mr. Ishii was elected as a leading role by Restaurant Industry Press Association for setting a trend of "standing bar style restaurant", and was awarded with "Restaurant Business Award 2005" by Restaurant Industry Press Association in October 2006.

Mr. Ishii graduated from Nihon University in Japan with a bachelor's degree in physical education in March 1977.

Mr. Yuji MATSUZAKI

Mr. Matsuzaki, aged 56, was appointed as an independent non-executive Director on 10 April 2017.

Mr. Matsuzaki has been the non-executive director of, Fukukuru Foods, Inc., a company engaged in restaurant business, since January 2014 and the representative director of Rokuji Sangaku Kyoudo Jigyo Corporation, a company involved in restaurant business, since April 2014. He has also been a representative director in Will Sourcing Co., Ltd., a company engaged in business consultancy services, since April 2011.

From January 2002 to March 2011, he worked in Future Create Co., Ltd. (currently known as Tenpo Ryutsuu Net, Inc.), a company engaged in general business support for restaurant business, with his last position as a board director.

Mr. Matsuzaki obtained a bachelor's degree in political science and economics from Meiji University in Japan in March 1990.

Mr. Kazuyuki YOSHIDA

Mr. Yoshida, aged 42, was appointed as an independent non-executive Director on 19 October 2018.

Mr. Yoshida is the chief executive officer of Yoshida Certified Public Accountant and Tax Accountant Office* (formerly known as Kazuyuki Yoshida Certified Public Accountant Office*), which he founded in April 2017. He has been an auditor at Omuta City Hospital*, which is an Incorporated Administrative Agency of the Japanese local government, since April 2018. Between August 2014 and March 2017, Mr. Yoshida was employed by Hinode Ltd.*, where he was principally involved in business planning, management and accounting. Prior to that, he was employed as accountant by Josui Tax Accountant Corporation* from May 2013 to June 2014, and by Kodama Certified Public Accountant/Tax Accountant Office* from January 2012 to April 2013. From April 2006 to September 2009, Mr. Yoshida was employed by Kyoei Environment Development Co. Ltd.*, at which his last position was chief of the general affairs department.

Mr. Yoshida graduated from The University of Tokyo in Japan with a master's degree in chemistry in March 2005 and from Kyushu University in Japan with a bachelor's degree in chemistry in March 2003. He has been registered as a member of the Japanese Institution of Certified Public Accountants since February 2017 and a member of the Japanese Federation of Certified Public Tax Accountants' Associations since July 2017.

Senior Management

Mr. Satoshi MAEDA

Mr. Maeda, aged 42, has been the head of marketing of Okura Japan since January 2019 and is primarily responsible for managing the marketing functions of the Group.

He was previously the marketing supervisor from April 2011 to January 2019 and was a general manager of Kanto marketing department of the Group between June 2007 and March 2011.

He is the founder and has been the representative director of each of Aratoru and Adward since February 2007 and October 2007, respectively, both of which became wholly-owned subsidiaries of the Company in June 2015. Mr. Maeda worked as a general manager of the sales department at Iwamoto Development Co., Ltd., a company involved in entertainment business, from March 2000 to May 2007.

As at 30 June 2019, Mr. Maeda was a representative director of Aratoru. He was a representative director of Adward prior to its merger with Aratoru.

Mr. Maeda graduated from Yokohama Senior High School in Japan in March 1998.

COMPANY SECRETARY

Mr. MAN Yun Wah

Mr. Man, aged 39, was appointed as the company secretary on 27 April 2016. He is a director of In.Corp Corporate Services (HK) Limited.

Mr. Man has been an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Company Secretaries) since 2015.

Mr. Man obtained a bachelor's degree in business administration and management from University of Huddersfield in the United Kingdom through distance learning in March 2010 and a master's degree of corporate governance from The Open University of Hong Kong in November 2014.

Mr. Man has over 10 years of experience in corporate services and has extensive experience servicing listed and private companies with their business in Hong Kong, Mainland China and overseas in areas of company secretarial services, corporate advisory, corporate administration and internal audit.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the business of operating pachinko halls in Japan, and opened our first pachinko hall in Nagasaki in 1968, where the Group has been headquartered since then.

We currently operate 12 pachinko halls in the Kyushu, Kanto, Kansai and Chugoku regions in Japan. The activities of our subsidiaries are set out in note 36 to the consolidated financial statements of this Report.

BUSINESS REVIEW

General

Further discussion and analysis of the Group's principal activities, including a business review for the Year, an analysis of the Group's performance using financial key performance indicators and an indication of the likely future developments of the Group's business, can be found in the Chairman's Statement and the Management Discussion and Analysis of this Report and both form part of this directors' report.

Principle risks and uncertainties and the respective risk responses

Description of principal risks and uncertainties	Risk responses
Our business depends significantly on the services provided by our G-prize wholesalers and their G-prize buyers because the value of G-prize exchanged by our customers constituted over 99% of all prizes during the Year.	• Three Party System is widely adopted by the majority of, if not all, pachinko hall operators, and therefore, significant reliance on G-prize wholesalers and buyers is not uncommon within the pachinko industry. As a pachinko hall operator with a long operating history, the Group is sufficiently experienced to respond and accommodate quickly to any changes in the dealings between the Company and any of our G-prize wholesalers and G-prize buyers. The Group is also constantly looking for new opportunities.
We may be adversely affected by any breach of the independence requirements under the Three Party System.	• We have a set of tight internal policies and procedures governed by our risk management department, among other things, to oversee and monitor the whole selection process of G-prize wholesalers. Before engaging and conducting business with a G-prize wholesaler, our risk management department will conduct comprehensive background checks which focus on their independence and anti-social forces.

Description of principal risks and uncertainties	Risk responses
We face continuous market contraction and intense competition in the pachinko industry in Japan.	• We analyse our customers' preferences to acquire machines which generate the most customer interest. We are committed to providing refreshing and spacious environments to our customers and have, where necessary, renovated our existing pachinko halls from time to time. We will also continue to improve the quality of our customer services by providing training to our staff, which we believe is an important factor in retaining customer loyalty. We constantly monitor market changes to capture acquisition opportunities. We also strive to enhance operation efficiency, by streamlining our corporate and operational structures when appropriate.
We may be adversely affected by the further outbreak of COVID-19 in Japan.	• We will continue to monitor the spread of COVID-19 in Japan. At our pachinko halls, we have implemented various safety measures such as providing hand sanitiser and requiring our customers to wear surgical face masks.

Environmental policies and performance

Pursuant to the Amusement Business Law and local regulations, a pachinko licence holder must conduct business in such a way that no noise or vibrations (limited to voices of people and other noises and vibrations in relation to business operation) exceed the limits specified by the prefectural ordinances in the area surrounding the place of business, and each pachinko hall must have the necessary equipment to maintain illumination in each hall at more than 10 Lux. Failure to comply with such restrictions may result in the Prefectural Public Safety Commission issuing administrative or instruction orders to require our pachinko halls to improve our operations. A material breach may lead to a suspension or cancellation of an operating licence.

To ensure compliance with such laws and regulations, we have appointed a manager in each hall to supervise and monitor our compliance and also our internal standards regarding such matters. During the Year, (i) there had been no material violation of environmental laws, rules and regulations applicable to our operations, (ii) all the required permits and environmental approvals for construction had been obtained, and (iii) there had been no claim or penalty imposed upon in the Group as a result of violation of environmental laws, rules and regulations. Further information in relation to the Company's environmental policies and performance and compliance with the relevant laws and regulations can be found in the ESG Report.

Compliance with laws and regulations that have a significant impact on the Group

The pachinko industry is heavily regulated by the Amusement Business Law and its ancillary prefectural local regulations. Consequences for any non-compliance will depend on the severity of the breach. For relatively minor breaches, the Prefectural Public Safety Commission may issue administrative orders or instruction orders to give directions on the improvement of operations, and may also impose conditions on our operating licence(s). Criminal sanctions may also be imposed if significant regulations under the Amusement Business Law are violated. For detailed illustration of applicable laws and regulations to the pachinko industry, please refer to the section headed "Applicable Laws and Regulations" in the Prospectus. During the Year, the Group had no record of material non-compliance or violation incidents under the Amusement Business Law and prefectural local regulations. The Company had also obtained all material licences, approvals and permits from the relevant regulatory authorities for all of its pachinko halls during the Year.

During the Year, the Company had complied with all the Listing Rules and is not aware of any non-compliance of any laws and regulations that have a significant impact on the Company.

Relationships with employees, customers and suppliers

Relationship with suppliers

The Group's major suppliers consist of machines suppliers, G-prize wholesalers and general prize wholesalers. Along with our long operating history, the Group has established close relationships with a number of machine suppliers, which enable the Group to acquire the latest machine models that attract both new and recurring customers upon their release. In addition, to facilitate and coordinate with our pachinko hall expansion, we have engaged a more sizable G-prize wholesaler with national coverage (as compared with our previous G-prize wholesalers which only had regional coverage) to supply G-prize to the Group since 2015. We, therefore, are ready to elevate our position to be among larger pachinko hall operators who typically cooperate with more sizable G-prize wholesalers.

During the Year, our largest supplier accounted for approximately 49.4% of our total purchases and our five largest suppliers combined accounted for approximately 98.9% of our total purchases.

In light of the independence requirement under the Three Party System, none of our Directors, their close associates or any shareholder (which to the knowledge of the Directors own more than 5% of the Shares) had any interest in the suppliers of the Group.

Relationship with customers

The Group's main revenue comes from our pachinko and pachislot hall operation business and vending machines. As a pachinko hall operator, the Group has a large and diverse customer base across Japan, and therefore does not face any risk of over-reliance on any particular customer. With respect to the Group's other sources of revenue, none of our top five largest customers accounted for 30% or more of the total revenue for the Year. None of our Directors, their close associates or any shareholder (which to the knowledge of the Directors own more than 5% of the Shares) had any interest in the customers of the Group.

Relationship with employees

The Group's success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees, including area managers, hall managers, sales managers and other staff. The Group offers competitive wages, bonuses and focused training and promotions to full time employees. As at 30 June 2022, the Group had 367 employees, almost all of whom were based in Japan, and of whom 305 were stationed at the Group's pachinko halls.

For newly recruited employees, the Group has prepared a series of training which mainly focuses on pachinko hall operations and customer service. Upon appointment every three years, as required by the Public Safety Commission, each hall manager is required to attend the training course conducted by the Public Safety Commission. Our executive Directors and our senior management have an average of over 20 years of experience in pachinko hall operations and have considerable experience and knowledge in their respective areas and responsibilities.

RESULTS AND DIVIDEND

The results of the Group for the Year are set out in the consolidated statement of comprehensive income of this Report.

Our Directors did not recommend the payment of any final dividend for the Year.

As far as the Company is aware, as at 30 June 2022, there has been no arrangement under which any Shareholder has waived, or agreed to waive, any dividends proposed to be distributed for the Year.

Dividend Policy

The Company has adopted a dividend policy (the "**Dividend Policy**") that aims to provide the guidelines for the Board to determine whether dividends are to be declared and paid to the Shareholders and the level of dividend to be paid. In recommending or declaring dividends, the Company shall maintain adequate and sufficient cash reserves for meeting its working capital requirements and future growth as well as its Shareholder value. The Board has the full discretion to declare and distribute dividends to the Shareholders, and any final dividend for a financial year will be subject to Shareholders' approval. In proposing any dividend payout, the Board shall take into account, among other things, the Group's financial results, cash flow situation, business conditions and strategies, expected future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on payment of dividends and any other factors the Board may consider relevant. Any payment of the dividend by the Company is also subject to any restrictions under the laws of Hong Kong, the Articles and any other applicable laws and regulations.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years are set out in the section headed "Financial Summary" of this Report.

SHARE CAPITAL

Details of the share capital for the Year are set out in note 24 to the consolidated financial statements of this Report.

RESERVES AND PROFITS AVAILABLE FOR DISTRIBUTION

Movements in reserves during the Year are set out in note 34 to the consolidated financial statements of this Report. The Company did not have any distributable reserves or profits available for distribution as at 30 June 2022.

PROPERTY, PLANT AND EQUIPMENT

Details of the property, plant and equipment for the Year are set out in note 13 to the consolidated financial statements of this Report.

INVESTMENT PROPERTIES

Details of the properties held for investment purposes are set out in note 15 to the consolidated financial statements and the section headed "Particulars of Investment Properties" of this Report.

CHARITABLE DONATIONS

During the Year, charitable donations made by the Group amounted to ¥458,708.

EQUITY-LINKED AGREEMENTS

During the Year, the Company did not enter into any equity-linked agreements in respect of the Shares.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of Hong Kong which would oblige the Company to offer new shares on a pro-rata basis to our existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of our Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules during the Year and up to the date of this Report.

DIRECTORS OF THE COMPANY

Our Directors during the Year and up to the date of this Report are:

Mr. Katsuya YAMAMOTO (山本勝也)	Executive Director, chairman and chief executive officer
Mr. Fumihide HAMADA (濵田文秀) (resigned on 25 February 2022)	Executive Director
Mr. Yutaka KAGAWA (香川裕)	Executive Director
Mr. Toshiro OE (大江敏郎)	Executive Director
Mr. Mitsuru ISHII (石井満)	Independent Non-executive Director
Mr. Yuji MATSUZAKI (松﨑裕治)	Independent Non-executive Director
Mr. Kazuyuki YOSHIDA (吉田和之)	Independent Non-executive Director

The biographical details of our Directors and senior management are set out in the section headed "Biographies of the Directors and Senior Management" of this Report. Changes in Directors' information, if any, are set out in the paragraph headed "Update on the Directors' information under Rule 13.51B(1) of the Listing Rules" in this Report. There is no other change in our Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules during the Year and up to the date of this Report.

According to the Articles and the CG Code, Mr. Yutaka KAGAWA, Mr. Toshiro OE and Mr. Yuji MATSUZAKI will retire at the 2022 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.

The directors of the Company's subsidiaries during the Year and up to the date of this Report were:

Name of subsidiaries	**Name of directors**	**Title**
Okura Japan	Mr. Katsuya YAMAMOTO	Representative director
Aratoru	Mr. Satoshi MAEDA	Representative director
K's Property	Mr. Katsuya YAMAMOTO	Representative director
Okura Nishinihon	Mr. Katsuya YAMAMOTO	Representative director

DIRECTORS' SERVICE CONTRACTS

None of our Directors who are proposed for re-election at the 2022 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in this Report, no transactions, arrangements or contracts of significance to which the Company or any of our subsidiaries was a party and in which a Director or any entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

UPDATE ON THE DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the Company is not aware of any changes in Directors' information since the date of the interim report of the Company for 6M2022.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of our Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) 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); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein (the "**Register**"); or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the Shares:

Name	Capacity/ nature of interest	Number of Shares	Approximate percentage of shareholding in the total issued share capital of the Company
Mr. Katsuya YAMAMOTO(Note)	Beneficial interest	375,000,000	75%

Note:

Mr. Katsuya YAMAMOTO is an executive Director, the chief executive officer of the Company and the chairman of the Board.

Save as disclosed above, as at 30 June 2022, none of our Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which had 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 recorded in the Register pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, our Directors were not aware of any persons or entities (other than a Director or the chief executive of the Company) who/which had or were deemed or taken to have interests or short positions in the Shares or the underlying Shares, which were required to be recorded in the register of substantial shareholders under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Katsuya YAMAMOTO, an executive Director and controlling Shareholder, acquired the entire interests in Palazzo on 1 April 2021. Based on the information provided by Mr. Katsuya YAMAMOTO, Palazzo Tokyo Plaza Group is principally engaged in the business of operating 25 pachinko halls in geographical locations mainly in the Kanagawa prefecture (excluding Kamakura-shi and Kawasaki-shi), Tokyo (excluding Chiyoda-ku), Saitama prefecture, Chiba prefecture, Osaka prefecture and Hiroshima prefecture in Japan. Mr. Katsuya YAMAMOTO has been appointed as a director of Palazzo and its certain subsidiaries, and Mr. Yutaka KAGAWA, an executive Director, has been appointed as a director of Palazzo and one of its subsidiaries, since 1 April 2021. The Group is also principally engaged in the business of operating pachinko halls in Kamakura-shi of Kanagawa prefecture, Chiyoda-ku of Tokyo, Nagasaki prefecture, Hyogo prefecture and Yamaguchi prefecture in Japan which are in geographical locations segregated from those of Palazzo Tokyo Plaza Group's operations.

The Directors consider that, having taken into account factors including the following, the Company is capable of carrying on its business independently of, and at arm's length from Palazzo Tokyo Plaza Group's business:

(i) the Company has established corporate governance procedures to ensure the business opportunities and performance of the Group are independently assessed and reviewed from time to time;

(ii) all the Directors are fully aware of their fiduciary duties and confidentiality obligations to the Group, and have acted and will continue to act in the best interest of the Company and its Shareholders as a whole by abstaining from voting on any matter where there is or may be a conflict of interest in accordance with the Articles;

(iii) all the major and important corporate actions and business decisions of the Company are and will be fully deliberated by the Board. The Board also includes three independent non-executive Directors whose views carry significant weight in the Board's decisions. Therefore, the Board makes decisions independently from the board of directors of Palazzo and neither Mr. Katusya YAMAMOTO nor Mr. Yutaka KAGAWA can personally control the Board; and

(iv) the Audit Committee, which consists of three independent non-executive Directors, meets regularly to assist the Board in reviewing the financial performance, internal control and compliance systems of the Group.

Save as disclosed above, as at the date of this Report, none of the Directors and their respective close associates (as defined in the Listing Rules) had any interest in any business (apart from the Group's businesses) which competes or may compete, either directly or indirectly, with the business of the Group.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period up to the date of this Report.

PERMITTED INDEMNITY PROVISION

According to the Articles, subject to the provisions of the Companies Ordinance, but without prejudice to any indemnity to which a Director may otherwise be entitled, every Director, former Director, responsible person, officer or auditor of the Company shall be indemnified out of the assets of the Company against any liability, loss or expenditure incurred by him in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to be done or alleged to have been done or omitted to be done by him/her as a Director, former Director, responsible person, officer or auditor of the Company. Such provisions have been in force since the Listing Date. The Company has arranged for appropriate insurance cover for directors' liabilities in respect of legal actions that may be brought against our Directors and the directors of our subsidiaries.

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.

SHARE OPTION SCHEME

As disclosed in the Prospectus, the Company conditionally approved and adopted a Share Option Scheme on 10 April 2017 by passing a written resolution of the then shareholders of the Company. The Share Option Scheme became effective on the Listing Date and will remain in force until the 10th anniversary of the Listing Date. No option under the Share Option Scheme has been granted since the Listing Date and during the Year.

Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to the Group.

Eligible Participants

Under the Share Option Scheme, the Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with the Share Option Scheme to any full-time or part-time employees, or potential employees, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of our subsidiaries and any suppliers, customers, agents and advisers who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of our subsidiaries (the "**Eligible Participant**").

Maximum Number of Shares

The maximum number of Shares in respect of which options under the Share Option Scheme and any other share option schemes of the Company may be granted is 10% of the issued Shares, being 50,000,000 Shares as at the Listing Date (which also represented 10% of the issued Shares as at the date of this Report). This limit may be renewed at any time provided that the new limit must not exceed 10% of the total number of Shares in issue as at the date of the Shareholders' approval for the renewal.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company if such grant will result in this 30% limit being exceeded.

Maximum Entitlement of Each Eligible Participant

As required under Chapter 17 of the Listing Rules, unless approved by the Shareholders at general meeting, the maximum entitlement of each Eligible Participant is that the total number of Shares issued and to be issued upon exercise of the outstanding options granted and to be granted to such Eligible Participant (including exercised, outstanding and cancelled options) under the Share Option Scheme and other scheme(s) of the Company in any 12-month period must not exceed 1% of the issued share capital of the Company at the offer date.

Time of Exercise of Option

Unless otherwise provided in the respective grantee's offer document, each of the grantees to whom an option has been granted under the Share Option Scheme shall be entitled to exercise his/her option in the manner set out in his/her offer document, provided that such period of time shall not exceed a period of 10 years commencing on the date which the option is granted.

Minimum Period for which an Option must be held before it is Exercised

Each grantee under the Share Option Scheme shall be entitled to exercise his/her option in the manner set out in his/her offer document. The period within which an option may be exercised under the Share Option Scheme is determined by the Board at its absolute discretion, provided that such period is consistent with any other terms and condition of the Share Option Scheme.

Payment on Acceptance of the Option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date, which date shall be no more than 14 days from the date of the offer.

Basis of Determining the Exercise Price

The exercise price in relation to each option offered to an Eligible Participant is to be determined by the Board (or its committee) at its sole discretion, save that such price shall not be less than the highest of (i) the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant; or (ii) the average of the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant.

The Remaining Life of the Share Option Scheme

The Share Option Scheme remains valid for 10 years commencing on the Listing Date, unless otherwise terminated, cancelled or amended.

For more information on the Share Option Scheme, please refer to pages 12 to 23 of Appendix VI to the Prospectus.

REMUNERATION POLICY

The remuneration policy of the Group is reviewed regularly by our Remuneration Committee, making reference to the legal framework, market condition and performance of the Group and individual staff. For detailed illustration of the responsibilities of our Remuneration Committee, please refer to the section headed "Corporate Governance Report" of this Report.

Our Directors and senior management receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including our contribution to the pension scheme. The respective amount of the remuneration of each of our Directors is determined on the basis of the relevant Director's experience, responsibility, performance and the time devoted to the Group's business.

To further provide incentives and awards to our employees in appreciation of their contribution or potential contribution of the Group, we have adopted a Share Option Scheme to enable the Company to grant options to any Eligible Participant. For further details of the Share Option Scheme, please refer to the paragraph headed "Share Option Scheme" in this section.

No Director has waived or has agreed to waive any emolument during the Year.

EMPLOYEE BENEFITS

The Group operates a defined contribution scheme for a family member of Mr. Yamamoto's family. During the Year, the Group had no forfeited contributions (by the Group on behalf of such family member who may leave the scheme prior to vesting fully in such contributions) in the defined contribution scheme which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available as at 30 June 2022 to be utilised for such use. For further information on the defined contribution scheme operated by the Group for the family member of Mr. Yamamoto's family, please refer to note 27 to the consolidated financial statements in this Report.

The Group operates a defined benefit plan which is a pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit obligation is calculated by IIC Partners Co. Ltd., an independent qualified professional valuer that provides actuarial valuation service, using the projected unit credit method. The principal actuarial assumptions adopted in the valuation were, among others, a discount rate at 0.86%, a reduction rate of 13.7%, yield curve calculated based on corporate bonds rated AA or higher as of 30 June 2022 and standard mortality rates under defined benefit corporate pension plan (the 22nd Life Table for male and female). The defined benefit obligation is approximately ¥38 million as at 30 June 2022. Given that the amount of the defined benefit obligation is insignificant, the Company considers that its cash and cash equivalents is sufficient to cover the payment obligations under the defined benefit plan. As such, the Company did not allocate any funding for the defined benefit plan during the Year and there does not exist any material surplus or deficiency on the level of funding in the defined benefit plan. For further information on the defined benefit plan operated by the Group, please refer to note 27 to the consolidated financial statements in this Report.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

At no time during or at the end of the Year was the Company, or any of our holding companies or subsidiaries, or any of our fellow subsidiaries, a party to any arrangement to enable our Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to acquire benefits by means of the acquisition of shares in, or debenture of, the Company or any other body corporate.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

No Controlling Shareholder had a material interest, either directly or indirectly, in any contract of significance (whether for the provision of services to the Company or any of our subsidiaries or not) to the business of the Group to which the Company or any of our subsidiaries was a party during the Year.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDER

On 10 April 2017, in order to avoid potential conflict of interests with the Company, Mr. Katsuya YAMAMOTO, our Controlling Shareholder, entered into a deed of non-competition in favour of the Group, pursuant to which he has unconditionally and irrevocably agreed, undertaken to and covenanted with the Company (for himself and for the benefit of each other member of the Group), among others, not to compete with the business of the Group. Details of the Deed are set out in the section headed "Deed of Non-Competition" on page 224 of the Prospectus.

The Controlling Shareholder has made a written confirmation to the Board in respect of his compliance with the undertakings in the Deed during the Year.

Upon receiving the aforementioned confirmation from the Controlling Shareholder, the independent non-executive Directors had reviewed the same as part of the annual review process and confirmed that the Controlling Shareholder had complied with the Deed during the Year.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions undertaken in the ordinary course of business by the Group during the Year are set out in note 33 to the consolidated financial statements of this Report. The related party transactions during the Year set out in note 33 to the consolidated financial statements constitute "connected transactions" (as defined under Chapter 14A of the Listing Rules) which are fully exempted from the reporting, announcement and independent shareholders approval requirements under Chapter 14A of the Listing Rules.

During the Year, the Company confirms that the Group did not conduct any "connected transaction" or "continuing connected transaction" (as defined under Chapter 14A of the Listing Rules) which is subject to reporting and annual review requirements under the Listing Rules.

The Company further confirms that, in relation to its connected transactions, it has complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules during the Year.

AUDITOR

The consolidated financial statements for the Year have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the 2022 AGM.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

All references above to other sections, reports or notes in this Report form part of this Report.

On behalf of the Board
Katsuya YAMAMOTO
Chairman

Tokyo, Japan, 28 September 2022

Good corporate governance has always served as a vital foundation for the development of the Company. The Company is dedicated to fulfilling its responsibilities towards our Shareholders and protecting the interests of different stakeholders through sound governance practices. The Company has developed and implemented comprehensive corporate governance practices and procedures in accordance with the Listing Rules and relevant applicable laws and regulations. The major principles are to ensure transparency in operation and accountability to the Shareholders. The Board is responsible for performing the corporate governance duties and reviewing and monitoring the corporate governance of the Company with reference to the CG Code.

We had, throughout the year ended 30 June 2022, complied with the Code Provisions set out in the CG Code (with amendments that came into effect on 1 January 2022) set out in Appendix 14 to the Listing Rules, with the exception for Code Provision C.2.1 (previously A.2.1), which requires that the roles of chairman and chief executive be held by different individuals.

Under Code Provision C.2.1 of the CG Code (previously A.2.1), the roles of chairman and chief executive should be separate and should not be performed by the same individual. For the Group, Mr. Katsuya YAMAMOTO holds both of such positions. Mr. Katsuya YAMAMOTO has been primarily responsible for overseeing the Group's general management and business development of and for formulating business strategies and policies for our business management and operations since the Group was founded in 1984. Taking into account the continuation of management and the implementation of our business strategies, our Directors (including our independent non-executive Directors) consider that it is suitable for Mr. Katsuya YAMAMOTO to hold both the positions of chief executive officer and the chairman of the Board, and that the present arrangements regarding these positions are beneficial and in the interests of the Company and our Shareholders as a whole.

The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) the decision to be made by our Board requires approval by at least a majority of our Directors, and we believe that there is sufficient check and balance in the Board, (ii) Mr. Katsuya YAMAMOTO and other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions for the Group accordingly, and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategies and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and chief executive is necessary. The Directors strive to achieve a high standard of corporate governance (which is of critical importance to our development) to protect the interest of the Shareholders.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the required standard for securities transactions by our Directors. Specific enquiries have been made to all our Directors and all our Directors confirmed that they had complied with the required standards set out in the Model Code throughout the Year.

BOARD OF DIRECTORS

Responsibilities, Accountabilities and Contributions

The Board is the primary decision-making body of the Company, and its key responsibilities, among others, setting fundamental business strategies and policies for the management and operation of our business, monitoring the implementation of such strategies and policies, ensuring effective governance and oversight of ESG matters, assessing and managing material environmental and social risks, supervising management's performance and reviewing the adequacy of the Group's resources. The Company's day-to-day operations and management responsibilities are delegated by the Board to the management of the Company, who are responsible for implementing the strategies and directions as determined by the Board.

Composition

The Board currently comprises six Directors, with three executive Directors and three independent non-executive Directors.

Executive Directors
Mr. Katsuya YAMAMOTO (Chairman and chief executive officer)
Mr. Yutaka KAGAWA
Mr. Toshiro OE
Mr. Fumihide HAMADA (resigned on 25 February 2022)

Independent Non-executive Directors
Mr. Mitsuru ISHII
Mr. Yuji MATSUZAKI
Mr. Kazuyuki YOSHIDA

The biographical details of each of our Directors are set out in the section headed "Biographies of the Directors and Senior Management" of this Report. Save as disclosed, there is no relationship (including financial, business, family or other material or relevant relationship) between each Director (including independent non-executive Director) and the other members of the Board or the senior management and between the Chairman and the Chief Executive Officer.

Responsibilities of Executive Directors

Our executive Directors are responsible for the leadership and control of the Company and overseeing the Group's businesses development, strategic planning and promoting the success of the Company.

Responsibilities of Independent Non-executive Directors

The independent non-executive Directors participate in the Board meetings to independently comment on the Company's strategies, policies, performance and progress in achieving the Company's corporate goals. They are also responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as providing a balance to the Board to effectively and independently assess the corporate actions of the Company to safeguard the Shareholders' interest and the overall interest of the Group.

Throughout the Year, the Company had three independent non-executive Directors, which satisfies the requirement of the Listing Rules that the number of independent non-executive Directors must account for at least one-third of the Board and should not be less than three, and that at least one of the independent non-executive Directors must possess appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive Directors has submitted a written confirmation of independence in writing pursuant to Rule 3.13 of the Listing Rules and the Board is satisfied that all the independent non-executive Directors have been independent and complied with the independence guidelines set out in Rule 3.13 of the Listing Rules during the Year and up to the date of this Report.

Term of Directors

Each of the executive Directors entered into a service contract with the Company on 10 April 2017 and the Company issued letters of appointment to each of the independent non-executive Directors, other than Mr. Kazuyuki YOSHIDA, on the same day. The Company issued a letter of appointment to Mr. Kazuyuki YOSHIDA on 19 October 2018. The Company subsequently renewed the term of such service contracts and letters of appointment with each executive Director and independent non-executive Director (as the case may be) for three years commencing from 15 May 2020.

The principal particulars of these service contracts and letters of appointment are (i) for a term of three years commencing from 15 May 2020, and (ii) subject to termination by not less than three months' notice in writing served by either party on the other. The term of the service contracts and the letters of appointment may be renewed subject to the provisions of the Articles and the applicable Listing Rules.

Directors' and Senior Management's Remuneration

Our Directors and members of our senior management receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including contributions to their pension schemes.

The Remuneration Committee determines the salaries of our Directors and members of our senior management based on their qualifications, positions and seniority. The Group will provide retirement benefits for certain family members of Mr. Katsuya YAMAMOTO in recognition of their long-term contribution to the Group. Such benefits will be determined based on the highest monthly salary during directorship, their respective management rankings, and the number of years of service in the Group. As such, we have made provision for such benefits for the Year which have been expensed as employee benefit costs in accordance with the accounting policies. With respect to the provision made in recognition of the long-term contribution from the executive Director, Mr. Katsuya YAMAMOTO, the relevant amount will be reflected under the disclosure pertaining to "Benefits and interests of directors" in the notes to the Group's consolidated financial statements when the long term benefits become receivable by him (for example, upon his retirement). For details, please refer to note 27 to the consolidated financial statements in this Report.

The aggregate remunerations (including salaries, allowances, discretionary bonuses, other benefits and contributions to pension schemes) paid to our Directors for the Year were approximately ¥48 million.

The policy concerning the remunerations of our Directors is that the amount of remuneration is mainly determined on the basis of the relevant Director's experience, responsibility, performance and the time devoted to the business.

Details of the remuneration of our Directors and senior management for the Year are set out below. In addition, pursuant to Code Provision E.1.5 of the CG Code (previously B.1.5), the annual remuneration of members of our senior management by bands for the Year is set out below:

Remuneration of the Directors and the Senior Management by band

	Number of Directors
Below ¥10,000,000	6
¥10,000,001 to ¥20,000,000	0
¥20,000,001 to ¥30,000,000	1
¥30,000,001 to ¥100,000,000	0
¥100,000,001 to ¥110,000,000	0

	Number of Senior Management
¥20,000,001 to ¥30,000,000	1

During the Year, (i) no amounts were paid to or receivable by our Directors or the five highest paid individuals as an inducement to join, or upon joining, the Group, (ii) no compensation was paid to, or receivable by, our Directors or past Directors or the five highest paid individuals during the Year 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, and (iii) none of our Directors waived any emoluments.

Except as disclosed in this Report, no Director has been paid in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for any services rendered by him in connection with the promotion or formation of the Company.

Continuous Development of Directors and Senior Management

Our Directors, namely Mr. Katsuya YAMAMOTO, Mr. Yutaka KAGAWA, Mr. Toshiro OE, Mr. Fumihide HAMADA (resigned on 25 February 2022), Mr. Mitsuru ISHII, Mr. Yuji MATSUZAKI and Mr. Kazuyuki YOSHIDA, and our senior management have attended training sessions to develop and refresh their knowledge and skills, and in which they were given an overview of the key laws and regulations in Hong Kong and Japan that are applicable to the operations of the Company in compliance with C.1.4 of the CG Code (previously A.6.5). We will continue to arrange trainings which are provided by our external legal advisers and/or other appropriate accredited institutions, to reinforce the management's awareness on applicable laws and regulations.

Meetings of Board and Board Committees and Directors' Attendance Records

There is no fixed number of days when notice of regular Board meetings must be served on our Directors before the meeting. Notice is deemed to have been served on a Director if it is given to such Director in writing or orally or sent to him at his address. For other Board and Board committee meetings, reasonable notice is generally given.

Agenda and Board papers, together with all appropriate, complete and reliable information, are sent to all Directors at least three days before each Board or Board committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. Each member of the Board has separate and independent access to our senior management where necessary. The minutes of Board meetings and Board committee meetings are kept by the company secretary and are open to inspection by any Director.

The minutes of Board meetings and Board committee meetings record full details of the matters considered and decisions reached at the meetings, including any concerns raised by Directors or dissenting views expressed. Draft minutes are sent to all Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection. One general meeting and four Board meetings were held during the Year. The attendance of our individual Directors at the aforesaid general meeting and Board meetings is set out in the following table:

General meeting and Board meetings

Name of Directors	General meeting attended/eligible to attend	Board meetings attended/eligible to attend
Mr. Katsuya YAMAMOTO	1/1	4/4
Mr. Yutaka KAGAWA	1/1	4/4
Mr. Toshiro OE	1/1	4/4
Mr. Fumihide HAMADA (resigned on 25 February 2022)	1/1	3/3
Mr. Mitsuru ISHII	0/1	3/4
Mr. Yuji MATSUZAKI	0/1	4/4
Mr. Kazuyuki YOSHIDA	1/1	4/4

BOARD COMMITTEES

The Board delegates certain responsibilities to the Audit Committee, Remuneration Committee and Nomination Committee (together, the "**Committees**"). In accordance with the Listing Rules, the Articles and the relevant laws and regulations in Hong Kong, we have formed the Committees below for effective and efficient corporate governance. These Committees are established and operated in accordance with the specific written terms of reference, which could be found on the websites of the Company and the Stock Exchange.

Audit Committee

The Company established an Audit Committee in compliance with Rule 3.21 of the Listing Rules on 10 April 2017. During the Year, the Audit Committee comprised Mr. Kazuyuki YOSHIDA, Mr. Mitsuru ISHII and Mr. Yuji MATSUZAKI, all being independent non-executive Directors, and was chaired by Mr. Kazuyuki YOSHIDA. The primary roles, functions and duties of the Audit Committee are, among others:

(i) to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system;

(ii) to oversee the audit process; and

(iii) to monitor the integrity of the Company's consolidated financial statements, reports and accounts.

During the Year, two Audit Committee meetings were held with the external auditors whereat the Audit Committee, among others, reviewed the audited consolidated financial results of the Company for FY2021 and the unaudited consolidated financial results of the Company for 6M2022, the annual audit plan and scope of work for the external audit and discussed issues arising from the audit (if any). The attendance of individual members is set out in the following table.

Name of Directors	Meetings attended/eligible to attend
Mr. Kazuyuki YOSHIDA	2/2
Mr. Mitsuru ISHII	2/2
Mr. Yuji MATSUZAKI	2/2

In addition, the Risk Management Committee was established as a sub-committee under the Audit Committee to, amongst others, identify, assess and mitigate the risks faced by the business, which include those pertaining to money laundering and compliance with the Three Party System. During the Year, the Risk Management Committee comprised 11 members, namely Mr. Fumihide HAMADA (resigned on 25 February 2022), Mr. Yutaka KAGAWA, Mr. Toshiro OE, Mr. Satoshi MAEDA (resigned on 31 August 2021), Mr. Koji NAKAO, Mr. Hayato TOBISAWA, Mr. Seiji KITAJIMA, Mr. Shota MIYANO, Mr. Seiji OTOFUJI, Mr. Masayuki SAKATA, Mr. Shuntaro HONDA (resigned on 21 September 2021) and Mr. Yuki DOMOTO (appointed on 26 August 2021), and was chaired by our executive Director, Mr. Fumihide HAMADA until 25 February 2022. After Mr. Fumihide HAMADA's resignation, the Risk Management Committee was chaired by our executive Director, Mr. Yutaka KAGAWA. During the Year, 12 Risk Management Committee meetings were held whereat the Risk Management Committee (i) reviewed the risk management and internal control systems of the Group, and (ii) reviewed the effectiveness of the internal audit function of the Group. The attendance of individual members is set out in the following table:

Name of committee members	Position in the Company	Meetings attended/eligible to attend
Mr. Yutaka KAGAWA	Executive Director	12/12
Mr. Toshiro OE	Executive Director	12/12
Mr. Fumihide HAMADA (resigned on 25 February 2022)	Executive Director	8/8
Mr. Satoshi MAEDA (resigned on 31 August 2021)	Marketing supervisor	2/2
Mr. Koji NAKAO	Risk control department manager	12/12
Mr. Hayato TOBISAWA	General marketing manager	12/12
Mr. Seiji KITAJIMA	Head of marketing department	12/12
Mr. Shota MIYANO	Head of marketing department	12/12
Mr. Seiji OTOFUJI	Head of internal audit	12/12
Mr. Masayuki SAKATA	Procurement department manager	12/12
Mr. Shuntaro HONDA (resigned on 21 September 2021)	Internal audit consultant	3/3
Mr. Yuki DOMOTO (appointed on 26 August 2021)	General affairs and human resources department manager	10/10

For details on the internal control and risk management systems of the Company, please refer to the paragraph headed "Risk Management, Internal Controls and Anti-Money Laundering" of this Report.

Remuneration Committee

The Company established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules on 10 April 2017. During the Year, the Remuneration Committee comprised Mr. Kazuyuki YOSHIDA, Mr. Mitsuru ISHII, Mr. Yuji MATSUZAKI, all being independent non-executive Directors, and Mr. Katsuya YAMAMOTO and Mr. Yutaka KAGAWA, all being executive Directors, and was chaired by Mr. Kazuyuki YOSHIDA. The primary roles, functions and duties of the Remuneration Committee are, among others, to make recommendations to the Board:

(i) on the Company's policy and structure for all Directors' and senior management remuneration; and

(ii) on the establishment of a formal and transparent procedure for developing a remuneration policy for the Company.

During the Year, three Remuneration Committee meetings were held whereat the Remuneration Committee, among others, reviewed the Company's policy for the remuneration of executive Directors and senior management, recommended to the Board for consideration any adjustment to their remuneration packages by taking into account their performances, the Group's business and financial performance and their contribution to the development of the Group, and reviewed the terms of executive Directors' service contracts. The attendance of individual members is set out in the following table.

Name of committee members	Meetings attended/eligible to attend
Mr. Kazuyuki YOSHIDA	3/3
Mr. Mitsuru ISHII	2/3
Mr. Yuji MATSUZAKI	3/3
Mr. Katsuya YAMAMOTO	3/3
Mr. Yutaka KAGAWA	3/3

Nomination Committee

The Company established the Nomination Committee in compliance with the CG Code on 10 April 2017. During the Year, the Nomination Committee comprised Mr. Katsuya YAMAMOTO and Mr. Yutaka KAGAWA, all being executive Directors, and Mr. Kazuyuki YOSHIDA, Mr. Mitsuru ISHII and Mr. Yuji MATSUZAKI, all being independent non-executive Directors, and was chaired by Mr. Katsuya YAMAMOTO. The primary roles, functions and duties of the Nomination Committee are, among others:

(i) to make recommendations to the Board on the appointment of our Directors and members of our senior management in order to complement the Company's corporate strategy; and

(ii) to identify suitable individuals who are qualified to become directors and the senior management of the Company.

During the Year, one Nomination Committee meeting was held whereat the Nomination Committee (i) assessed the independence of the independent non-executive Directors; (ii) recommended to the Board for consideration the re-appointment of the retiring Directors at the annual general meeting held on 19 November 2021; (iii) reviewed the structure, size, composition and diversity of the Board; and (iv) reviewed the Board diversity policy. The attendance of individual members is set out in the following table.

Name of committee members	Meetings attended/eligible to attend
Mr. Katsuya YAMAMOTO	1/1
Mr. Mitsuru ISHII	0/1
Mr. Yuji MATSUZAKI	1/1
Mr. Yutaka KAGAWA	1/1
Mr. Kazuyuki YOSHIDA	1/1

We have limited the number of executive Directors in each of the Remuneration Committee and Nomination Committee to two, representing a minority in each of these committees, as a means to enhance transparency and protect independent Shareholders.

Nomination Policy

The Board has adopted a nomination policy (the "**Nomination Policy**") which aims to:

— set out the criteria and process in the nomination and appointment of Directors;

— ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company; and

— ensure the Board's continuity and appropriate leadership at Board level.

Criteria

The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorships:

— character, reputation and integrity;

— qualifications, experience and accomplishments, including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

— willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;

— requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent by reference to the independence guidelines set out in the Listing Rules;

— board diversity policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;

— any other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning; and

— such other perspectives appropriate to the Company's business.

Nomination Procedures and Process

(A) Appointment of New Director

(i) The Nomination Committee shall, upon receipt of the proposal on appointment of the new Director, consider the biographical information (or relevant details) of such candidate and evaluate such candidate based on the criteria as set out in above paragraph "Criteria" to determine whether such candidate is qualified for directorship.

(ii) The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

(iii) If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company (including but not limited to ensuring that the Board has a balance of skills, experience and diversity of perspectives) and reference check of each candidate (where applicable).

(iv) The Nomination Committee shall then recommend appointment of the appropriate candidate for directorship and the candidate shall provide his/her written consent (i) to be appointed as a Director, and (ii) to the public disclosure of his/her personal data on any documents or the relevant websites for the purpose of or in relation to his/her standing for election as a Director.

(v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the above paragraph "Criteria" to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to the Shareholders in respect of the proposed election of Director at the general meeting.

(vi) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

(B) Re-election of Director at General Meeting

(i) Retiring Directors are eligible for nomination by the Board to stand for re-election at a general meeting of the Company.

(ii) The Nomination Committee shall review the retiring Director's overall contribution and service to the Company, including his/her attendance of Board meetings and, where applicable, general meetings, and his/her level of participation and performance on the Board.

(iii) The Nomination Committee shall also review and determine whether the retiring Director continues to meet the criteria as set out in above paragraph.

(iv) The Nomination Committee and/or the Board shall then make recommendation to the Shareholders in respect of the proposed re-election of the Director at the general meeting.

(v) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for re-election at any general meeting.

Regular Review

The Nomination Committee will conduct regular review on (i) the effectiveness of the Nomination Policy to ensure that it remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice, and (ii) the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

Board Diversity Policy

The Company has adopted a board diversity policy. Pursuant to the policy, the Board recognises and embraces of having a diverse Board to enhance the quality of its performance and support the attainment of its strategic objectives. The Board believes that (i) diversity of the Board and the senior management team helps the Company create a dynamic environment that leads to higher performance and well-being, and attracts, retains and motivates the Board and employees from the widest possible pool of talent, and (ii) balance of experience, competencies, expertise, diversity and skills on the Board and senior management is the key foundation for introducing different perspectives into Board discussions, and for better anticipating the risks and opportunities in building a long-term sustainable business. Recruitment and selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. In particular, when identifying potential candidates to the Board, the Nomination Committee and the Board will, among others, (i) consider the current level of representation of different genders on the Board and the senior management when making recommendations for nominees as well as succession planning to the Board and senior management, and (ii) consider the criteria that promotes diversity by making reference to the code of practices on employment published by the equal opportunities commission from time to time.

The Nomination Committee will discuss and where necessary, agree annually on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. The Company aims to maintain an appropriate balance of diversity perspectives of the Board, including but not limited to gender, age, cultural and educational background, expertise or professional experience that are relevant to the Company's business growth. The ultimate decision will be based on merit against objective criteria and contribution that the selected candidates will bring to the Board, taking into account the corporate strategy and business operations of the Company, having due regard to the benefits of diversity to the Board.

For the purpose of implementation of the Board diversity policy, the following measurable objectives were adopted: (i) the Company shall comply with the requirements on board composition under the Listing Rules from time to time, (ii) the number of independent non-executive Directors should be not less than three and one-third of the Board, (iii) at least one of the Directors must have appropriate professional qualifications or accounting or related financial management expertise, and (iv) at least one Director should have intensive experience of the industry on which the business of the Group is engaged in. Save for gender diversity as set out below, the Board achieved these measurable objectives during the Year.

As at 30 June 2022, all Board members are males. In order to achieve gender diversity on the Board level, the Board is currently in the process of liaising with potential female Board member candidates, and target to appoint at least one female Board member no later than 31 December 2024. In order to achieve and/or maintain gender diversity, the Nomination Committee has started looking for potential candidates in order to develop a pipeline of potential successors to the Board, and will seek assistance from professional search firms if necessary.

As at 30 June 2022, the employees of the Group (including senior management) comprised 196 males and 171 females and the ratio of male to female staff was approximately 1:0.9. Accordingly, the Board considers that the Group's workforce are all diverse in terms of gender. At present, given the existing gender ratio in the workforce, the Company has not set any plans or measurable objectives for implementation of the diversity policies in relation to the workforce of the Group (including gender diversity). However, the Company will consider and review from time to time such diversity policies (including gender diversity) and setting of any measurable objectives (if applicable).

This diversity policy is reviewed by the Nomination Committee annually, and the Board's composition is disclosed in the Corporate Governance Report.

MECHANISMS ON OBTAINING INDEPENDENT VIEW AND INPUT

The Board believes that independent non-executive Directors should be free from any business or other relationship which might interfere with the exercise of their independent judgment, unless such business or relationship does not contravene the Listing Rules or other applicable laws, rules and regulations. The Board reviews the independence of independent non-executive Directors on an annual basis. Independent non-executive Directors who are considered to be independent will be identified as such in the Company's annual report and other communications with its Shareholders.

Independent non-executive Directors are expected, especially when there is a potential conflict of interests between the management and the Company itself, to take the lead to bring their experience, broad and independent views, independent oversight and constructive knowledge to the Board, through Board meetings, Board committee meetings, and other communications among the Directors. They are also expected to provide their independent views and knowledge on issues such as the Company's accountability and standard of conduct.

The Board, Board committees or individual Directors may seek independent professional advice, views and input, which shall include but not limited to legal advice, advice of accountants and advice of other professional financial advisors, as considered necessary to fulfil their responsibilities and in exercising independent judgment when making decisions in furtherance of their Directors' duties at the Company's expense (the "**Mechanism**").

In the event that independent professional advice, views and input are considered necessary, the Board, Board committees or individual Directors shall communicate with the Risk Management Committee to start the Mechanism, provide background and details of the relevant incidents and/or transactions, and the issues involved which would require independent views and input. They may direct any questions, queries, concerns or specific advice to be sought to the Risk Management Committee who will then contact the Company's professional advisers (including lawyers, accountants, external auditors, internal control advisers) or other independent professional parties to obtain such independent professional advice within a reasonable period of time. Any advice obtained through the Mechanism shall be made available to other members of the Board.

CORPORATE GOVERNANCE FUNCTIONS

The Board recognizes that corporate governance should be the collective responsibility of the Board, which is chaired by the chairman of the Board, Mr. Katsuya YAMAMOTO, and their corporate governance roles, functions and duties include:

(i) to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

(v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the Year, the Board had performed the above duties, including, among others, the review of the terms of reference of the Board committees, the Dividend Policy, the Nomination Policy, the remuneration policy of the Company for all Directors and senior management, the Board diversity policy, the Corporate Governance Report, the Group's risk management and internal control systems and the ESG Report, which relate to the Group's corporate governance policies and practices. For further details of the number of meetings held by the Board and the record of attendance of the Board members at the meetings, please refer to the paragraph headed "General meeting and Board meetings" above.

EXTERNAL AUDITOR'S REMUNERATION

PricewaterhouseCoopers has been appointed as the external auditor of the Company. The appointment and removal of the external auditor is recommended by the Company's Audit Committee. The Audit Committee also oversees the external auditor's independence and objectivity and the effectiveness of the audit process.

For the Year, the fees paid to PricewaterhouseCoopers for the audit of the annual consolidated financial statements of the Group amounted to approximately ¥80 million. The fees charged by PricewaterhouseCoopers in respect of the non-auditing services for the Year were approximately ¥6 million. The remuneration paid to PricewaterhouseCoopers and its affiliated firm for services rendered for the Year is listed as follows:

	2022 **¥ million**
Types of services	
Audit services	**80**
Non-audit services(Note)	**6**
Total	**86**

Note:

Non-audit services comprise interim review, consultancy services for Environmental, Social and Governance Reporting and Corporate Governance Reporting.

ACCOUNTABILITY AND AUDIT

Our Directors acknowledge that they have the responsibility to oversee the preparation of the consolidated financial statements in order to give a true and fair view of the state of affairs for the Year, our Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement from the external auditors regarding their reporting responsibilities on the consolidated financial statements is set out in the section headed "Independent Auditor's Report" of this Report.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this Report.

RISK MANAGEMENT, INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

Our Board is responsible for overseeing the overall management of compliance risks, including the review and approval of anti-money laundering measures, as well as the remediation of any issues that arise. Our Directors are responsible for determining, designing and implementing the internal control objectives on aspects such as governance, policies and procedures, due diligence, transaction monitoring and reporting, record keeping and staff training.

The main features of our internal control and risk management systems and procedures (the "**Internal Control Systems**") include (i) the implementation of internal audit functions which exercise adequate oversight of key aspects relating to the prevention of money laundering with respect to the pachinko operations, which involves inspecting each pachinko hall at least once every two months, conducting periodic reviews of the Company's compliance framework and effectiveness of its anti-money laundering measures on a monthly basis and reporting of any findings to the Audit Committee, (ii) the Audit Committee being responsible for, among others, reviewing any internal control issues highlighted by the internal audit department and reporting such findings to the Board on a regular basis to highlight any deficiencies in the anti-money laundering measures and Internal Control Systems, and (iii) the establishment of our Risk Management Committee under our Audit Committee to, amongst others, identify, assess and mitigate the risks faced by our business, which include those pertaining to money laundering and compliance with the Three Party System.

Process and Effectiveness of the Risk Management and Internal Control Systems

Our Directors are of the view that we have taken all reasonable steps to establish adequate Internal Control Systems to address various potential operational, financial and legal risks identified in relation to our operations, including but not limited to procurement, management, project management, connected party transaction controls, information disclosure controls, human resources management, information system management, taxation and other various financial control and monitoring procedures. The key processes to review the Internal Control Systems include but not limited to (i) identifying and prioritising the risks with reference to the hierarchy of risks identified in our business operation, (ii) establishing and updating of a risk register to document and track the identified risks, (iii) analysing the risks by taking into accounts of both qualitative and quantitative factors, (iv) evaluating the risks by considering the likelihood of occurrences and the potential impact, and (v) managing and developing action plans on significant risk areas (if any). The Board is responsible for (i) overseeing the overall Internal Control Systems in order to safeguard the Group's assets and Shareholders' interests, (ii) ensuring the Internal Control Systems in place are adequate and in compliance with applicable laws, rules and regulations, and (iii) reviewing their effectiveness.

During the Year, the Board has reviewed, through the Risk Management Committee, the Internal Control Systems (including material financial, operational and compliance controls) and the need to resolve material internal control defects (if any), as well as the adequacy of resources, qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks (if any) since the last annual review and the Group's ability to respond to changes in its business and the external environment, (ii) the scope and quality of the management's ongoing monitoring of the Internal Control Systems, (iii) the extent and frequency of communication of monitoring results to the Audit Committee which enables it to assess control of the Company and the effectiveness of risk management, and (iv) the effectiveness of the Company's processes for financial reporting and compliance with the Listing Rules. Tests have also been organized to check that our staff understand and are following the correct procedures, and regular announcements and alerts have been made to keep them posted on the latest workplace rules and requirements. The Internal Control Systems are reviewed once every financial year, covering the financial year period. The Board has reviewed the effectiveness of the Internal Control Systems and considers them effective and adequate. Such Internal Control Systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has also received confirmation from the management of the Company confirming the effectiveness of the Company's Internal Control Systems. The Board is not aware of, nor have identified any significant control failings or weaknesses or significant areas of concern that would have had an adverse impact on the effectiveness and adequacy of the Internal Control Systems during the Year.

INSIDE INFORMATION

To ensure timely, fair, accurate and complete disclosure of inside information to our independent Shareholders, as well as compliance with the applicable laws and regulations, the Company has placed a strong emphasis on our obligations under Part XIVA of the SFO and the Listing Rules.

The Company has adopted a communication policy which describes definitions and examples of inside information, when/how to disclose inside information, role and responsibilities in relation to inside information communication, procedures for certain situations, consultation and approval procedures, accuracy and completeness of information, authority delegation and application of the safe harbour, etc. The policy serves as a clear and extensive guideline to our Directors and officers and all relevant employees so that they can identify and carry out suitable measures to ensure that inside information of the Group is to be disseminated to the public in an equal and timely manner.

SHAREHOLDER COMMUNICATION POLICY

The Shareholders' communication policy of the Company aims at ensuring that the Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company. The Board reviews the effectiveness and implementation of this policy on an annual basis.

The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Company's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which enables Shareholders to engage actively with the Company and make the most informed investment decisions. The goal of our communication activities is to provide a true and fair view of the state of affairs of the Company.

To elicit and understand the views of shareholders and stakeholders (including employees, customers and suppliers), the Company shall (i) assign dedicated employee(s) to be in charge of investor relations, including but not limited to ensuring effective and timely dissemination of information to Shareholders, (ii) facilitate Shareholders' participation in general meetings and make available the chairmen of the Board committees and advisory panel(s) (if any), appropriate management executives, and its auditors at annual general meetings to answer questions from Shareholders, and (iii) may, at any time, allow Shareholders and/or stakeholders to direct questions, communicate their views on various matters affecting the Company, request for publicly available information and provide comments and suggestions to the Directors or management of the Company through the channels mentioned in the paragraph headed "Procedures for Putting Enquiries to the Company and our Contact Details" below.

General meetings of the Company provide the best opportunity for an exchange of views between the Board and our Shareholders. Shareholders are encouraged to participate in the meeting and raise any questions about the proposed resolutions and general operations of the Group to the Board. The chairman of the Board will allow discussions between the Board and our Shareholders. Under the Articles, a Shareholder entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting attend and that such proxy does not need to be a Shareholder of the Company.

The Company ensures that Shareholders are given sufficient notice of the other general meetings, and are familiar with the detailed procedures for conducting a poll, and should arrange to address questions from Shareholders in the general meetings.

All resolutions put forward at the Shareholder meetings will be voted by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange after each Shareholder meeting.

Upon reviewing the implementation and effectiveness of the Shareholders' communication policy of the Company, the Board considers the policy and its implementation are effective as the policy has provided effective channels for Shareholders, potential investors and other stakeholders of the Group to communicate their views with the Company and the Company has complied with the principles and required practices as set out in the policy as described above during the Year.

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to section 566 of the Companies Ordinance and article 68 of the Articles, our Directors must convene a general meeting on written requisition by Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at general meetings. The relevant written requisition shall state the general nature of the business to be dealt with at the general meeting, and may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting.

Procedures for Putting Forward Proposals at Annual General Meeting

Pursuant to Section 615 of the Companies Ordinance, Shareholder(s) can submit a written requisition to move a resolution at the Company's annual general meeting(s) if they represent:

(i) at least 2.5% of the total voting rights of all Shareholders who have a right to vote at the annual general meeting to which the requests relate; or

(ii) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The relevant written requisition must:

(i) identify the resolution of which notice is to be given;

(ii) be authenticated by the person or persons making it; and

(iii) be received by the Company not later than 6 weeks before the relevant annual general meeting to which the requests relate; or if later, the time at which notice is given of that meeting.

Any written requisition from Shareholders to the Company pursuant to sections 566 and 615 of the Companies Ordinance must be deposited at the Company's registered office, situated at Level 11, Admiralty Centre Tower II, 18 Harcourt Road, Admiralty, Hong Kong, or by email to info@okura-holdings.com.

The upcoming 2022 AGM will be held on Tuesday, 22 November 2022. Though the Shareholders are encouraged to participate to all the general meetings of the Company, due to the COVID-19, the Company strongly recommends the Shareholders appointing the chairman of the 2022 AGM or the company secretary (as the case may be) as their proxy to vote on the relevant resolutions at the 2022 AGM as an alternative to attending the 2022 AGM in person.

Procedures for Putting Enquiries to the Company and our Contact Details

Shareholders may, at any time, direct questions, communicate their views on various matters affecting the Company, request for publicly available information and provide comments and suggestions to our Directors or management of the Company. Such questions, requests and comments can be addressed to the Company by mail to 11/F, Admiralty Centre Tower II, 18 Harcourt Road, Admiralty, Hong Kong, by sending enquiries in the form under the "Contact Us" page on the website of the Company (www.okura-holdings.com) or by email to info@okura-holdings.com.

Information on Shareholders

As at 30 June 2022 and to the best knowledge of the Directors, Mr. Kagawa YAMAMOTO is the beneficial owner of 75% of the Shares. Based on the information that is publicly available to the Company and to the best knowledge of our Directors, the remaining 25% of the Shares are held by public Shareholders. Accordingly, the Company has maintained the minimum public float of 25% as required under the Listing Rules. None of the Shares of the Company are held by our senior management, Mr. Satoshi MAEDA.

CONSTITUTIONAL DOCUMENTS

During the Year, there was no change to the Articles. The Articles are available on the websites of the Company (www.okura-holdings.com) and the Stock Exchange.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

Directors have access to the services of the company secretary to ensure that the Board procedures are followed. The company secretary of the Company is Mr. MAN Yun Wah. He is a director of In.Corp Corporate Services (HK) Limited. In compliance with Rule 3.29 of the Listing Rules, Mr. MAN Yun Wah undertook no less than 15 hours of relevant professional training during the Year. The primary corporate contact person at the Company is Mr. Yutaka KAGAWA, an executive Director and the head of Corporate Planning Department.

ABOUT THIS REPORT

This ESG Report contains disclosures made by the Group with reference to the ESG Reporting Guide set out in Appendix 27 of the Listing Rules. As a general principle, this report focuses on the pachinko business operated by the Group in Japan.

ESG STATEMENT FROM THE BOARD

The Board has been responsible for our CSR strategy, which includes identifying and evaluating CSR risks, implementing appropriate and effective risk management strategies and establishing internal control systems where necessary.

In light of the recent social situation where the ESG initiatives are recognised as important factors for the sustainable business growth of companies, the Board decided to strengthen the Group's ESG initiatives and at a Board meeting held on 20 November 2020, it approved the adoption of the "ESG Declaration" which sets forth the Group's basic policy on addressing ESG issues. The Board also established an ESG committee that reports to the Board material ESG issues of the Group.

In addition, the Board confirmed the ESG committee's roles and responsibilities in addressing ESG matters including but not limited to taking leadership and providing oversight of ESG issues, identifying material ESG issues which relate to the Group's business, adopting ESG management approach and developing strategies, and reviewing the process made against ESG goals and targets.

The Board has carried out a series of processes based on the ESG Declaration which includes, among others, setting ESG goals and targets and reviewing the progress made against them during the financial year.

REPORTING PRINCIPLES

The Group applies the following reporting principles in the preparation of this report:

(i) Materiality

To identify ESG-related issues, the Group has defined our customers, employees, business partners, local communities, and our shareholders as our stakeholders and conducted a stakeholder engagement on an ongoing basis. The process of stakeholder engagement is supposed to be part of the day-to-day operations, and the Group does not set up special occasions such as roundtable meetings for stakeholders for now. Based on the results obtained with this engagement, the Group has held discussions among our management and employees of different departments to assess the materiality of these issues in consideration of the Group's business and all relevant stakeholders, as well as to propose suggestions and action plans to improve decision-making and accountability from a social and environmental perspective. In this ESG Report, we include details of ESG-related issues that were identified during such discussions and which we considered material.

(ii) Quantitative

The Group provides quantitative information on the Group's ESG performance. The calculation methods used are described in the relevant sections.

(iii) Balance

The report provides an unbiased picture of the Group's ESG and avoids selections, omissions, or presentation formats that may mislead the readers.

(iv) Consistency

The Group applies a consistent methodology to aggregate ESG factors to ensure the meaningful comparison over time. Unless otherwise stated, there were no changes to the calculation methods, KPIs used, or the scope of aggregation in the preparation of the report for FY2022.

REPORTING BOUNDARY

In principle, this report focuses on the pachinko and pachislot business operated by the Group in Japan taking into account that it accounts for a large proportion of the total revenue compared to the businesses of each segment (FY2022: 91.3% of total revenue). We closed 3 pachinko halls at the end of August 2021 and operated 12 pachinko halls at the end of the Year.

A. ENVIRONMENT

Our View on the Environment

The Group recognises that preserving the global environment is one of our missions.

In order to continuously reduce our burden on the global environment and promote environmental protection, we have been implementing the following initiatives.

1. Reduction of Greenhouse Gas Emissions

The emission of greenhouse gases such as carbon dioxide is considered to be the main cause of global warming. At present, the emissions generated by the Group mainly consist of greenhouse gases such as carbon dioxide emitted from the consumption of electricity. Carbon dioxide emissions are categorised as indirect greenhouse gas emissions (Scope 2). The greenhouse gas emissions at our halls for the Year and FY2021 are set out below:

	FY2022	FY2021
Carbon dioxide emissions (t-CO_2)[1]	**5,746.0**	6,440.8
Intensity (t-CO_2/per pachinko and pachislot machine)	**0.74**	0.70
Average number of machines in fiscal year[2]	**7,719**	9,155

Notes:

1 In the calculation of carbon dioxide emissions, the emission factors for each electric power company published by the Ministry of the Environment, Government of Japan are used. (https://www.env.go.jp/press/files/jp/117282.pdf)

2 (Number of machines at the beginning of the year + number of machines by the end of the year)/2

Our power consumption of electricity for the Year and FY2021 are set out below:

	FY2022	FY2021
Power consumption (1,000 Kwh)	**14,123.6**	16,610
Intensity (1,000 Kwh/per pachinko and pachislot machine)	**1.83**	1.81
Average number of machines in fiscal year	**7,719**	9,155

In order to decrease our electricity consumption to reduce greenhouse gas emissions, the Group has implemented the following power reduction measures:

(1) Installation of Energy-saving Air Conditioners

The Group has been gradually replacing its existing air conditioners with new air conditioners of lower power consumption. As at 30 June 2022, we have installed these new air conditioners at six of our 12 pachinko halls in Japan. In addition, we have replaced the air conditioners in the pachinko halls that have already installed such energy-saving air conditioners with more energy efficient models.

(2) Installation of Light-Emitting Diode (LED) Lights

The Group has been gradually replacing the lighting in its halls with LED lighting that consumes less power. As at 30 June 2022, we have completed the installation of LED lighting in nine of our 12 pachinko halls. We intend to replace the lighting at our remaining halls with LED lighting.

During the Year, the Company's power consumption and related greenhouse gas emissions decreased as a whole compared to the previous fiscal year due to the closure of certain pachinko halls. Although the Group has not set specific ESG targets for power reduction, the Group is continuously making efforts to reduce power consumption and associated greenhouse gas emission, such as switching to power that derives from renewable energy.

2. Reduction of Waste

In order to provide better service to our customers, we often replace our existing pachinko and pachislot machines with new models in accordance with our customers' changing needs and preferences. In the course of replacing our machines, we remove obsolete machines from our pachinko halls and dispose of them in accordance with relevant laws and regulations.

In order to minimise the environmental impact of disposing the obsolete machines, all pachinko and pachislot machines subject to disposal or replacement are temporarily stored in our warehouse and then sold to trade-in dealers or recyclers at appropriate times, in consideration of the market trend on second-hand pachinko and pachislot machines, and regulations relating to the replacement of pachinko and pachislot machines. After that, the pachinko and pachislot machines purchased by trade-in dealers are resold to other pachinko hall operators, while machines purchased by recyclers are dismantled for the reuse of parts. These recyclers are registered as designated recyclers by a pachinko industry related incorporated association. For this reason, we consider that our disposal of pachinko and pachislot machines is unlikely to fall into the discharge of waste.

To reduce waste, the Group has also taken the following measures:

- Promoting a paperless environment through the use of digital signatures, digitisation of various documents, circulating internal documents and notifications via e-mail, etc.; and

- Promoting the use of recycled paper in our operations.

Since our main business is the operation of pachinko and pachislot halls, we only provide services to customers who visit our halls. Therefore, due to the nature of our business, we consider our impact on the environment by way of air emissions, discharges into water and land, the generation of hazardous and non-hazardous wastes, consumption of water and other raw materials and use of packaging materials, to be immaterial. In addition, we do not conduct business activities that will have a serious impact on the environment and natural resources, and we have not identified any significant climate change-related issues which have impacted or which may impact us.

During the Year, the Group was in compliance with the relevant environmental laws and regulations that have a significant impact in Japan and our Directors are not aware of any material breach or violation of such laws and regulations.

3. Response to Climate Change

The Group recognises the following issues that are already occurring or will likely occur in the future, in relation to climate change and the following actions have been taken for each of them:

Climate Change related Issues	Actions
Damage to pachinko halls due to natural disasters such as floods and heavy rain accompanied by rising sea levels due to global warming or changes in climate change patterns	Reconsider and relocate the locations of each pachinko hall (where necessary) and make reinforcements to the structure of existing buildings to sustain natural disasters
Increase in relevant costs such as carbon tax (i.e. tax levied on the carbon emissions)	Reduce our carbon dioxide and greenhouse gas emissions by implementing the power reduction measures as mentioned above

B. OUR PEOPLE

Our Views on Our People

The Group believes that our success is, to a large extent, attributable to the strategies and visions of our Directors, who are supported by our senior management and all other employees. Thus, the Group places a strong emphasis on the well-being of our staff. The Group is committed to respecting each individual employee's attributes and personality, providing them with a relaxed and fruitful environment where they can receive all-rounded training, and ensuring a safe and convenient workplace where each person is encouraged to reach their full potential.

1. Our Employment and Labour Practice

With respect to the recruitment and employment of our employees, the Group has been recruiting talents regardless of their age, gender, presence of disability and nationality. When it comes to promotion, compensation, dismissal, benefits and welfare, we adopt a fair and equal process to all employees based on the policy.

In addition, we are implementing measures to improve the working environment of our employees to promote the active participation of female employees. In particular, we support employees involved in childcare and housework in balancing between work and family life. As a result of our efforts, we were granted the "Eruboshi" certification by the Minister of Health, Labour and Welfare with the highest rating of three stars in July 2018. The Eruboshi certification is a recognition system under the Act on Promotion of Women's Participation and Advancement in the Workplace ("女性活躍推進法"), which is given to excellent companies promoting women's participation and advancement in the workplace.

Furthermore, to respond to the various working needs of our employees, we have introduced a wide range of employment types such as a regular employment, semi-regular employment, contract employment, part-time employment, re-employment, and specific region limited employment.

The following table shows the classification of our various employees in Japan by gender and employment type for the Year and FY2021. We consider that since most of our employees live in Japan, the breakdown of employees by geographical region would not be meaningful.

	FY2022		FY2021	
Employment type	**Number of male employees**	**Number of female employees**	Number of male employees	Number of female employees
Regular employees	**113**	**27**	122	36
Semi-regular employees and contract employees	**3**	**41**	7	4
Subtotal	**116**	**28**	129	40
Part-time Employees	**80**	**143**	96	188
Total	**196**	**171**	225	228

The following table shows the age distribution of our employees by gender for the Year and FY2021.

	FY2022		FY2021	
Age	**Number of male employees**	**Number of female employees**	Number of male employees	Number of female employees
Below 20 years old	**6**	**2**	12	5
20–29 years old	**57**	**38**	71	57
30–39 years old	**38**	**43**	56	52
40–49 years old	**62**	**33**	52	43
50–59 years old	**16**	**24**	15	28
60–69 years old	**7**	**21**	11	31
Above 70 years old	**10**	**10**	8	12
Total	**196**	**171**	225	228

The following table shows the retention rate of our employees for the Year and FY2021.

	FY2022 %	FY2021 %
Retention rate (Employees)[1]	**87.1**	89.0

Note:

1 Retention rate = (Average number of employees at the end of every month during the period — Average numbers of resignees at the end of every month during the period)/Average numbers of employees at the end of every month during the period

We consider that the breakdown of retention rate of our employees based on gender, age group and geographical region in Japan is not meaningful because the number of employees under each category is small.

During the Year, our Directors were not aware of any breach or material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

2. Our Labour Safety and Health

In order to provide a safe working environment and to protect our employees from any occupational hazards, the Group has taken the following measures:

- Provision of mental health care (mental stress check, consultations with supervisor) to our employees;
- Provision of periodic health checks to our employees; and
- Introduction of "Personal System" which is a ball counting system that counts the number of winning balls within each pachinko machine to alleviate employees' physical work burden from lifting and carrying the winning balls for the purpose of counting them.

The results of these medical examinations are reported to the management, and feedback and reminders are provided in return for those who have not taken the above measures.

The number of lost days due to work injury during the Year is set out below:

	FY2022	FY2021
Lost days due to work injury	**158.6 days**	91.2 days
Frequency rate[1]	**11.13**	12.13
Severity rate[1]	**0.29**	0.14

No work-related fatalities occurred in each of the past three years including the Year.

Note:

1 The formula published by the Ministry of Health, Labour and Welfare, Japan is used to calculate the frequency rate and severity rate. (https://www.mhlw.go.jp/toukei/itiran/roudou/saigai/20/dl/2020yougo.pdf)

Frequency rate = (Number of deaths and injuries due to industrial accidents/Actual working hours) × 1,000,000

Severity rate = (Number of work days lost/Actual working hours) × 1,000

During the Year, in addition to the occurrence of multiple slip-and-fall accidents at the Group's pachinko hall, there have been commuting accidents that required employees to take long-term leaves from work. We will strive to maintain a safe working environment by encouraging employees to pay more attention to prevent the recurrence of such accidents.

During the Year, our Directors were not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to the provision of a safe working environment and protecting employees from occupational hazards.

3. *Talent Training*

The Group has been working to support the growth of our talents for better work performance and the enhancement of knowledge by providing in-house training and on-the-job training for newcomers. The training hours per full-time employee at the company and the main training curriculum for the Year and FY2021 are as follows:

	FY2022 Hour	FY2021 Hour
Training hours per full-time employee[1]	**2.1**	3.0
Average training attendance rate[2]	**42.4%**	51.7%

Notes:

1 Training hours per full-time employee = Total training attendance hours/Average number of full-time employees during the Year

2 Average training attendance rate =Training participants in each curriculum/Number of employees eligible for training (excluding training for new graduates)

FY2021, the total training attendance rate (total number of trainees at the relevant organization/average employees during the term) was disclosed, but the calculation method has been changed from the current fiscal year in order to accurately grasp the attendance status by curriculum.

Due to the difficulty of implementing face-to-face training due to the outbreak of COVID-19, we are in the process of reviewing the content and method of training, including the use of online technology. For this reason, we have temporarily suspended our existing training curriculum during the Year. In the future, we will strive to increase training time while taking various measures.

In light of the circumstances described above, there were few opportunities for training itself during the Year, and the percentage of employees trained by gender and employee category and the average training hours completed per employee by gender and employee category are insignificant.

Main points of our training curriculum, including those not implemented in the Year, are as follows:

- Anti-money laundering risk management training
- Security on amusement machines, fraud and information technology training
- On-the-job training
- Other training for each level (business skills, business knowledge, career design, manners and others)

4. Labour Standards

During the Year, the Group was in compliance with the Labour Standard Law and laws pertinent to proper labour relations in Japan, and the Group did not employ or advocate the employment of children or of people who are forced to work. If child and forced labour is discovered, we would bring them away from the workplace immediately and report the case to the local authorities. All workers were employed on a voluntary basis under agreed terms and were not forced or coerced into working for the Group. In order to ensure the Group's compliance with the relevant laws and regulations, the Group also checks and reviews the resumes of the applicants who are joining the Group. The pachinko and pachislot industry in Japan, to avoid child labour, requires us to confirm the individual's age and other information carefully at the time of hiring new employees. Furthermore, to avoid forced labour, we have a whistleblowing system that allows affected employees as well as witnesses to report potential breaches. Through these measures, there were no cases of actual child and forced labour during the Year.

During the Year, our Directors are not aware of any non-compliance or breach of the Labour Standard Law and laws pertinent to proper labour relations in Japan that had a significant impact on the Group.

C. HEALTHY BUSINESS PRACTICE AND PREVENTION OF DISHONESTY

1. Relationship with Business Partners

The major suppliers of the Group are the suppliers of pachinko and pachislot machines and prize wholesalers in Japan. All of these suppliers are located in Japan. The Group purchases pachinko and pachislot machines from 37 (FY2021: 38) machine manufacturers, and out of those, transactions with top 5 game machine manufacturers account for 49.3% (FY2021: 48.8%) of the consideration of the total transactions. For the purchase of prizes, the Group deals with 33 ongoing prize suppliers (FY2021: 28 suppliers), and out of those, transactions with top 5 prize suppliers account for 98.9% (FY2021: 98.8%) of the total number of prize suppliers. Since all these suppliers are located in Japan, the number of suppliers by geographical region is omitted.

With the Amusement Business Law and its ancillary prefectural local regulations in mind, when the Group engages or enters into business with new or existing business partners, we constantly perform comprehensive compliance checks on our business partners, and obtain a written confirmation from such business partners that they comply with the Amusement Business Law and are not engaged in or associated with any activities in breach of the anti-money laundering and anti-social force laws and regulations. Our compliance department will continue to monitor the status of these engagements after signing contracts with our business partners. We classify business partners with transactions of JPY100,000 or more per year as continuous business partners.

In terms of contract value, we have been working to acquire appropriate prices through fair tendering by our internal procurement team. We are considering establishing criteria when selecting new business partners, relating to the environmental and social risks of those business partners and whether or not they provide environmentally friendly services and products.

During the Year, there was no illegal business conducted between the Group and our business partners and our Directors are not aware of any material breach or violations against the Amusement Business Law and any of the relevant local regulations.

2. Product Responsibility

The Group takes our obligations to customers seriously and aims to continue to provide high-quality customer experiences. To ensure that our customers are able to enjoy our pachinko halls without being affected by the possible negative social impacts, the Group has taken the following measures:

- Mutual agreement with customers on gaming rules;
- Prohibiting minors who are under 18 years of age to enter our pachinko halls in accordance with the Amusement Business Law (our pachinko hall staff members request customers to present identity documents and conduct patrols for age check);
- Installation of automated external defibrillator;
- Implementing measures against abandoning child inside the car (our pachinko hall staff patrols around vehicles every 2 hours, etc.); and
- Providing evacuation guidance training and drill exercise to our employees.

What we provide at our pachinko halls are services, not products. Therefore, we do not owe any liability for the recall of products.

All complaints are appropriately recorded and filed for follow up and future references. Relevant staff are responsible for investigating such complaint, evaluating possible causes, providing detailed response to the customer and issuing corrective action if appropriate. To understand how we can enhance the customer experience, complaints are reviewed regularly and analysed for improvement.

During the Year and out of the 12 pachinko halls we operate in Japan, the Group received 46 (FY2021: 58) complaints, which mainly relates to the customer's opinion on our staff and services. The Group has resolved all complaints it received during the Year with care and responsive measures.

The Group may handle personal information of customers who have signed up as members. Our Directors are of the view that personal information obtained in the course of our business were properly managed in accordance with the laws and regulations of the Personal Information Protection Law and relevant legislations. We obtain personal information from customers when creating membership cards. The original copy of this membership card application form is kept in a locked place at each pachinko hall and is strictly protected under the control of the responsible person.

For the prevention of indulgence in gambling which has become a social problem in recent years, we install posters to raise our customers' awareness in our pachinko halls, and place pachinko and pachislot advisers who assist customers by providing appropriate advice at each pachinko hall. To further promote customer awareness, the posters and stickers of non-profit organization named Recovery Support Network, which was established to help people afflicted with gambling and their family members or friends by offering free telephone service, are displayed at a place that can be seen most easily from customers in our pachinko halls. In addition, we adopted self-assessment program which limits customers to play the game up to the maximum amount they set in advance in all of our halls.

Matters relating to advertising are governed under the Amusement Business Law, Enforcement Ordinance and Police Advertisement Circular in Japan, which regulate how amusement business operators advertise and promote their businesses. Consumer data protection matters are governed under the Act on the Protection of Personal Information in Japan, which regulates the collection, use, handling, and transfer of personal information by Japanese business operators. The consumer data obtained from membership card application forms are kept safely in a locked place at each pachinko hall and is strictly protected under the control of the responsible person. The Company strives to adhere to all these requirements under the relevant laws and regulations and has established written procedures to ensure compliance. Our Directors are not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling or privacy matters relating to services provided.

The Group has registered the trademarks "Big Apple." and "K's Plaza" in Japan for operating our pachinko halls under these trading names. By registering a trademark, under Japanese law, the Group can claim damages or suspend the use of the trademark from other companies that commit trademark infringement. The Group has no intellectual rights other than the said trademarks.

3. Anti-corruption and anti-money laundering

The Group has been taking the following measures to prevent corrupt incidents and money laundering incidents:

- Installation of CCTVs;
- Initiation of regular patrols or data checks for the detection of cheating or abnormal matters at an early stage;
- Ensure compliance with Regulations on high-value prize exchange;
- Introduction and maintenance of a whistleblowing hotline; (For the details of the Group's whistleblowing hotline, please refer to our whistle blowing policy in the announcement dated 23 June 2022.)
- Prevention and/or detection measures against money laundering transactions are evaluated and verified by the Risk Management Committee; and
- Implementation of training on anti-corruption for all staff on an annual basis, which covers the relevant laws in order to help the staff recognise and mitigate associated risks.

During the Year, our Directors were not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud or money laundering. There have been no legal cases regarding corrupt practices brought against the Company or its employees during the Year.

In addition, the prohibition of bribery is regulated by the Code of Ethical Practice. This is helpful in the maintenance of healthy business practices and the prevention of dishonesty.

D. CONTRIBUTION TO THE SOCIETY

Our Group considers that creating a better society through our business is the most important social contribution. As well as providing services that satisfy our customers, creating and maintaining continuous employment and paying taxes, we believe that contributing to the development of local communities through various initiatives is our duty.

In light of the increase of natural disasters such as earthquakes and heavy rains in recent years, we have continued to store emergency supplies such as non-perishable foods, bottled water and blankets at all of our pachinko halls. These emergency supplies are to be provided to the local people as well as our customers and employees in the event of a future emergency such as natural disaster. We will continue to stockpile emergency supplies, while reviewing items and replacing them as necessary.

The Group intends to continue to explore new ways to promote contributions to the local community.

In addition, we are working on gaining understanding of and raising our employees' awareness of CSR through company-wide activities. As a part of this effort, we are participating in campaign to collect plastic bottle caps. The proceeds obtained from the sales of collected plastic bottle caps will be used to donate vaccines for the world's children through non-profit organizations. We have also been donating food to food bank, which is a charitable organization that collects and distributes food to welfare facilities, etc.

Through these activities, we aim to raise awareness not only about resource recycling but also on various issues around the world.

Independent Auditor's Report

To the Shareholders of Okura Holdings Limited
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Okura Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 75 to 153, comprise:

- the consolidated statement of financial position as at 30 June 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

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

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

- Impairment assessment of property, plant and equipment and right-of-use assets
- Impairment assessment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment and right-of-use assets Refer to Note 4 (Critical accounting estimates, assumptions and judgements), Note 13 (Property, plant and equipment) and Note 14 (Leases) to the consolidated financial statements for the related disclosures. As at 30 June 2022, the Group had property, plant and equipment ("PP&E") of ¥7,586 million and right-of-use assets ("ROU") of ¥3,476 million before the year end impairment assessment. The Group defines each individual pachinko and pachislot hall, each individual investment property and the horse management operation as a cash-generating unit ("CGU"). Management reviews for impairment whenever events or changes in circumstances indicate the carrying amount of a CGU may not be recoverable. For CGUs that had operating loss for the current year or had performed below management's expectation, defined as not fulfilling the projected operating profit or loss for the year, management considered there were impairment indicators for these CGUs.	With regard to the impairment assessments of PP&E and ROU of the Group: We understood and evaluated the internal control and impairment assessment process performed by management in order to access the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity. We assessed the reasonableness of management's assessments on identifying impairment indicators and challenged management's criteria for identification of impairment indicators by comparing to the historical performance and operational development of the CGUs. We evaluated the appropriateness of management's grouping of these PP&E and ROU with the relevant CGUs. We evaluated management's value-in-use calculations by: • Assessing the mathematical accuracy of management's value-in-use calculations; • Comparing the current year actual results with the prior year forecasts to consider the reasonableness of management's forecasts; • Challenging management's assumption of revenue growth rates adopted by comparing the rates to industry trends, the Group's historical performance and operational developments;

Key Audit Matter	How our audit addressed the Key Audit Matter
Management performed impairment assessments to assess the recoverable amounts of these CGUs, which were determined as the higher of value-in-use or fair value less cost of disposal. The value-in-use calculations were derived from income approach based on future cash flow forecasts of the CGUs and the fair value less cost of disposal calculations were derived from valuations prepared by an independent professional qualified valuer. For assets served for corporate uses and not allocated to specific CGU, recoverability of the asset is assessed at Group level when the Group is loss-making, or at individual asset level when there is indication that the value of the asset is not recovered. Based on the impairment assessments, provision for impairment loss of ¥209 million and ¥937 million was recorded for PP&E and ROU respectively, during the year ended 30 June 2022. We focused on this area the high degree of subjectivity and estimation involved in the determination of recoverable amounts, as well as the significance of the carrying values of the PP&E and ROU to the Group.	• Assessing management's assumptions of the discount rate by comparing to the cost of capital and cost of debt of comparable organisations in the industry; • Involving our internal valuation expert, on a sampling basis, to review the valuation methodology and discount rate applied by management, and benchmarking the discount rate applied to other comparable companies in the same industry; and • Evaluating the sensitivity analysis performed by management around the revenue growth rates and discount rate to ascertain the extent and likelihood of such changes had been appropriately considered. We evaluated management's fair value less cost of disposal calculations on CGUs by: • Evaluating the valuer's competence, capability and objectivity; • Assessing the mathematical accuracy of fair value less cost of disposal calculations; • Reviewing the external valuation reports to assess the appropriateness of methodology used; • Attending meetings with the management and valuer to discuss the valuations and key assumptions used; and • Assessing the reasonableness of the valuations by comparing against market quotation of similar properties based on our independent research.

Key Audit Matter	How our audit addressed the Key Audit Matter
	We evaluated management's fair value less cost of disposal calculations on corporate assets by assessing the reasonableness of the valuations by comparing against market quotations based on our independent research. We assessed the adequacy of the disclosures related to impairment of PP&E and ROU in the context of IFRSs and HKFRSs disclosure requirements. Based on the procedures performed, we considered that the judgements and estimates adopted by management in relation to the value-in-use and fair value less cost of disposal calculations used in their impairment assessments of PP&E and ROU were supportable by available evidence.
Impairment assessment of goodwill Refer to Note 4 (Critical accounting estimates, assumptions and judgements) and Note 16 (Intangible assets) to the consolidated financial statements for the related disclosures. As at 30 June 2022, the Group had goodwill of ¥358 million before provision for impairment arising from the acquisition of a subsidiary in previous years which was engaged in the pachinko and pachislot business. The goodwill is subject to an annual impairment assessment performed by management. During the six months ended 31 December 2021, impairment indicator was identified on the CGU with goodwill. Management performed impairment assessment and provision for impairment loss of ¥241 million was recorded, which was fully allocated to the underlying goodwill based on allocation sequence.	With regard to the impairment assessment of goodwill of the Group: We understood and evaluated the internal control and impairment assessment process performed by management in order to access the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity. We assessed management's determination of allocation of goodwill to the relevant CGU and noted that it is reasonable based on our understanding of the Group's business. We compared the value-in-use and fair value less cost of disposal provided by the management and ensured the higher of the two values was applied for the provision for impairment.

Key Audit Matter

As at 30 June 2022, management performed annual impairment assessment to assess the recoverable amount of this CGU, which was determined as the higher of value-in-use or fair value less cost of disposal. The value-in-use calculation was derived from income approach based on future cash flow forecast of the CGU and the fair value less cost of disposal calculation was derived from valuation prepared by an independent professional qualified valuer.

Based on the annual impairment assessment on goodwill, no impairment loss was provided. Together with the interim assessment result, provision for impairment loss of ¥241 million was recorded on goodwill during the year ended 30 June 2022.

We focused on this area due to the significant judgements and estimates involved in the determination of recoverable amount.

How our audit addressed the Key Audit Matter

We evaluated management's value-in-use calculation by:

- Assessing the mathematical accuracy of management's value-in-use calculation;
- Comparing the current year actual result with the prior year forecast to consider the reasonableness of management's forecast;
- Challenging management's assumption of revenue growth rate adopted by comparing the rate to industry trends, the Group's historical performance and operational development;
- Assessing management's assumption of the discount rate by comparing to the cost of capital and cost of debt of comparable organisations in the industry;
- Involving our internal valuation expert to review the valuation methodology and discount rate applied by management, and benchmarking the discount rate applied to other comparable companies in the same industry; and
- Evaluating the sensitivity analysis performed by management around the revenue growth rate and discount rate to ascertain the extent and likelihood of such changes had been appropriately considered.

Key Audit Matter	How our audit addressed the Key Audit Matter
	We evaluated management's fair value less cost of disposal calculation by: • Evaluating the valuer's competence, capability and objectivity; • Assessing the mathematical accuracy of fair value less cost of disposal calculation; • Reviewing the external valuation report to assess the appropriateness of methodology used; • Attending meetings with the management and valuer to discuss the valuation and key assumptions used; and • Assessing the reasonableness of the valuation by comparing against market quotation of similar properties based on our independent research. We assessed the adequacy of the disclosures related to impairment of goodwill in the context of IFRSs ad HKFRSs disclosure requirements. Based on the procedures performed, we considered that the judgements and estimates adopted by management in relation to the value-in-use and fair value less cost of disposal calculations used in their impairment assessment of goodwill 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 THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance 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 HKSAs 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.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 September 2022

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022 ¥million	2021 ¥million
Revenue	5	**5,562**	5,423
Other income	6	**373**	309
Other (losses)/gains, net	6	**(180)**	786
Hall operating expenses	7	**(5,976)**	(5,767)
Administrative and other operating expenses	7	**(807)**	(832)
Operating loss		**(1,028)**	(81)
Finance income		**66**	76
Finance costs		**(243)**	(268)
Finance costs, net	9	**(177)**	(192)
Loss before income tax		**(1,205)**	(273)
Income tax expense	10	**(116)**	(304)
Loss for the year attributable to shareholders of the Company		**(1,321)**	(577)
Loss per share attributable to shareholders of the Company for the year (expressed in ¥ per share)			
Basic and diluted	11	**(2.64)**	(1.15)
Loss for the year		**(1,321)**	(577)
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of employee benefit obligations		**(1)**	3
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		**5**	(5)
		4	(2)
Total comprehensive loss for the year attributable to shareholders of the Company		**(1,317)**	(579)

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

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	**2022 ¥million**	2021 ¥million
Assets			
Non-current assets			
Property, plant and equipment	13	**7,402**	7,622
Right-of-use assets	14	**2,820**	4,104
Investment properties	15	**2,982**	3,216
Intangible assets	16	**122**	359
Prepayments and deposits	22	**851**	1,059
Financial assets at fair value through other comprehensive income	18(b)	**32**	24
Financial assets at fair value through profit or loss	18(a)	**—**	22
Deferred income tax assets	29	**175**	328
		14,384	16,734
Current assets			
Inventories	20	**83**	79
Trade receivables	21	**12**	19
Prepayments, deposits and other receivables	22	**340**	419
Financial assets at amortised cost	19	**1,000**	1,000
Financial assets at fair value through profit or loss	18(a)	**343**	356
Short-term bank deposits	23	**100**	100
Cash and cash equivalents	23	**2,340**	2,617
		4,218	4,590
Total assets		**18,602**	21,324
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	24	**20,349**	20,349
Reserves	24	**(18,189)**	(16,872)
Total equity		**2,160**	3,477

	Note	2022 ¥million	2021 ¥million
Liabilities			
Non-current liabilities			
Borrowings	28	**4,665**	4,703
Lease liabilities	14	**8,434**	9,264
Accruals, provisions and other payables	26	**403**	358
Employee benefit obligations	27	**162**	130
Deferred income tax liabilities	29	**23**	82
		13,687	14,537
Current liabilities			
Borrowings	28	**739**	792
Financial liabilities at fair value through profit or loss	18(c)	**134**	8
Lease liabilities	14	**663**	848
Trade payables	25	**11**	12
Accruals, provisions and other payables	26	**1,182**	1,591
Amount due to directors	33(a)	**3**	3
Current income tax liabilities		**23**	56
		2,755	3,310
Total liabilities		**16,442**	17,847
Total equity and liabilities		**18,602**	21,324

The consolidated financial statements on pages 75 to 153 were approved by the Company's Board of Directors on 28 September 2022 and were signed on its behalf.

Katsuya Yamamoto
Director

Yutaka Kagawa
Director

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Share capital (Note 24) ¥million	Capital reserve (Note 24(a)) ¥million	Legal reserve (Note 24(b)) ¥million	Investment revaluation reserve (Note 24(c)) ¥million	Accumulated loss ¥million	Total ¥million
Balance at 1 July 2020	20,349	(12,837)	40	10	(3,506)	4,056
Loss for the year	—	—	—	—	(577)	(577)
Other comprehensive loss						
Remeasurement of long term benefit obligation	—	—	—	—	3	3
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	(5)	—	(5)
Total comprehensive loss and transactions with shareholders in their capacity as shareholders	—	—	—	(5)	(574)	(579)
Balance at 30 June 2021	20,349	(12,837)	40	5	(4,080)	3,477

	Share capital (Note 24) ¥million	**Capital reserve (Note 24(a)) ¥million**	**Legal reserve (Note 24(b)) ¥million**	**Investment revaluation reserve (Note 24(c)) ¥million**	**Accumulated loss ¥million**	**Total ¥million**
Balance at 1 July 2021	**20,349**	**(12,837)**	**40**	**5**	**(4,080)**	**3,477**
Loss for the year	—	—	—	—	**(1,321)**	**(1,321)**
Other comprehensive loss						
Remeasurement of long term benefit obligation	—	—	—	—	**(1)**	**(1)**
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	**5**	—	**5**
Total comprehensive loss and transactions with shareholders in their capacity as shareholders	—	—	—	**5**	**(1,322)**	**(1,317)**
Balance at 30 June 2022	**20,349**	**(12,837)**	**40**	**10**	**(5,402)**	**2,160**

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 30 June 2022

	Note	**2022 ¥million**	2021 ¥million
Cash flows from operating activities			
Cash generated from operations	30	**1,406**	1,549
Income tax paid		**(58)**	(14)
Interest received		**66**	76
Interest paid		**(68)**	(72)
Net cash generated from operating activities		**1,346**	1,539
Cash flows from investing activities			
Proceeds from disposal of financial assets at fair value through profit or loss		**770**	1,420
Proceeds from disposal of financial assets at fair value through other comprehensive income		**—**	1
Purchase of financial assets at fair value through profit or loss		**(1,092)**	(1,194)
Purchase of property, plant and equipment		**(338)**	(36)
Purchase of investment properties		**(4)**	(489)
Purchase of intangible asset		**(1)**	—
Proceeds from disposal of investment property	30	**—**	4
Net cash used in investing activities		**(665)**	(294)
Cash flows from financing activities			
Proceeds from borrowings		**700**	1,770
Repayment of borrowings		**(791)**	(764)
Interest elements of lease payments		**(175)**	(196)
Principal elements of lease payments		**(671)**	(962)
Net cash used in financing activities		**(937)**	(152)
Net (decrease)/increase in cash and cash equivalents		**(256)**	1,093
Cash and cash equivalents at beginning of the year		**2,617**	1,545
Effects of exchange rate changes on cash and cash equivalents		**(21)**	(21)
Cash and cash equivalents at end of the year		**2,340**	2,617

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

Okura Holdings Limited (the "Company") was established as a limited company in Hong Kong under the Hong Kong Companies Ordinance on 16 June 2015. The address of the Company's registered office is Level 11, Admiralty Centre Tower II, 18 Harcourt Road, Admiralty, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in pachinko and pachislot hall operations in Japan.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in millions of Japanese Yen ("¥"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. 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 International Financial Reporting Standards ("IFRS") and Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the requirements of the Hong Kong Companies Ordinance Cap. 622. HKFRS is substantially consistent with IFRS and the accounting policy selections that the Group has made in preparing the consolidated financial statements are such that the Group is able to comply with both IFRS and HKFRS. Reference to IFRS, International Accounting Standards ("IAS") and Interpretations developed by the IFRS Interpretations Committee ("IFRIC") in the consolidated financial statements should be read as referring to the equivalent HKFRS, Hong Kong Accounting Standards ("HKAS") and Hong Kong (IFRIC) Interpretation ("HK(IFRIC)-Int") as the case may be. Accordingly, there are no differences of accounting practice between IFRS and HKFRS affecting the consolidated financial statements.

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

(a) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention except for the financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial liabilities at fair value through profit or loss which are stated at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 July 2021:

Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

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

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

The following Amendments, together with certain amendments on accounting guideline and interpretation under HKFRS, have been published but not mandatory for the financial year beginning on or after 1 January 2022 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments under IFRS		
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
Annual Improvement to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments under HKFRS		
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Revised Hong Kong Interpretation 5 (2020)	Presentation of Financial Statement — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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.

2.2 Subsidiaries

2.2.1 Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls entities when the Group is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. Subsidiaries are 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 2.2.2).

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.

(ii) Changes in ownership interests

When the Group ceases to consolidate an investment because of a loss of control, 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.2 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.2 Business combinations (continued)

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.

2.3 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 are 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.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The board has appointed a strategic steering committee which assesses the financial performance and position of the Group, and makes strategic decisions. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 the 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within "Other (losses)/ 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 financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

(c) 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 statement of financial position presented are translated at the closing rate at the date of that statement of 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)

2.6 Property, plant and equipment

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

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 the replaced part is derecognised. All other repairs and maintenance are charged to consolidated statement of comprehensive income during the financial period in which they are incurred.

Except for freehold land which is not subject to depreciation, depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

— Buildings	2 to 47 years
— Leasehold improvements	Shorter of lease term or useful lives
— Equipment and tools	2 to 20 years
— Motor vehicles	2 to 6 years
— Competition horses	4 to 8 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.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within "Other (losses)/gains, net" in the statement of comprehensive income.

2.7 Investment properties

Investment properties, principally comprising land and buildings, are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. The Group adopts the alternative treatment by using the cost model provided under the IAS 40 "Investment Property". Investment properties are 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 15 to 47 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)

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.2.2. 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.

(b) 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, which does not exceed 5 years.

(c) Club membership

Club membership has an indefinite useful life and is stated at cost less accumulated impairment losses.

Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment.

(d) Franchise rights

Franchise rights 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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 for the impairment at the end of each reporting period.

2.10 Investment and other financial assets

(a) 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 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 other comprehensive income. 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.

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

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the 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 investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investment and other financial assets (continued)

(c) 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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss 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.

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 (losses)/gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

- Fair value through other comprehensive income: 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 fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, 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 other comprehensive income is reclassified from equity to profit or loss and recognised in "Other (losses)/gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other (losses)/gains, net" and impairment expenses are presented as separate line item in the statement of comprehensive income.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within "Other (losses)/gains, net" in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investment and other financial assets (continued)

(c) Measurement (continued)

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 other comprehensive income, 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 fair value through profit or loss are recognised in "Other (losses)/gains, net" in the statement of comprehensive income as applicable. Impairment losses and reversal of impairment losses on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) Impairment

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

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

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Group 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. Arrangements entered by the Group that do not meet the criteria for offsetting are still allowed for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.12 Inventories

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Trade and other receivables

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

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.10 for further information about the Group's accounting for financial assets and description of the Group's impairment policies.

If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on 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 which are subject to an insignificant risk of changes in value.

2.15 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.

2.16 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. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income 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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the 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.

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 end of the reporting period.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 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)

2.18 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

The Group operates defined benefit plan as post-employment schemes.

(a) Pension obligations

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the statement of comprehensive income in employee benefits expenses, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in statement of comprehensive income.

The interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefits expenses in the statement of comprehensive income.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(b) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

(c) 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 end of reporting period.

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

2.20 Provisions

Provisions for reinstatement cost and legal claims 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 can be 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 expenditures 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.

2.21 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (continued)

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 pay-outs represents the aggregate cost of G-prizes and general prizes exchanged by customers. G-prizes are decorative cards with a small embedded piece of gold or silver or coin-shaped pendants of gold or silver which can be sold by customers to a G-prize buyer for cash, and general prizes are generally the types of goods sold in convenience stores, such as snacks, drinks and cigarettes.

Customers rent pachinko balls and pachislot tokens to play the games, and the balls or tokens won can be either exchanged for prizes or saved for subsequent visits. The Group offers both general prizes and G-prizes. Customers who opt to claim G-prizes in exchange for the pachinko balls and pachislot tokens may sell their G-prizes to an independent G-prize buyer for cash outside of the pachinko hall. Revenue is recognised at a point-in-time 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 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) Vending machine income is recognised at a point-in-time when the control of the good has transferred to the customer under the terms and conditions as stipulated in the agreement.

(iii) Horse management income is recognised on a straight-line basis over the periods covered by the terms and conditions as stipulated in the management agreement.

(iv) Rental income from investment properties is recognised on a straight-line basis over the term of the leases.

(v) Employment supporting services income is recognised over-time when the services is rendered and the Group's performance provides all of the benefits received and consumed simultaneously by the customers.

(vi) Income from expired prepaid IC and membership cards is recognised upon the expiry of the usage period.

(vii) Income from scrap sales of used pachinko machines is recognised when the Group has delivered the used pachinko machines to the purchaser.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the statement of comprehensive income as part of "Finance 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).

2.23 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.

2.24 Government grant

Grants from the government are recognised at their fair value where the grant is received by the Group, 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.

2.25 Leases

Lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

(a) As lessee

Leases are recognised as a right-of-use asset 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 component.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (continued)

(a) As lessee (continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (continued)

(b) As lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

2.26 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 for speculative purposes.

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.

(a) Market risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates in Japan and its business transactions are principally denominated in ¥. However, the Group is exposed to foreign exchange risk arising primarily from the transactions in its cash and cash equivalents, financial assets and accruals, provisions and other payables denominated in United States dollars ("USD").

As at 30 June 2022, if USD had weakened/strengthened by 5% against ¥ with all other variables held constant, post-tax loss for the year would have been approximately ¥17 million (2021: ¥18 million) higher/lower, mainly as a result of foreign exchange losses/gains on translation of USD-denominated cash and cash equivalents, financial assets and accruals, provisions and other payables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's cash flow 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 30 June 2022, if interest rates were increased or decreased by 5 basis points and all other variables were held constant, the post-tax loss would increase or decrease by less than ¥1 million (2021: approximately ¥2 million) as a result of increase or decrease in net interest expense.

The Group's fair value interest rate risk arises from bank balances and borrowings which are carried at fixed rates, which expose the Group to fair value interest rate risk. As at 30 June 2022, if interest rates were increased or decreased by 5 basis points and all other variables were held constant, the Group's post-tax loss would increase or decrease by approximately ¥10 million (2021: approximately ¥8 million) as a result of increase or decrease in net interest expense.

(iii) Price risk

The Group is exposed to equity securities price risk and derivative price risk because of investments in listed and unlisted securities and equity-based derivative held by the Group which are classified in the consolidated statement of financial position as financial assets at fair value through other comprehensive income and financial liabilities at fair value through profit or loss. As at 30 June 2022, if the share prices of underlying financial instruments were increased or decreased by 5% and all other variables were held constant, the Group's post-tax loss would decrease or increase by approximately ¥2 million (2021: approximately ¥3 million) as a result of fair value changes on financial assets at fair value through profit or loss and on financial assets at fair value through other comprehensive income.

(b) Credit risk

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Approximately 91% (2021: 90%) of the Group's revenue is received in cash. The Group's credit risk of trade receivables mainly arises from vending machine income, rental income and service income from other operations.

The Group has set up long-term cooperative relationship with these customers. In view of the history of business dealings with the customers 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.

The Group adopts general approach for expected credit losses of other receivables and consider these financial assets have not significantly increased in credit risk from initial recognition. Thus, these financial assets are classified in stage one and only consider 12-month expected credit losses. In measuring the expected credit losses, the credit quality has been assessed with reference to historical credit losses experienced and financial position of the counterparties. On that basis, the loss allowance during the years ended 30 June 2022 and 2021 is assessed to be immaterial.

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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 to meet obligations when due and 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 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 end of the reporting period 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 amounts as the impact of discounting is not significant.

	Within 1 year ¥million	Between 1 and 2 years ¥million	Between 2 and 5 years ¥million	Over 5 years ¥million	Total ¥million	Carrying amount ¥million
As at 30 June 2022						
Non-derivatives						
Trade payables	**11**	**—**	**—**	**—**	**11**	**11**
Other payables	**531**	**88**	**—**	**—**	**619**	**619**
Borrowings	**796**	**713**	**2,107**	**2,110**	**5,726**	**5,404**
Amount due to a director	**3**	**—**	**—**	**—**	**3**	**3**
Lease liabilities	**832**	**816**	**2,288**	**6,338**	**10,274**	**9,097**
	2,173	**1,617**	**4,395**	**8,448**	**16,633**	**15,134**
Derivatives						
Net settled (financial liabilities at fair value through profit or loss)	**134**	**—**	**—**	**—**	**134**	**134**
	134	**—**	**—**	**—**	**134**	**134**
As at 30 June 2021						
Non-derivatives						
Trade payables	12	—	—	—	12	12
Other payables	579	2	4	54	639	639
Borrowings	856	792	2,113	2,087	5,848	5,495
Amount due to directors	3	—	—	—	3	3
Lease liabilities	848	1,046	2,847	8,324	13,065	10,112
	2,298	1,840	4,964	10,465	19,567	16,261
Derivatives						
Net settled (financial liabilities at fair value through profit or loss)	—	8	—	—	8	8
	—	8	—	—	8	8

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk 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 net debt divided by total capital. Net debt is calculated as total borrowings and lease liability less cash and cash equivalents and liquid investment. Total capital is calculated as "Equity" as shown in the consolidated statement of financial position, plus net debt, where applicable.

	2022 **¥million**	2021 ¥million
Borrowings (Note 28)	**5,404**	5,495
Lease liabilities (Note 14)	**9,097**	10,112
Less: cash and cash equivalents (Note 23)	**(2,340)**	(2,617)
Less: liquid investment (Note)	**(22)**	(87)
Net debt	**12,139**	12,903
Total equity	**2,160**	3,477
Total capital	**14,299**	16,380
Gearing ratio	**84.9%**	78.8%

Note: Liquid investment comprises current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

The slight increase in the gearing ratio as at 30 June 2022 resulted from the decrease in reserve due to impairment loss recognised during the year.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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).

	Level 1 ¥million	Level 2 ¥million	Level 3 ¥million	Total ¥million
As at 30 June 2022				
Assets				
Financial assets at fair value through profit or loss				
— Listed equity securities	22	—	—	22
— Debt securities	—	321	—	321
Financial assets at fair value through other comprehensive income				
— Listed equity securities	30	—	—	30
— Unlisted securities	—	—	2	2
	52	321	2	375
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivatives	—	(134)	—	(134)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

	Level 1 ¥million	Level 2 ¥million	Level 3 ¥million	Total ¥million
As at 30 June 2021				
Assets				
Financial assets at fair value through profit or loss				
— Listed equity securities	87	—	—	87
— Debt securities	—	291	—	291
Financial assets at fair value through other comprehensive income				
— Listed equity securities	22	—	—	22
— Unlisted securities	—	—	2	2
	109	291	2	402
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivatives	—	(8)	—	(8)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. 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. As at 30 June 2022, instruments included in level 1 represent listed equity investments classified as financial assets at fair value through other comprehensive income which were not held for trading purpose and listed equity investments classified as financial assets at fair value through profit or loss which were held for trading purpose (2021: Same).

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at 30 June 2022 and 2021, instruments included in level 2 comprise bonds, trust funds and foreign currency swap issued by financial institutions in Japan which were classified as financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As at 30 June 2022 and 2021, financial assets at fair value through other comprehensive income mainly comprise investment in a venture capital fund.

The venture capital fund is not traded on an active market, and the fair value is determined using valuation techniques. The value is primarily based on the latest available financial statements of the venture capital fund as reported by the General Partner of the venture capital fund, unless the Group is aware of reasons that such a valuation may not be the best approximation of fair value. The Group may make adjustments to the value based on considerations such as: the underlying investments of the venture capital fund, the value date of the net asset value provided, cash flows since the last value date, geographic and sector exposures, market movements and the basis of accounting of the underlying of the venture capital fund. The unobservable inputs which significantly impact the fair value are the net asset value advised by the venture capital fund's General Partner. No adjustment has been made by the Group on such value.

The following table presents the changes in level 3 instruments for the years ended 30 June 2022 and 2021:

	Financial assets at fair value through other comprehensive income ¥million	**Financial assets at fair value through profit or loss ¥million**	**Total ¥million**
Balance at 1 July 2020	3	1	4
Fair value loss on valuation	(1)	(1)	(2)
Balance at 30 June 2021	2	—	2
Fair value loss on valuation	—*	—	—*
Balance at 30 June 2022	2	—	2

* The amount represents less than ¥1 million.

There were no transfers between levels 1, 2 and 3 during the years ended 30 June 2022 and 2021.

3.4 Offsetting financial assets and financial liabilities

As at 30 June 2022 and 2021, there were no financial assets or financial liabilities which were subject to offsetting, enforceable master netting or similar agreements.

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(a) Impairment assessment 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: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and 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 (3) 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 rate 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 charge to the profit or loss.

Details of the key assumptions applied by management in assessing impairment of property, plant and equipment and right-of-use assets are stated in Note 13 and Note 14.

(b) Impairment assessment 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 amount of the cash-generating unit ("CGU") is determined based on value-in-use calculation or fair value less costs of disposal. Value-in-use calculation requires 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 calculation requires 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 rate or the growth rate assumption in the cash flow projection, 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.

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(c) Current and deferred income taxes

The Group is subject to income taxes in Japan and Hong Kong. Judgement is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates for whether additional taxes may be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2022 **¥million**	2021 ¥million
Revenue		
Gross pay-ins	**25,177**	24,232
Less: gross pay-outs	**(20,099)**	(19,327)
Revenue from pachinko and pachislot hall business	**5,078**	4,905
Vending machine income	**88**	93
Property rental	**355**	351
Revenue from other operations	**41**	74
	5,562	5,423

Except for revenue from pachinko and pachislot hall business and vending machine income which are recognised at a point-in-time, all of the Group's revenues are recognised over-time as the services are performed.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Revenue (continued)

During the year ended 30 June 2022, revenue recognised that was included in the contract liabilities balances of unutilised balls and tokens at the beginning of the year amounted to ¥326 million (2021: ¥230 million). Unutilised balls and tokens have an expiry term of 5 years but the Company expects to deliver the services to satisfy the remaining performance obligations of these contract liabilities during the next reporting period.

As at 30 June 2022, the amount of transaction price allocated to the contract liabilities in relation to unutilised balls and tokens that are unfulfilled were ¥387 million (2021: ¥326 million) (Note 26), 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 CODM is identified as the executive directors of the Group. The CODM consider the business from a service perspective and assess the performance of the operating segments based on a measure of loss before income tax for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as the consolidated financial statements.

The CODM has identified three reportable segments based on the types of services, namely (i) pachinko and pachislot hall operation, (ii) property rental, and (iii) other segments which include horse management operation and employment supporting services operation (prior to the discontinuation in August 2021). The horse management operation and employment supporting services operation do not meet the reportable segment threshold and thus they are not separately presented but included as "other segments".

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

The segment information provided to the executive directors for the years ended 30 June 2022 and 2021 are as follows:

	Year ended 30 June 2022				
	Pachinko and pachislot hall operation ¥million	Property rental ¥million	Other segments ¥million	Unallocated amounts ¥million	Total ¥million
Segment revenue from external customers	5,166	355	41	—	5,562
Segment results	(471)	(13)	(11)	—	(495)
Unallocated amount	—	—	—	(710)	(710)
Income tax expense					(116)
Loss for the year					(1,321)
Other segment items					
Provision for impairment loss of property, plant and equipment	(133)	—	—	(76)	(209)
Provision for impairment loss of right-of-use assets	(937)	—	—	—	(937)
(Provision for)/reversal of provision for impairment loss of intangible assets	(241)	—	—	3	(238)
Provision for impairment loss of investment properties	—	(160)	—	—	(160)
Depreciation and amortisation	(701)	(78)	(18)	(84)	(881)
Finance income	—	—	—	66	66
Finance costs	(169)	(59)	—	(15)	(243)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

	Year ended 30 June 2021				
	Pachinko and pachislot hall operation ¥million	Property rental ¥million	Other segments ¥million	Unallocated amounts ¥million	Total ¥million
Segment revenue from external customers	4,998	351	74	—	5,423
Segment results	(297)	112	(13)	—	(198)
Unallocated amount	—	—	—	(75)	(75)
Income tax expense					(304)
Loss for the year					(577)
Other segment items					
Reversal of provision for/(provision for) impairment loss of property, plant and equipment	22	—	(1)	—	21
Provision for impairment loss of right-of-use assets	(532)	—	(15)	—	(547)
Provision for impairment loss of intangible assets	(382)	—	(6)	—	(388)
Provision for impairment loss of investment properties	—	(44)	—	—	(44)
Depreciation and amortisation	(827)	(74)	(28)	(86)	(1,015)
Finance income	—	—	—	76	76
Finance costs	(198)	(57)	—	(13)	(268)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

The segment assets as at 30 June 2022 and 2021 are as follows:

	Pachinko and pachislot hall operation ¥million	Property rental ¥million	Other segments ¥million	Total ¥million
As at 30 June 2022				
Segment assets	**10,857**	**3,470**	**49**	**14,376**
Unallocated assets				**2,676**
Financial assets held at amortised cost				**1,000**
Financial assets at fair value through profit or loss				**343**
Financial assets at fair value through other comprehensive income				**32**
Deferred income tax assets				**175**
Total assets				**18,602**
Additions to non-current assets other than financial instruments and deferred tax assets	**(956)**	**(4)**	**(46)**	**(1,006)**

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

	Pachinko and pachislot hall operation ¥million	Property rental ¥million	Other segments ¥million	Total ¥million
As at 30 June 2021				
Segment assets	12,840	3,667	68	16,575
Unallocated assets				3,019
Financial assets held at amortised cost				1,000
Financial assets at fair value through profit or loss				378
Financial assets at fair value through other comprehensive income				24
Deferred income tax assets				328
Total assets				21,324
Additions to non-current assets other than financial instruments and deferred tax assets	(36)	(489)	(43)	(568)

There is no single external customer contributed more than 10% revenue to the Group's revenue for the years ended 30 June 2022 and 2021.

The Group is domiciled in Japan and majority of the non-current assets of the Group as at 30 June 2022 and 2021 are located in Japan.

6 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	2022 **¥million**	2021 ¥million
Other income		
Income from scrap sales of used pachinko machines	**310**	232
Dividend income	**6**	5
Income from expired IC card	**5**	5
Government subsidy related to COVID-19	**7**	22
Others	**45**	45
	373	309
Other (losses)/gains, net		
Gain on release of lease liabilities (Note)	**460**	731
Provision for impairment loss of investment properties (Note 15)	**(160)**	(44)
Provision for impairment loss of property, plant and equipment (Note 13)	**(76)**	(1)
Provision for impairment loss of right-of-use assets (Note 14)	**—**	(15)
Reversal of provision for/(provision for) impairment loss of intangible assets (Note 16)	**3**	(6)
Exchange gains, net	**82**	17
Losses on write-off of property, plant and equipment	**(9)**	(2)
Fair value changes on financial assets and finance liabilities at fair value through profit or loss	**(504)**	16
Gains on disposal of financial assets at fair value through profit or loss	**21**	56
Others	**3**	34
	(180)	786

Note: Gain on release of lease liabilities during the years ended 30 June 2022 and 2021 mainly represents the gain from early termination of lease in relation to closure of two pachinko and pachislot halls (2021: one pachinko and pachislot hall) in Japan.

7 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2022	2021
	¥million	¥million
Pachinko and pachislot machines expenses (Note)	**1,849**	1,654
Auditor's remuneration		
— Audit services	**80**	52
— Non-audit services	**6**	15
Employee benefits expenses (Note 8)		
— Hall operating expenses	**855**	1,018
— Administrative and other operating expenses	**281**	291
Operating lease rental expense in respect of land and buildings	**18**	27
Depreciation and amortisation (Notes 13, 14, 15 and 16)	**881**	1,015
Advertising and promotion expenses	**177**	171
Equipment and consumables costs	**79**	121
Provision for/(reversal of provision for) impairment loss of property, plant and equipment (Note 13)	**133**	(22)
Provision for impairment loss of right-of-use assets (Note 14)	**937**	532
Provision for impairment loss of intangible assets (Note 16)	**241**	382
Repairs and maintenance	**93**	110
Other taxes and duties	**132**	128
Outsourcing service expenses	**129**	193
Utilities expenses	**262**	294
G-prize procurement expenses to wholesalers	**169**	198
Legal and professional fees	**59**	66
Travel expenses	**27**	24
Insurance fee	**21**	18
Others	**354**	312
	6,783	6,599

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

	2022 ¥million	2021 ¥million
Salaries, bonuses and allowances	**973**	1,132
Post-employment benefits	**34**	31
Other employee benefits	**129**	146
	1,136	1,309

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 30 June 2022 include one director (2021: two directors) whose emolument is reflected in the analysis shown in Note 35. The emoluments payable to the remaining four (2021: three) individuals during the year are as follows:

	2022 ¥million	2021 ¥million
Salaries, allowances and other benefits	**57**	61
Contribution to pension scheme	**—***	—*
	57	61

* The amount represents less than ¥1 million.

The emoluments fell within the following bands:

	Number of individuals 2022	2021
Nil to ¥15,165,000 (equivalent to approximately HK$nil to HK$1,000,000)	**3**	1
¥15,165,001 to ¥22,747,500 (equivalent to approximately HK$1,000,001 to HK$1,500,000)	**—**	1
¥22,747,501 to ¥30,330,000 (equivalent to approximately HK$1,500,001 to HK$2,000,000)	**1**	1
	4	3

No bonus, amounts as an inducement for joining or upon joining the Group and no compensation for the loss of office in connection with the management of the affairs of any member of the Group was paid or payable to any five highest paid individuals during the year (2021: Nil).

9 FINANCE COSTS, NET

	2022 **¥million**	2021 ¥million
Finance income		
Interest income	**2**	1
Interest from debt securities	**64**	75
	66	76
Finance costs		
Interest for lease liabilities	**(175)**	(196)
Bank borrowings interest expenses	**(65)**	(68)
Bond interest expenses	**(1)**	(2)
Others	**(2)**	(2)
	(243)	(268)
Finance costs, net	**(177)**	(192)

10 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 30 June 2022 and 2021.

Japan corporate income tax include national corporate income tax, inhabitants tax, and enterprise tax, and has been calculated on the estimated assessable profit for the year. During the year ended 30 June 2022, the aggregated rates of national corporate income tax, inhabitants tax, and enterprise tax resulted in statutory income tax rates of 34.3% (2021: 34.3%).

	2022 **¥million**	2021 ¥million
Current income tax		
— Japan	**25**	38
Deferred income tax (Note 29)		
— Japan	**91**	266
	116	304

10 INCOME TAX EXPENSE (CONTINUED)

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

	2022 **¥million**	2021 ¥million
Loss before income tax	**(1,205)**	(273)
Tax calculated at applicable Japan corporate income tax rate	**(413)**	(94)
Expenses not deductible for tax purposes	**86**	135
Income not subject to tax purpose	**(16)**	(16)
Temporary differences for which no deferred tax assets were recognised	**573**	170
Utilisation of previously unrecognised deductible temporary differences	**(137)**	(326)
Recognition of previously unrecognised deductible temporary differences	**(83)**	(52)
Tax losses not recognised	**165**	499
Withholding tax on undistributed earnings of subsidiaries (Note)	**(59)**	(12)
Income tax expense	**116**	304

For the year ended 30 June 2022, the effective tax rate was approximately –9.6% (2021: –111.3%).

Note: For the years ended 30 June 2022 and 2021, deferred income tax liabilities arising from 5% withholding income tax on the distributable reserve of the Group's subsidiaries (2021: same).

11 LOSS PER SHARE

Basic loss per share for the years ended 30 June 2022 and 2021 are calculated by dividing the loss attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the years ended 30 June 2022 and 2021.

	2022	2021
Loss attributable to shareholders of the Company (¥million)	**(1,321)**	(577)
Weighted average number of ordinary shares in issue (million) (Note)	**500**	500
Basic and diluted loss per share (¥)	**(2.64)**	(1.15)

Note: No diluted loss per share is presented as there was no potential dilutive share during the years ended 30 June 2022 and 2021. Diluted loss per share is equal to the basic loss per share.

12 DIVIDENDS

The board of directors did not recommend the payment of dividend for the year ended 30 June 2022 (2021: Nil).

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land ¥million	Buildings ¥million	Leasehold improvements ¥million	Equipment and tools ¥million	Motor vehicles ¥million	Competition horses ¥million	Total ¥million
At 1 July 2020							
Cost	5,692	4,892	3,027	3,025	36	213	16,885
Accumulated depreciation and impairment	(910)	(2,556)	(2,547)	(2,942)	(32)	(43)	(9,030)
Net book amount	4,782	2,336	480	83	4	170	7,855
Year ended 30 June 2021							
Opening net book amount	4,782	2,336	480	83	4	170	7,855
Additions	—	—	15	21	—	—	36
Written-off	—	—	(1)	(1)	—	—	(2)
Reversal of/(provision for) impairment loss	76	—	(49)	(6)	—	—	21
Depreciation (Note 7)	—	(100)	(94)	(46)	(1)	(47)	(288)
Closing net book amount	4,858	2,236	351	51	3	123	7,622

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land ¥million	Buildings ¥million	Leasehold improvements ¥million	Equipment and tools ¥million	Motor vehicles ¥million	Competition horses ¥million	Total ¥million
At 30 June 2021							
Cost	5,692	4,982	3,039	3,043	36	213	17,005
Accumulated depreciation and impairment	(834)	(2,746)	(2,688)	(2,992)	(33)	(90)	(9,383)
Net book amount	4,858	2,236	351	51	3	123	7,622
Year ended 30 June 2022							
Opening net book amount	4,858	2,236	351	51	3	123	7,622
Additions	—	—	89	240	9	—	338
Written-off	—	—	(5)	(4)	—	—	(9)
Impairment loss	(14)	(2)	(42)	(75)	—	(76)	(209)
Depreciation (Note 7)	—	(141)	(59)	(90)	(3)	(47)	(340)
Closing net book amount	4,844	2,093	334	122	9	—	7,402
At 30 June 2022							
Cost	5,431	4,980	3,327	3,512	64	213	17,527
Accumulated depreciation and impairment	(587)	(2,887)	(2,993)	(3,390)	(55)	(213)	(10,125)
Net book amount	4,844	2,093	334	122	9	—	7,402

Depreciation of ¥267 million (2021: ¥236 million) have been charged in "Hall operating expenses" and ¥73 million (2021: ¥52 million) have been charged in "Administrative and other operating expenses" for the year ended 30 June 2022.

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 30 June 2022 and 2021 has been disclosed in Note 28.

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment of property, plant and equipment

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group carried out reviews of the recoverable amount of each CGU. As at 30 June 2022, each CGU is determined as each individual pachinko and pachislot hall, each individual investment property and the horse management operation (2021: each individual pachinko and pachislot hall, each individual investment property, the horse management operation and the employment support operation). For assets served for corporate uses and not allocated to specific CGU, recoverability of the assets are assessed at Group level.

For the year ended 30 June 2022, the management regards CGU with recording operating loss for current year or performing below management's expectation, defined as not fulfilling the projected operating profit or loss for the year (2021: Same) 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 as the higher of value-in-use or fair value less cost of disposal.

The value-in-use calculations use pre-tax cash flow projections over the CGUs useful life, which is based on financial budgets approved by management covering a five-year period. Management prepared the value-in-use calculations by using pre-tax cash flow projections over the useful lives of CGUs. Management's forecast takes into account the performance of each of the halls in the last quarter of FY2022 incorporating management's latest plans for each halls, with annual revenue growth rate after FY2022 until the remaining useful life as 0% (2021: The pre-tax cash flow forecasts of the CGUs adopted the multiple probability-weighted scenarios approach, whereas the key input is the assumed time length, ranging from half year to 2 years from 30 June 2021, for the revenue to resume to certain level, ranging from 70% to 90%, of the pre-pandemic level, which was determined based on the circumstance of each CGU, with annual revenue growth rate over the remaining useful life as 0%). The pre-tax discount rate used to determine the recoverable amounts is 10.97% (2021: 12.50%).

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

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

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment of property, plant and equipment (continued)

The key assumptions used for fair value less costs of disposal calculations for the years ended 30 June 2022 and 2021 are as follows:

	2022	2021
Land — unit price per square meter	**¥41,800–¥883,000**	¥33,700–¥821,000
Building — replacement cost per square meter	**¥90,000–¥283,000**	¥75,494–¥283,000

The Group's finance team 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 team and the valuer at least annually.

At each financial year end the finance team:

- verifies all major inputs to the independent valuation reports;
- assesses property valuations movements when compared to the prior year valuation reports; and
- holds discussions with the independent valuer.

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

Management assessed the sensitivity of the recoverable amounts to change in key assumptions. The results of the sensitivity analysis are as follows:

		2022 ¥million	2021 ¥million
Value-in-use	Revenue growth rate decreases by 2%	**101**	180
	Pre-tax discount rate increased by 1%	**54**	103
Fair value less cost of disposal	Unit price per square meter of land and replacement cost per square meter of building decreases by 1%	**—**	—

For the year ended 30 June 2022, as a result of the impairment review of CGUs with impairment indicator, impairment loss of approximately ¥209 million (2021: reversal of provision for impairment loss of approximately ¥21 million) in relation to property, plant and equipment have been recognised.

14 LEASES

This note provides information for leases where the Group is a lessee.

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

The consolidated statement of financial position shows the following balances relating to leases:

	2022 **¥million**	2021 ¥million
Right-of-use assets		
Land	**196**	423
Buildings	**2,600**	3,615
Leasehold improvements	**13**	20
Equipment and tools	**11**	46
	2,820	4,104
Lease liabilities		
Non-current	**8,434**	9,264
Current	**663**	848
	9,097	10,112

Additions and disposals to the right-of-use assets during the year ended 30 June 2022 were ¥664 million (2021: ¥43 million) and ¥548 million (2021: ¥6 million) respectively.

For the year ended 30 June 2022, as a result of the impairment review of the CGUs as disclosed in Note 13, provision for impairment loss of approximately ¥937 million (2021: ¥547 million) in relation to right-of-use assets has been recognised.

14 LEASES (CONTINUED)

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

	Note	**2022 ¥million**	2021 ¥million
Depreciation charge of right-of-use assets:			
Land		**28**	38
Buildings		**412**	530
Leasehold improvements		**7**	5
Equipment and tools		**16**	46
Computer software		**—**	32
	7	**463**	651
Expense relating to short-term leases	7	**18**	27
Interest expense (included in finance cost)	9	**175**	196

The cash outflow for leases during the year ended 30 June 2022 was approximately ¥864 million (2021: ¥1,185 million).

(c) Leasing activities and how these are accounted for

The Group leases various land, buildings and computer software. Rental contracts are typically made for fixed periods of 3 to 30 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 rental deposits 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 by the Group.

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 are only included in the lease term if the lease is reasonably certain to be extended.

15 INVESTMENT PROPERTIES

	Investment properties ¥million
At 1 July 2020	
Cost	4,115
Accumulated depreciation and impairment	(1,268)
Net book amount	2,847
Year ended 30 June 2021	
Opening net book amount	2,847
Additions	489
Disposal	(4)
Impairment loss	(44)
Depreciation (Note 7)	(72)
Closing net book amount	3,216
At 1 July 2021	
Cost	4,600
Accumulated depreciation and impairment	(1,384)
Net book amount	3,216
Year ended 30 June 2022	
Opening net book amount	3,216
Additions	4
Impairment loss	(160)
Depreciation (Note 7)	(78)
Closing net book amount	2,982
At 1 July 2022	
Cost	4,604
Accumulated depreciation and impairment	(1,622)
Net book amount	2,982

The investment properties that have been pledged to secure general facilities granted to the Group are disclosed in Note 28. The Group had no unprovided contractual obligations for future repairs and maintenance as at 30 June 2022 and 2021.

15 INVESTMENT PROPERTIES (CONTINUED)

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

	2022 **¥million**	2021 ¥million
Rental income	**344**	340
Direct operating expenses from the properties that generated rental income	**(126)**	(117)
	218	223

The Group's investment properties were valued as at 30 June 2022 and 2021 by an independent professionally qualified valuer. The valuations were determined using the income approach, which largely used observable and unobservable inputs, including monthly rental per square meter, capitalisation rate, discount rate and vacancy rate after expiry of current lease, or the sales comparison approach, which largely used sales comparables occurred in the property market. The fair values of all investment properties are within level 3 of the fair value hierarchy.

15 INVESTMENT PROPERTIES (CONTINUED)

The key assumptions used for fair value less costs of disposal calculations for the years ended 30 June 2022 and 2021 are as follows:

	2022	2021
Income approach		
Land		
— Monthly rental per square meter	**¥634**	¥634
— Capitalisation rate	**10.0%**	10.0%
— Discount rate	**9.8%**	9.8%
— Vacancy rate after expiry of current lease terms	**3.0%**	3.0%
Commercial building		
— Monthly rental per square meter	**¥351–¥837**	¥351–¥837
— Capitalisation rate	**N/A**	N/A
— Discount rate	**6.5%–7.5%**	6.5%–7.5%
— Vacancy rate after expiry of current lease terms	**0%**	0%
Residential building		
— Monthly rental per square meter	**¥1,433–¥5,062**	¥1,548–¥5,190
— Capitalisation rate	**6.0%–6.7%**	6.0%–6.7%
— Discount rate	**5.8%–6.5%**	5.8%–6.5%
— Vacancy rate after expiry of current lease terms	**15.0%–20.0%**	15.0%
Car park		
— Monthly rental per square meter	**¥141–¥7,178**	¥141–¥7,144
— Capitalisation rate	**5.5%–6.5%**	5.5%–6.5%
— Discount rate	**6.3%**	6.3%
— Vacancy rate after expiry of current lease terms	**4.0%–5.0%**	4.0%–5.0%
Sales comparison approach		
Land		
— Unit price per square meter	**¥4,490–¥23,100**	¥4,460–¥23,400
Carpark		
— Unit price per square meter	**¥195,000–¥242,000**	¥189,000–¥239,000

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At each financial year end the finance team:

- verifies all major inputs to the independent valuation reports;
- assesses property valuations movements when compared to the prior year valuation reports; and
- holds discussions with the independent valuer.

Where the individual valuation results indicate that the carrying amount of each investment property exceeds its recoverable amount, impairment loss will be recognised by the Group. The aggregated fair value of the investment properties at 30 June 2022 is ¥3,386 million (2021: ¥3,561 million). For particular investment properties with carrying amounts below the recoverable amounts, impairment loss of ¥160 million was recognised during the year (2021: ¥44 million).

16 INTANGIBLE ASSETS

	Goodwill ¥million	Computer software ¥million	Club membership ¥million	Franchise rights ¥million	Total ¥million
At 1 July 2020					
Cost	740	112	5	9	866
Accumulated amortisation and impairment	—	(109)	(5)	(1)	(115)
Net book amount	740	3	—	8	751
Year ended 30 June 2021					
Opening net book amount	740	3	—	8	751
Impairment loss	(382)	—	—	(6)	(388)
Amortisation (Note 7)	—	(2)	—	(2)	(4)
Closing net book amount	358	1	—	—	359
At 30 June 2021					
Cost	740	112	5	9	866
Accumulated amortisation and impairment	(382)	(111)	(5)	(9)	(507)
Net book amount	358	1	—	—	359
Year ended 30 June 2022					
Opening net book amount	**358**	**1**	**—**	**—**	**359**
Additions	**—**	**1**	**—**	**—**	**1**
(Impairment loss)/reversal of impairment loss	**(241)**	**—**	**3**	**—**	**(238)**
Amortisation (Note 7)	**—**	**—***	**—**	**—**	**—***
Closing net book amount	**117**	**2**	**3**	**—**	**122**
At 30 June 2022					
Cost	**740**	**113**	**5**	**9**	**867**
Accumulated amortisation and impairment	**(623)**	**(111)**	**(2)**	**(9)**	**(745)**
Net book amount	**117**	**2**	**3**	**—**	**122**

* The amount represents less than ¥1 million.

16 INTANGIBLE ASSETS (CONTINUED)

Intangible assets represent computer software, club membership, franchise rights and goodwill arising from an acquisition of a subsidiary which was engaged in the pachinko business in previous years.

During the year ended 30 June 2022, no (2021: Nil) amortisation expenses relating to computer software have been charged in "Hall operating expenses" and no amortisation expenses relating to computer software and franchise rights (2021: ¥2 million; ¥2 million, respectively) have been charged in "Administrative and other operating expenses".

Impairment assessment of goodwill

Goodwill arising from the acquisition is allocated to the relevant CGU which is expected to benefit from the business combination, as defined as a pachinko and pachislot hall. Management reviews annually whether the carrying amount of the CGU is higher than the recoverable amount which results in impairment of goodwill.

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

The value-in-use calculation uses pre-tax cash flow projection over the CGU useful life, which is based on financial budget approved by management covering a five-year period. Management prepared the value-in-use calculations by using pre-tax cash flow projections over the useful lives of CGUs. Management's forecast takes into account the performance of each of the halls in the last quarter of FY2022 incorporating management's latest plans for each halls, with annual revenue growth rate after FY2022 until the remaining useful life as 0% (2021: The pre-tax cash flow forecast of the CGU adopted the multiple probability-weighted scenarios approach, whereas the key input is the assumed time length, ranging from half year to 2 years from 30 June 2021, for the revenue to resume to 80% of the pre-pandemic level, which was determined based on the circumstance of the CGU, with annual revenue growth rate over the remaining useful life as 0%). The pre-tax discount rate used to determine the recoverable amounts is 10.97% (2021: 12.50%).

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

The fair value less cost of disposal calculation is carried out based on valuation performed by an independent professionally qualified valuer who holds recognised relevant professional qualifications and have recent experiences in the locations and segments of the properties valued. The valuation was determined using the cost approach, which largely used observable and unobservable inputs, including unit price per square meter of sales comparables for land as well as replacement cost per square meter for buildings. The fair values of the CGU subject to fair value less cost of disposal calculation is within level 3 of the fair value hierarchy.

16 INTANGIBLE ASSETS (CONTINUED)

Impairment assessment of goodwill (continued)

The key assumptions used for fair value less costs of disposal calculation for the year ended 30 June 2022 and 2021 are as follows:

	2022	2021
Land — unit price per square meter	**¥211,339**	¥213,000
Building — replacement cost per square meter	**¥107,676**	¥110,000

The Group's finance team 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 team and the valuer at least annually.

At each financial year end the finance team:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation reports; and
- holds discussions with the independent valuer.

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

		2022 **¥million**	2021 ¥million
Value-in-use	Revenue growth rate decreases by 2%	—	135
	Pre-tax discount rate increased by 1%	—	974

As a result of the impairment review, the recoverable amount of the CGU in which goodwill has been allocated is lower than its carrying amount as at 30 June 2022. As a result, impairment loss of ¥241 million was charged during the year ended 30 June 2022 (2021: ¥382 million).

17 FINANCIAL INSTRUMENTS BY CATEGORY

	2022 ¥million	2021 ¥million
Financial assets		
Financial assets at fair value		
Financial assets at fair value through profit or loss	**343**	378
Financial assets at fair value through other comprehensive income	**32**	24
	375	402
Financial assets at amortised cost		
Deposits and other receivables	**1,002**	1,244
Bonds	**1,000**	1,000
Short-term bank deposits	**100**	100
Cash and cash equivalents	**2,340**	2,617
	4,442	4,961
	4,817	5,363
Financial liabilities		
Financial liabilities at fair value		
Financial liabilities at fair value through profit or loss	**134**	8
	134	8
Financial liabilities at amortised cost		
Trade payables	**11**	12
Lease liabilities	**9,097**	10,112
Other payables	**619**	639
Amount due to directors	**3**	3
Borrowings	**5,404**	5,495
	15,134	16,261
	15,268	16,269

18 FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS THROUGH OTHER COMPREHENSIVE INCOME

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

	2022 **¥million**	2021 ¥million
Listed securities	**22**	87
Unlisted securities		
— Debt securities	**321**	291
Less: non-current portion	**—**	(22)
Current portion	**343**	356

Changes in fair values of financial assets at fair value through profit or loss are recorded in "Other (losses)/gains, net" in the consolidated statement of comprehensive income (Note 6).

The fair values of all listed equity securities are based on the current bid prices and recent transaction prices in an active market. The fair values of certain debt securities are within levels 2 and 3 of fair value hierarchy (Note 3.3).

The carrying amounts of financial assets at fair value through profit or loss are denominated in the following currencies:

	2022 **¥million**	2021 ¥million
¥	**201**	317
USD	**142**	61
	343	378

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

	2022 **¥million**	2021 ¥million
Listed securities		
— Equity securities	**30**	22
Unlisted securities		
— Equity securities	**2**	2
	32	24

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.

18 FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

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

The fair values of all listed 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). The fair values of all unlisted equity securities are within level 3 of the fair value hierarchy (Note 3.3).

Certain listed equity securities have been pledged to secure general facilities granted to the Group (Note 28).

The carrying amounts of financial assets at fair value through other comprehensive income are denominated in the following currencies:

	2022 **¥million**	2021 ¥million
¥	**32**	24

(c) Financial liabilities at fair value through profit or loss

	2022 **¥million**	2021 ¥million
Derivatives	**(134)**	(8)

The carrying amounts of financial liabilities at fair value through profit or loss are dominated in ¥.

19 FINANCIAL ASSETS AT AMORTISED COST

	2022 **¥million**	2021 ¥million
Current portion		
Bonds	**1,000**	1,000

The bonds carry fixed interest rate of 4.0% per annum during the year ended 30 June 2022 (2021: fixed interest rate of 3.0% per annum from 1 July 2020 to 31 January 2021, and fixed interest rate of 4.0% per annum from 1 February 2021 to 30 June 2021), denominated in ¥ and approximate their fair values as at 30 June 2022 and 2021. The maturity period of the bonds was within 1 year.

20 INVENTORIES

	2022 ¥million	2021 ¥million
Uninstalled pachinko and pachislot machines	**83**	79

The cost of inventories recognised as expense and included in "Hall operating expenses" amounted to ¥1,849 million (2021: ¥1,654 million) for the year ended 30 June 2022 (Note 7).

21 TRADE RECEIVABLES

	2022 ¥million	2021 ¥million
Trade receivables	**12**	19

Trade receivables represent commission income receivable from vending machines, lease receivables and income receivables from other operations. The credit terms granted by the Group generally ranged from 30 to 60 days.

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

	2022 ¥million	2021 ¥million
Less than 30 days	**12**	19

The carrying amounts of the trade receivables approximate their fair values as at 30 June 2022 and 2021 and are denominated in ¥.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 ¥million	2021 ¥million
Non-current portion		
Rental and other deposits	**806**	1,006
Prepaid expenses	**45**	53
	851	1,059
Current portion		
Prepayment for prizes in operation for pachinko and pachislot halls	**82**	125
Prepaid expenses	**62**	56
Other receivables	**170**	144
Rental and other deposits	**26**	94
	340	419

The carrying amounts of prepayments, deposits and other receivables of the Group approximate their fair values as at 30 June 2022 and 2021 and are denominated in ¥.

23 CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK DEPOSITS

(a) Bank deposits with maturity more than three months

	2022 ¥million	2021 ¥million
Bank deposits with maturity more than three months	**100**	100

(b) Cash and cash equivalents

	2022 ¥million	2021 ¥million
Cash on hand	**174**	186
Cash at banks	**2,166**	2,431
Cash and cash equivalents	**2,340**	2,617

The carrying amounts of cash and cash equivalents and short-term bank deposits are denominated in the following currencies:

	2022 ¥million	2021 ¥million
¥	**1,982**	2,169
USD	**447**	539
Others	**11**	9
	2,440	2,717

24 SHARE CAPITAL AND RESERVE

	Number of shares million	Share capital ¥million
At 1 July 2020, 30 June 2021 and 30 June 2022	500	20,349

(a) Capital reserve

Capital reserve deficit of approximately ¥12,837 million represented (i) the difference between the carrying value net asset of the Business and the share capital of the Company upon formation of the Company and transfer of the Business to the Company and (ii) the difference between the consideration paid for acquiring the subsidiaries and the share capitals of acquired subsidiaries under common control.

(b) Legal reserve

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

(c) Investment revaluation reserve

Investment revaluation reserve represents the cumulative net change in the fair value of financial assets through other comprehensive income held as at 30 June 2022 and 2021.

25 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice dates as at 30 June 2022 and 2021 is as follows:

	2022 ¥million	2021 ¥million
Less than 30 days	**11**	12

The carrying amounts of trade payables approximate their fair values as at 30 June 2022 and 2021 and are denominated in ¥.

26 ACCRUALS, PROVISIONS AND OTHER PAYABLES

	2022 **¥million**	2021 ¥million
Non-current portion		
Provision for reinstatement costs	**241**	298
Rental deposits	**74**	60
Payable for pachinko and pachislot machines	**88**	—
	403	358
Current portion		
Payable for pachinko and pachislot machines	**273**	352
Accrued expenses	**282**	432
Unutilised balls and tokens	**387**	326
Other tax payable	**153**	345
Others	**87**	136
	1,182	1,591

The carrying amounts of accruals, provisions and other payables approximate their fair values as at 30 June 2022 and 2021 are denominated in the following currencies:

	2022 **¥million**	2021 ¥million
¥	**1,517**	1,894
USD	**68**	55
	1,585	1,949

27 EMPLOYEE BENEFIT OBLIGATIONS

	2022 ¥million	2021 ¥million
Long term benefit obligations for Yamamoto Family (Note)	**124**	92
Retirement benefit obligations for employees	**38**	38
	162	130

Note:

Yamamoto Family refers to Katsuya Yamamoto and his family members, namely Kai Yamamoto, Kinya Yamamoto and Kakuya Yamamoto.

The long term benefit obligation for Yamamoto Family as at 30 June 2022 and 30 June 2021 represents the provision on the lump-sum payment made to one Yamamoto Family member as a recognition of his contribution to the Group. A particular amount of provision is made for him mainly according to his rank and years of service in the Group, using projected unit credit method. The defined benefit retirement plans of the Group are measured at present value which are determined with reference to the valuation performed by an independent qualified professional valuer. The valuation was carried out by projected unit credit method.

The Group's defined benefit retirement plans are the unfunded pension plans for full-time employees upon retirement.

(a) Movements of the liability in connection with long term benefit obligations for Yamamoto Family recognised in the consolidated statement of financial position are as follows:

	2022 ¥million	2021 ¥million
At beginning of year	**92**	64
Current service cost	**31**	31
Remeasurement of long term benefit obligations	**1**	(3)
At end of year	**124**	92

27 EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

(b) Movements of the liability in connection with retirement benefit obligations for employees recognised in the consolidated statement of financial position are as follows:

	2022 **¥million**	2021 ¥million
At beginning of year	**38**	36
Current service cost	**2**	3
Benefit paid	**(2)**	(1)
At end of year	**38**	38

(c) Expense recognised in consolidated statement of comprehensive income is as follows:

	2022 **¥million**	2021 ¥million
Current service cost on		
— long term benefit obligation for Yamamoto family	**32**	28
— retirement benefit obligation for employees	**2**	3

(d) The principal actuarial assumptions adopted as at 30 June 2022 and 2021 are as follows:

	2022	2021
Discount rate	**0.86%**	0.55%

28 BORROWINGS

	2022 ¥million	2021 ¥million
Non-current portion		
Bank loans	**3,301**	3,921
Loans from governmental financial institutions	**1,364**	750
Bonds	**—**	32
	4,665	4,703
Current portion		
Bank loans	**621**	727
Loans from governmental financial institutions	**86**	—
Bonds	**32**	65
	739	792
Total borrowings	**5,404**	5,495

As at 30 June 2022 and 2021, the Group's borrowings were repayable as follows:

	Bank loans		Loans from governmental financial institutions		Bonds	
	2022 ¥million	2021 ¥million	**2022 ¥million**	2021 ¥million	**2022 ¥million**	2021 ¥million
Within 1 year	**621**	727	**86**	—	**32**	65
Between 1 and 2 years	**568**	620	**93**	86	**—**	32
Between 2 and 5 years	**1,720**	1,711	**281**	281	**—**	—
Over 5 years	**1,013**	1,590	**990**	383	**—**	—
	3,922	4,648	**1,450**	750	**32**	97

The average effective interest rates (per annum) at 30 June 2022 and 2021 were set out as follows:

	2022	2021
Bank loans	**1.36%**	1.35%
Loans from governmental financial institutions	**0.50%**	0.11%
Bonds	**0.30%**	0.12%

28 BORROWINGS (CONTINUED)

As at 30 June 2022 and 2021, the total borrowings are pledged by certain assets and their carrying values are shown as below:

	2022 **¥million**	2021 ¥million
Property, plant and equipment	**5,092**	5,266
Investment properties	**1,674**	1,717
Financial assets at fair value through other comprehensive income — listed equity securities	**28**	21
	6,794	7,004

The carrying amounts of borrowings of the Group approximate their fair values as at 30 June 2022 and 2021 and are denominated in ¥.

During the years ended 30 June 2022 and 2021, details of bonds issued by the Group are as follows:

Issue date	**Principal amount**	**Outstanding balance**		**Interest rate**	**Due date**
	¥million	**2022** **¥million**	2021 ¥million		
13 March 2019	260	**32**	97	6 months of Tokyo Interbank Offered Rate	13 November 2022

29 DEFERRED INCOME TAX

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

	2022 **¥million**	2021 ¥million
Deferred income tax assets	**175**	328
Deferred income tax liabilities	**(23)**	(82)
	152	246

29 DEFERRED INCOME TAX (CONTINUED)

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

	2022 ¥million	2021 ¥million
At beginning of year	**246**	510
(Charged)/credited to other comprehensive income	**(3)**	2
Charged to profit or loss (Note 10)	**(91)**	(266)
At end of year	**152**	246

Deferred income tax assets

The summary of the balances comprising temporary differences is as follows:

	2022 ¥million	2021 ¥million
Property, plant and equipment	**409**	412
Lease liabilities	**721**	1,351
Pachinko and pachislot machines	**355**	351
Financial assets at fair value through other comprehensive income	**11**	14
Retirement benefit plans	**13**	12
Losses carried forward	**34**	59
Other provisions	**137**	139
Total deferred income tax assets	**1,680**	2,338
Set-off of deferred income tax liabilities pursuant to set-off provisions	**(1,505)**	(2,010)
Net deferred income tax assets	**175**	328

29 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets (continued)

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Property, plant and equipment ¥million	Lease liabilities ¥million	Pachinko and pachislot machines ¥million	Financial assets at fair value through profit or loss ¥million	Financial assets at fair value through other comprehensive income ¥million	Retirement benefit plans ¥million	Losses carried forward ¥million	Other provisions ¥million	Total ¥million
At 1 July 2020	553	1,704	392	50	12	12	227	112	3,062
Credited to other comprehensive income	—	—	—	—	2	—	—	—	2
(Charged)/credited to profit or loss	(141)	(353)	(41)	(50)	—	—	(168)	27	(726)
At 30 June 2021	412	1,351	351	—	14	12	59	139	2,338
Charged to other comprehensive income	—	—	—	—	(3)	—	—	—	(3)
(Charged)/credited to profit or loss	(3)	(630)	4	—	—	1	(25)	(2)	(655)
At 30 June 2022	**409**	**721**	**355**	**—**	**11**	**13**	**34**	**137**	**1,680**

Deferred income tax liabilities

The summary of the balances comprising temporary differences is as follows:

	2022 ¥million	2021 ¥million
Property, plant and equipment	**(553)**	(665)
Right-of-use assets	**(931)**	(1,329)
Provision for reinstatement costs	**(2)**	(3)
Financial assets at fair value through profit or loss	**(5)**	(3)
Taxable temporary differences relating to investments in subsidiaries	**(23)**	(82)
Others	**(14)**	(10)
Total deferred income tax liabilities	**(1,528)**	(2,092)
Set-off of deferred income tax assets pursuant to set-off provisions	**1,505**	2,010
Net deferred income tax liabilities	**(23)**	(82)

29 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities (continued)

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Property, plant and equipment ¥million	Right-of-use assets ¥million	Provision for reinstatement costs ¥million	Financial assets at fair value through profit or loss ¥million	Withholding tax on undistributed earnings of subsidiaries ¥million	Others ¥million	Total ¥million
At 1 July 2020	(736)	(1,704)	(6)	—	(95)	(11)	(2,552)
Credited/(charged) to profit or loss	71	375	3	(3)	13	1	460
At 30 June 2021	(665)	(1,329)	(3)	(3)	(82)	(10)	(2,092)
Credited/(charged) to profit or loss	112	398	1	(2)	59	(4)	564
At 30 June 2022	**(553)**	**(931)**	**(2)**	**(5)**	**(23)**	**(14)**	**(1,528)**

The Group takes into account the probability that deductible temporary differences or tax losses carried forward can be utilised against future taxable profits on recognition of deferred income tax assets. In assessing recoverability of deferred income tax assets, the Group takes into account scheduled reversal of deferred income tax liabilities, projected future taxable profit and tax planning.

As a result of the assessment of the recoverability of deferred income tax assets, the Group does not recognise deferred income tax assets for a portion of deductible temporary differences or tax losses carried forward. The amounts of deductible temporary differences and tax losses carried forward for which deferred income tax assets that are not recognised as of 30 June 2022 and 2021 are as follows:

	2022 ¥million	2021 ¥million
Deductible temporary differences	**8,901**	7,871
Losses carried forward	**2,865**	2,408
Total	**11,766**	10,279

29 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities (continued)

The expiration of tax losses carried forward for which deferred income tax assets are not recognised is as follows:

	2022 ¥million	2021 ¥million
1st year	—	—
2nd year	—	—
3rd year	—	—
4th year	—	—
5th year and thereafter	**2,865**	2,408
Total	**2,865**	2,408

30 CASH GENERATED FROM OPERATIONS

	2022 ¥million	2021 ¥million
Loss before income tax	**(1,205)**	(273)
Adjustments for:		
Depreciation and amortisation	**881**	1,015
Losses on write-off of property, plant and equipment	**9**	2
Provision for/(reversal of provision for) impairment loss of property, plant and equipment	**209**	(21)
Provision for impairment loss of right-of-use assets	**937**	547
Provision for impairment loss of investment properties	**160**	44
Provision for impairment loss of intangible assets	**238**	388
Gains on release of lease liabilities	**(460)**	(731)
Provision for employee benefit obligation	**31**	34
Gains on disposal of financial assets at fair value through profit or loss	**(21)**	(56)
Fair value change on financial assets at fair value through profit or loss	**378**	(16)
Fair value change on financial liabilities at fair value through profit or loss	**126**	8
Finance income	**(66)**	(76)
Finance costs	**243**	268
Unrealised exchange losses	**21**	23
Changes in working capital:		
Inventories	**(4)**	(66)
Prepayments, deposits and other receivables	**294**	97
Trade payables	**(1)**	—
Accruals, provisions and other payables	**(364)**	385
Amount due to directors	—	(23)
Cash generated from operations	**1,406**	1,549

30 CASH GENERATED FROM OPERATIONS (CONTINUED)

In the consolidated statement of cash flows, proceeds from disposal of investment property comprise:

	2022 **¥million**	2021 ¥million
Net book amount	**—**	4
Loss on disposals of investment property	**—**	—
Proceed from disposal of investment property	**—**	4

Net debt reconciliation

This section sets out an analysis of net debt and the movement in net debt for the years ended 30 June 2022 and 2021 presented.

	2022 **¥million**	2021 ¥million
Cash and cash equivalents	**2,340**	2,617
Liquid investment (Note)	**22**	87
Borrowings	**(5,404)**	(5,495)
Lease liabilities	**(9,097)**	(10,112)
Net debt	**(12,139)**	(12,903)

Note: Liquid investment comprises current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

30 CASH GENERATED FROM OPERATIONS (CONTINUED)

Net debt reconciliation (continued)

	Other assets		Liabilities from financing activities		
	Cash and cash equivalents ¥million	Liquid investment ¥million	Borrowings ¥million	Leases ¥million	Total ¥million
Net debt at 30 June 2020	1,545	—	(4,489)	(11,768)	(14,712)
Cash flows					
Principal elements of lease payments	—	—	—	962	962
Interest elements of lease payments	—	—	—	196	196
Proceeds from borrowings	—	—	(1,770)	—	(1,770)
Repayment of borrowings	—	—	764	—	764
Net increase in cash and cash equivalents	1,093	—	—	—	1,093
Non-cash movements					
Acquisition of leases	—	—	—	(43)	(43)
Disposal of leases	—	—	—	737	737
Accrued interest elements of lease payments	—	—	—	(196)	(196)
Addition of investment	—	73	—	—	73
Fair value changes on investments	—	14	—	—	14
Foreign exchange adjustment	(21)	—	—	—	(21)
Net debt at 30 June 2021 and 1 July 2021	**2,617**	**87**	**(5,495)**	**(10,112)**	**(12,903)**
Cash flows					
Principal elements of lease payments	—	—	—	671	671
Interest elements of lease payments	—	—	—	175	175
Proceeds from borrowings	—	—	(700)	—	(700)
Repayment of borrowings	—	—	791	—	791
Net increase in cash and cash equivalents	(256)	—	—	—	(256)
Proceeds from sales of investments	—	(73)	—	—	(73)
Non-cash movements					
Acquisition of leases	—	—	—	(664)	(664)
Disposal of leases	—	—	—	1,008	1,008
Accrued interest elements of lease payments	—	—	—	(175)	(175)
Addition of investment	—	34	—	—	34
Fair value changes on investments	—	(12)	—	—	(12)
Loss on disposal of investments	—	(14)	—	—	(14)
Foreign exchange adjustment	(21)	—	—	—	(21)
Net debt at 30 June 2022	**2,340**	**22**	**(5,404)**	**(9,097)**	**(12,139)**

31 CONTINGENCIES

As at 30 June 2022 and 2021, the Group did not have any significant contingent liabilities.

32 COMMITMENTS

Operating lease commitments

(i) As a lessor

As at 30 June 2022 and 2021, the Group's future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	2022 **¥million**	2021 ¥million
No later than one year	**50**	52

33 RELATED PARTY TRANSACTIONS

For the purposes of the 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.

The directors are of the view that the following individuals were related parties that had transactions or balances with the Group during the years ended 30 June 2022 and 2021:

Name of related parties	**Relationship with the Company/Group**
Katsuya Yamamoto	Executive Director, the Chairman and the Chief executive officer
Fumihide Hamada	Executive Director

33 RELATED PARTY TRANSACTIONS (CONTINUED)

Other than those transactions and balances disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties during the years ended 30 June 2022 and 2021:

(a) Outstanding balances arising from transactions with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2022 **¥million**	2021 ¥million
Amount due to directors		
— Katsuya Yamamoto	**3**	2
— Fumihide Hamada	**—**	1
	3	3

(b) Key management compensation

Key management includes directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	2022 **¥million**	2021 ¥million
Salaries and other short-term employee benefits	**72**	90

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2022 ¥million	2021 ¥million
Assets			
Non-current asset			
Investments in subsidiaries		**8,786**	10,259
		8,786	10,259
Current assets			
Financial assets at amortised cost		**1,000**	1,000
Prepayments and other receivables		**100**	75
Amount due from a subsidiary		**1,208**	1,049
Cash and cash equivalents		**78**	212
		2,386	2,336
Total assets		**11,172**	12,595
Liabilities			
Other payables		**(1)**	—
Total liabilities		**(1)**	—
Net assets		**11,171**	12,595
Equity			
Share capital		**20,423**	20,423
Reserves	(b)	**(9,252)**	(7,828)
Total equity		**11,171**	12,595

The statement of financial position of the Company was approved by the Company's Board of Directors on 28 September 2022 and was signed on its behalf.

Katsuya Yamamoto
Director

Yutaka Kagawa
Director

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Accumulated loss ¥million	Capital deficit ¥million	Total ¥million
At 1 July 2020	237	(6,407)	(6,170)
Loss for the year	(1,658)	—	(1,658)
At 30 June 2021	(1,421)	(6,407)	(7,828)
At 1 July 2021	**(1,421)**	**(6,407)**	**(7,828)**
Profit for the year	**(1,424)**	**—**	**(1,424)**
At 30 June 2022	**(2,845)**	**(6,407)**	**(9,252)**

35 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HONG KONG LISTING RULES)

The remuneration of every director is set out below:

For the year ended 30 June 2022

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings						
Name	Fees ¥million	Salary ¥million	Bonuses ¥million	Other benefits ¥million	Employer's contribution to pension scheme ¥million	Equity-settled share-based compensation ¥million	Total ¥million
Executive directors:							
Katsuya Yamamoto *(Chairman and Chief executive officer)*	**30**	—	—	—	—	—	**30**
Fumihide Hamada (Note (iv))	—	**5**	—	—	—	—	**5**
Yutaka Kagawa	—	**6**	—	—	—	—	**6**
Toshiro Oe	—	**7**	—	—	—	—	**7**
Independent non-executive directors:							
Yuji Matsuzaki	—	—	—	—	—	—	—
Kazuyuki Yoshida	—	—	—	—	—	—	—
Mitsuru Ishi	—	—	—	—	—	—	—
	30	**18**	—	—	—	—	**48**

35 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HONG KONG LISTING RULES) (CONTINUED)

For the year ended 30 June 2021

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings						
Name	Fees ¥million	Salary ¥million	Bonuses ¥million	Other benefits ¥million	Employer's contribution to pension scheme ¥million	Equity-settled share-based compensation ¥million	Total ¥million
Executive directors:							
Katsuya Yamamoto *(Chairman and Chief executive officer)*	30	—	—	—	—	—	30
Fumihide Hamada	—	7	—	—	—	—	7
Yutaka Kagawa	—	10	—	—	—	—	10
Toshiro Oe	—	8	—	—	—	—	8
Independent non-executive directors:							
Yuji Matsuzaki	—	—	—	—	—	—	—
Kazuyuki Yoshida	—	—	—	—	—	—	—
Mitsuru Ishi	—	—	—	—	—	—	—
	30	25	—	—	—	—	55

Notes:

(i) The remuneration shown above included remuneration received or receivables from the Group by the directors in their capacity as employees to the Group and their capacities as directors of the Company during the year ended 30 June 2022 (2021: Same).

(ii) No amounts were paid to or receivable by the directors as an inducement to join or upon joining the Group and no compensation was paid to or receivable by the directors or past directors 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 during the year ended 30 June 2022 (2021: Nil).

(iii) No directors waived any emoluments during the year ended 30 June 2022 (2021: Nil).

(iv) Mr. Fumihide Hamada resigned as executive director on 25 February 2022.

(a) Directors' retirement benefits

The retirement benefits receivable by Mr. Katsuya Yamamoto at 30 June 2022 by a defined benefit pension plan operated by the Group in respect of his services as a director of the Company and its subsidiaries was ¥124 million (2021: ¥92 million).

(b) Directors' termination benefits

No payment was made and no benefit was provided in respect of the termination of the service of directors, whether in the capacity of directors or in any other capacity while as a director of the Company during the year ended 30 June 2022 (2021: Nil).

35 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HONG KONG LISTING RULES) (CONTINUED)

(c) Consideration provided to or receivable by third parties for making available of directors' services

No consideration was provided to or receivable by third parties for making available of directors' services or in any other capacity while as a director of the Company during the year ended 30 June 2022 (2021: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 30 June 2022, there was no arrangement in relation to loans, quasi-loans and other dealings from the Group in favour of the directors, controlled bodies corporate by and connected entities with such directors of the Company (2021: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2021: Nil).

36 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2022 and 2021:

Name	Place of incorporation	Principal activities and principal country of operation	Particulars of issued share capital	Proportion of ordinary shares directly held by the Company	
				2022	2021
Directly held:					
Okura Co., Ltd	Japan	Pachinko and Pachislot hall operation in Japan	¥50 million	**100%**	100%
Indirectly held:					
K's Property Co., Ltd	Japan	Real estate investment in Japan	¥10 million	**100%**	100%
Okura Nishinihon Co., Ltd	Japan	Pachinko and Pachislot hall operation in Japan	¥10 million	**100%**	100%
Aratoru Co., Ltd	Japan	Business consulting in Japan	¥5 million	**100%**	100%

Financial Summary

The following table summarises the results of the Group for each of the five years ended 30 June 2018, 2019, 2020, 2021 and 2022.

	As at 30 June				
	2022	2021	2020	2019	2018
	¥ million	¥ million	¥ million	¥ million	¥ million
Gross pay-ins	**25,177**	24,232	29,669	35,567	36,368
Gross pay-outs	**(20,099)**	(19,327)	(23,076)	(27,815)	(28,112)
Revenue from pachinko and pachislot business	**5,078**	4,905	6,593	7,752	8,256
Other revenue	**484**	518	458	405	463
Revenue	**5,562**	5,423	7,051	8,157	8,719
Hall operating expenses	**(5,976)**	(5,767)	(13,076)	(6,798)	(8,451)
Administrative and other operating expenses	**(807)**	(832)	(849)	(902)	(140)
Profit before income tax	**(1,205)**	(273)	(6,767)	989	857
Profit attributable to the shareholders of the Company	**(1,321)**	(577)	(6,362)	601	743
Current assets	**4,218**	4,590	3,161	4,459	4,737
Current liabilities	**2,755**	3,310	2,906	2,617	2,505
Net current assets	**1,463**	1,280	255	1,842	2,232
Total assets	**18,602**	21,324	22,146	19,717	19,991
Total assets less current liabilities	**15,897**	18,014	19,240	17,100	17,486

Particulars of Investment Properties

Location	Existing use	Tenure	Attributable interest of the Group
Takeda Building, 1517–1, 1517–2 and 1518–1, Sumiyoshimachi, Nagasaki City, Japan 武田ビル 長崎市住吉町 1517–1, 1517–2, 1518–1	Clinic, office, residence	Freehold	100%
K's Town, 818–4 and other tracts, Aza-Iwasaki, Motomurago, Togitsucho, Nishisonogi-gun, Nagasaki-ken, Japan ケイズタウン 長崎県西彼杵郡 時津町元村郷字 岩崎818番4外	Retail	Freehold	100%
Former Dino, 863–6 and other tracts, Aza-Tsugiishi, Motomurago, Togitsucho, Nishisonogi-gun, Nagasaki-ken, Japan 旧デイノ 長崎県西彼杵郡 時津町元村郷字 継石863番6外	Retail and parking	Freehold	100%
Tonoo 100-Yen Parking, 84–1 and other tracts, Tonoocho, Sasebo-shi, Nagasaki-ken, Japan とのお100 パーキング 長崎県佐世保市 戸尾町84番1外	Parking	Freehold	100%
Direx (Mikatsuki), 2371 and other tracts, Aza-Otera, Chokanda, Mikatsukicho, Ogi-shi, Saga-ken, Japan ダイレックス (三日月) 佐賀県小城市三日月町 長神田字大寺2371外	Retail	Partly freehold and partly leasehold for a long term of 20 years	100%
Apple Park Sumiyoshi, 1525, Sumiyoshimachi, Nagasaki-shi, Nagasaki-ken, Japan アツプルパーク住吉 長崎県長崎市 住吉町1525番	Parking	Freehold	100%
Higashi Nagasaki 1.2, 1027–45 and another tract, Tanakamachi, Nagasaki-shi, Nagasaki-ken, Japan 東長崎1.2 長崎県長崎市田中町1027–45外	Retail	Freehold	100%

Particulars of Investment Properties

Location	Existing use	Tenure	Attributable interest of the Group
#603 Sun Park Sumiyoshi, 54–1 and other tracts, Chitosemachi, Nagasaki-shi, Nagasaki-ken, Japan サンパーク住吉603 長崎県長崎市千歳町54–1外	Residence	Freehold	100%
K's Building I, 30, Ohashimachi, Nagasaki-shi, Nagasaki-ken, Japan ケイズビル 長崎県長崎市大橋町30	Residence	Freehold	100%
K's Building II, 31, Ohashimachi, Nagasaki-shi, Nagasaki-ken, Japan ケイズIIビル 長崎県長崎市大橋町31	Residence	Freehold	100%
Hachikoku, 3798 and another tract, Aza-Shinkai, Hinamigo, Togitsucho, Nishisonogi-gun, Nagasaki-ken, Japan 八工区 長崎県西彼杵郡時津町 日並郷字新開3798外	Storage	Freehold	100%
Hilltop, 740–33, Sumiyoshidaimachi, Nagasaki-shi, Nagasaki-ken, Japan ヒルトツプ 長崎県長崎市住吉台町740–33	Residence	Freehold	100%
Apple Park Shimanjicho, 80–3 and other tracts, Shimanjicho, Sasebo-shi, Nagasaki-ken, Japan アツプルパーク島地町 長崎県佐世保市 島地町80–3外	Parking	Freehold	100%
Tower City Parking Court, 420 Asahimachi, Nagasaki-shi, Nagasaki-ken, Japan タワーシティ長崎パーキングコート 長崎県長崎市旭町420	Retail and parking lot	Freehold	100%