OKURA HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 1655

2024
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 *(resigned on 25 May 2024)*

Independent Non-executive Directors

Mr. Kazuyuki YOSHIDA
Ms. Mariko YAMAMOTO *(appointed on 18 July 2023)*
Mr. Masaaki AYRES (alias Gettefeld AYRES) *(appointed on 18 July 2023)*
Mr. Mitsuru ISHII *(resigned on 18 July 2023)*
Mr. Yuji MATSUZAKI *(resigned on 18 July 2023)*

COMPANY SECRETARY

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

AUDIT COMMITTEE

Mr. Kazuyuki YOSHIDA (Chairman)
Ms. Mariko YAMAMOTO *(appointed on 18 July 2023)*
Mr. Masaaki AYRES (alias Gettefeld AYRES) *(appointed on 18 July 2023)*
Mr. Mitsuru ISHII *(resigned on 18 July 2023)*
Mr. Yuji MATSUZAKI *(resigned on 18 July 2023)*

REMUNERATION COMMITTEE

Mr. Kazuyuki YOSHIDA (Chairman)
Mr. Katsuya YAMAMOTO
Mr. Yutaka KAGAWA
Ms. Mariko YAMAMOTO *(appointed on 18 July 2023)*
Mr. Masaaki AYRES (alias Gettefeld AYRES) *(appointed on 18 July 2023)*
Mr. Mitsuru ISHII *(resigned on 18 July 2023)*
Mr. Yuji MATSUZAKI *(resigned on 18 July 2023)*

NOMINATION COMMITTEE

Mr. Katsuya YAMAMOTO (Chairman)
Mr. Yutaka KAGAWA
Mr. Kazuyuki YOSHIDA
Ms. Mariko YAMAMOTO *(appointed on 18 July 2023)*
Mr. Masaaki AYRES (alias Gettefeld AYRES) *(appointed on 18 July 2023)*
Mr. Mitsuru ISHII *(resigned on 18 July 2023)*
Mr. Yuji MATSUZAKI *(resigned on 18 July 2023)*

RISK MANAGEMENT COMMITTEE

Mr. Yutaka KAGAWA (Chairman)
Mr. Takeshi MATSUMOTO *(appointed on 19 August 2024)*
Mr. Hayato TOBISAWA
Mr. Shota MIYANO
Mr. Seiji OTOFUJI
Mr. Yuki DOMOTO
Mr. Hirokazu HAYASHI
Mr. Toshiro OE *(resigned on 19 August 2024)*

AUTHORISED REPRESENTATIVES

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

HEADQUARTERS IN JAPAN

1-5, Sumiyoshimachi
Nagasaki City
Nagasaki Prefecture
Japan 852–8154

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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
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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
"2024 AGM"	the 2024 annual general meeting of the Company to be held on Friday, 22 November 2024
"2nd Series Bond"	the second series of the Bonds
"22nd Life Tables"	the 22nd Life Tables published by the Ministry of Health, Labour and Welfare of Japan in 2015
"6M2024"	the six months ended 31 December 2023
"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
"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 Board
"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 (being the 1st Series Bond and the 2nd Series Bond) issued by the Bond Issuer in an aggregate amount of ¥1,000 million, details of which are set out in the paragraph headed "Significant Investments — Financial Assets and Financial Liabilities" in the section headed "Management Discussion and Analysis" of this Report
"CG Code"	the Corporate Governance Code contained in Appendix C1 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, a company incorporated in Hong Kong with limited liability, the issued Shares are listed and traded on the Main Board of the Stock Exchange (Stock code: 01655)
"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
"ESG Report"	the Environmental, Social and Governance Report of the Company as set out in this Report
"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
"Foundation"	AMI Culture Foundation, a foundation established by Mr. Katsuya YAMAMOTO as founder under Liechtenstein law with no shareholder in the Foundation, details of which are set out in the Company's announcement dated 11 January 2024
"FY2023"	the financial year ended 30 June 2023
"FY2024" or "Year"	the financial year ended 30 June 2024
"Group"	the Company and our subsidiaries (or the Company and any one or more of its 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 its 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 • ホールディングス), 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ィー), a company incorporated under the laws of Japan on 30 March 2001 and a former indirectly wholly-owned subsidiary of the Company which merged with Okura Japan on 21 June 2024

“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 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 C3 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“Nomination Committee”	the nomination committee of the Board
“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 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 Board
“Report”	the annual report of the Company for the Year
“Risk Management Committee”	the risk management committee of the Board
“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 Option Scheme”	the share option scheme adopted by the Company on 10 April 2017
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Shares
“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
"¥"	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 and pachislot hall operator in Japan. We currently operate 10 pachinko halls in the Kyushu, Kanto, Kansai and Chugoku regions in Japan under the trading names "Big Apple.", "K's Plaza" and "SENKURA".

As disclosed in previous interim reports and annual reports of the Company, the Japanese government has gradually eased certain COVID-19 restricted measures in order to restore and stimulate social and economic activities in Japan, showing a shift in their policies from "the need to suppress the spread of COVID-19" to "living with the virus". On 8 May 2023, the Japanese government downgraded the legal status of COVID-19 from the second-highest category that is classified along with diseases such as tuberculosis and severe acute respiratory syndrome, or SARS, to category five that is the same category as seasonal influenza. Nevertheless, the Group has continued to implement infection prevention measures in its business operations such as encouraging all of the Group's employees at its pachinko and pachislot halls to wear face masks at all times and applying disinfectant to pachinko and pachislot machines from time to time, in order to control the spread of the COVID-19 and other diseases in the Group's pachinko and pachislot halls and provide a safe working/pachinko and pachislot hall environment for its employees and customers.

Despite the recent global instability which discouraged consumers from spending money on entertainment activities, the Group observed a recovery of customer traffic at most of its pachinko and pachislot halls in FY2024 following the ease of certain COVID-19 restricted measures in Japan as mentioned above. Customer traffic in urban areas specifically has experienced a slow but steady recovery and has improved significantly during the Year. Further, the introduction of (i) a newer version of pachislot machines in June 2022 which contains more gambling elements as compared with the former version (the "**6.5 Model Pachislot Machines**"), (ii) a new model pachislot machines (the "**Smart Slot Machines**") in November 2022, and (iii) a new model pachinko machines (the "**Smart Pachinko Machines**") in April 2023 has also contributed to the recovery of customer traffic at the Group's pachinko and pachislot halls. In particular, the Smart Slot Machines have become increasingly popular and attracted more customers and contributed to the slight improvement in revenue in FY2024 as compared with that in FY2023.

Further, the Group has recorded a decrease in profit before income tax by approximately ¥1,242 million, or approximately 39.5%, from approximately ¥3,146 million in FY2023 to approximately ¥1,904 million in FY2024. This decrease was mainly attributable to a decrease in gain on the release of lease liabilities of approximately ¥1,659 million, or approximately 61.7%, from approximately ¥2,691 million in FY2023 to approximately ¥1,032 million in FY2024, which is further elaborated in below. The Group will continue to explore new measures and opportunities to improve the Group's operational performance and diversity its income sources.

In addition, the management had made the decision to close down one of the Group's pachinko and pachislot halls, K's Plaza Ohato* (ケイズプラザ大波止) located at 10–5, Motofuna-machi, Nagasaki City, Nagasaki Prefecture, Japan ("**K's Plaza Ohato**") in December 2023 with effect from 14 January 2024. The management considered that the closure of the aforementioned pachinko and pachislot hall is beneficial for the Group, as the Group can focus its resources on its another pachinko and pachislot hall, SENKURA Dejima (formerly known as Big Apple. Dejima) which is located close to K's Plaza Ohato, as well as other more promising pachinko and pachislot halls by enhancing customer experience there and minimise further losses from business operations by closing down the pachinko and pachislot hall with weaker performance. For further details, please refer to the announcement of the Company dated 9 January 2024.

CONTINUING TO DIVERSIFY THE GROUP'S INCOME 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 FY2024, the Group derived revenue from its pachinko and pachislot hall business, its vending machines, its rental properties including but not limited to premises of commercial facilities and residential units, and its other operations such as the provision of motor vehicle rental services.

On 26 July 2018, the Company entered into two agreements pursuant to which the Company subscribed for two series of bonds issued by the Bond Issuer in an aggregate amount of ¥1,000 million. On 25 January 2019, 24 January 2020, 25 January 2021, 25 January 2022, 27 January 2023 and 25 January 2024, 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. On 30 July 2024, the Company, the Bond Issuer and Everglory Capital entered into another amendment agreement to further extend the maturity/redemption date of the 1st Series Bond. Such amendments enable the Group to extend its investment and generate more income from the Bonds, which constitutes a stable income 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, 25 January 2022, 27 January 2023, 25 January 2024 and 30 July 2024 and the circulars of the Company dated 29 October 2021 and 30 September 2024. The Group will continue exploring alternative streams of income to improve its financial performance.

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 and revised in May 2020 and May 2021 (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 were required to gradually phase out of the pachinko industry in batches. The phasing out and replacement of all pachinko and pachislot machines with a higher gaming element was completed by the Group by the end of January 2022.

In response to the 2018 Regulations, the Group's management has been striving to source the most attractive machines available in the market to provide a favourable mix of machines in the Group's pachinko and pachislot halls to increase customer traffic. The Group introduced the 6.5 Model Pachislot Machines, the Smart Slot Machines and the Smart Pachinko Machines in June 2022, November 2022 and April 2023, respectively with an aim of attracting more customers and improving the Group's revenue. For the 6.5 Model Pachislot Machines, the applicable voluntary regulations revised the upper limit on the number of games during advantageous section and the method of managing the upper limit on medal pay-out, which enable machines to be designed so that players always have a chance to win. The Smart Slot Machines and Smart Pachinko Machines serve to eliminate and replace the need to insert physical tokens or pachinko balls directly into the machines to play and instead the number of tokens or pachinko balls a customer has is transferred onto an electronic card. As of 30 June 2024, the ratio of Smart Slot Machines and Smart Pachinko Machines to the Group's total installed slot machines and pachinko machines were approximately 46.1% and 6.8%, respectively, accounting for approximately 25.5% of the Group's installed machines in total. The Directors have observed that the Smart Slot Machines and Smart Pachinko Machines have gained popularity among certain customers who are interested in new models and care about hygiene as they need not touch physical tokens or pachinko balls which have been handled by other customers. It is therefore expected that the Smart Slot Machines and Smart Pachinko Machines will continue to attract more players. Moving forward, the Company will closely monitor the performance of the Smart Slot Machines and Smart Pachinko Machines at its pachinko and pachislot halls and implement suitable marketing and promotion schemes.

In Japan, new banknotes were issued in July 2024. Pachinko hall operators nationwide are now taking steps to update their equipment for the new banknotes, which imposes a significant financial burden due to the high expenses involved. However, the Group has taken early steps to address this issue and completed the purchase of the necessary equipment compatible with the new banknotes during the Year. The Group expects small pachinko hall operators, with more limited capital resources to be eliminated from the market due to the high expenses involved, thus allowing the Group to acquire more customers in the market.

MARKET THREATS AND PROSPECTS

Although the past financial years have been challenging for Japan's pachinko industry overall due to the outbreak of COVID-19, the Group's operational and financial performance has remained steady for FY2024 as a result of the management's efforts in voluntarily implementing safety measures to ensure the health and safety of customers at its pachinko and pachislot halls, prioritising the Group's resources in the recovery of customer traffic, and taking proactive steps to update its pachinko and pachislot machines that are compatible with the new banknotes. As the Group considers that many customers have become more concerned with personal hygiene following the outbreak of COVID-19, it has implemented various measures to assure the health and safety of its customers who come to their pachinko and pachislot halls. For instance, the Company has adopted a new prize-exchange system called "Self-POS System" at several of its pachinko and pachislot halls which enables customers to exchange their prizes on their own without requiring the assistance of the Group's staff, thereby reducing the need for human interaction between the Group's staff and the customers. The introduction of the Self-POS system together with the Smart Slot Machines and Smart Pachinko Machines have also greatly contributed to the improvement in work efficiency and reduced the number of manpower required at the Group's pachinko and pachislot halls.

The management will continue to adopt the above strategies and consider introducing and installing further new models of pachinko and pachislot machines in order to encourage customer traffic and enhance the Group's operational and financial performance. Further, new banknotes were issued in Japan in July 2024 and the Group has taken proactive steps to update its pachinko and pachislot machines that are compatible with the new banknotes early on. It has completed the necessary large-scale capital investment, such as the installation of the necessary peripheral devices and software catered for the new banknotes during FY2024. As there were no future plans for any major capital investment as at the date of this Report, the Group expects its operational and financial performance to continue to improve steadily and smoothly in the future. The Group will continue to explore 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, 30 September 2024

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 including motor vehicle rental services. During FY2024, revenue from pachinko and pachislot hall business remained the majority source of income for the Group, accounting for approximately 92.4% of the Group's total revenue (FY2023: approximately 92.6%). The Group's total revenue increased by approximately ¥199 million, or 3.2%, from approximately ¥6,284 million in FY2023, to approximately ¥6,483 million in FY2024. This increase was mainly a result of the general increase in customer traffic at the Group's pachinko and pachislot halls following the introduction of more Smart Slot Machines and Smart Pachinko Machines during FY2024 which was slightly offset by the reduction of customers following the cessation of the K's Plaza Ohato operation in January 2024. For details, please refer to the announcement of the Company dated 9 January 2024.

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, with an increase of approximately ¥2 million, or approximately 2.1%, from approximately ¥94 million in FY2023 to approximately ¥96 million in FY2024.

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 increased by approximately ¥26 million, or approximately 7.2%, from approximately ¥359 million in FY2023 to approximately ¥385 million in FY2024 due to an increase in rental income from car parks as a result of an increase in parking fees for some of the Group's car parks, and an increase in car parking spaces for rental following (i) the renovation of one of the Group's halls, whereby part of the hall was converted into a car park, and (ii) the closure of one of its halls which was subsequently converted into a car park.

The Group derived income from other operations such as the provision of motor vehicle rental services. The income from other operations increased by approximately ¥4 million, or approximately 44.4%, from approximately ¥9 million in FY2023 to approximately ¥13 million in FY2024.

Gross pay-ins

The Group's gross pay-ins represent 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 FY2024.

The Group's gross pay-ins recorded an increase of approximately ¥1,979 million, or approximately 6.6%, from approximately ¥29,871 million in FY2023 to approximately ¥31,850 million in FY2024, 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 ¥1,812 million, or approximately 7.5%, from approximately ¥24,049 million in FY2023 to approximately ¥25,861 million in FY2024 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 18.8% for FY2024 as compared with approximately 19.5% for FY2023.

Other income

The Group's other income is mainly comprised of (i) income from sales of used pachinko and pachislot machines to machines broker for reselling in the second-hand market, (ii) dividend income, and (iii) income from expired prepaid IC and membership cards.

Other income increased by approximately ¥15 million, or approximately 3.4%, from approximately ¥442 million in FY2023 to approximately ¥457 million in FY2024, mainly due to an increase in sales of used pachinko and pachislot machines following the purchase of more Smart Slot Machines and Smart Pachinko Machines.

Gains on release of lease liabilities

Gains on release of lease liabilities decreased by approximately ¥1,659 million, or approximately 61.6%, from approximately ¥2,691 million in FY2023 to approximately ¥1,032 million in FY2024. Such gains in FY2024 mainly arose from the early termination of lease of the properties of one of the Group's pachinko and pachislot halls and car parking lots, BA. Shunan Hall at Azakaisakuminami, Oazakuriya, Shunan-Shi, Yamaguchi Prefecture, Japan due to the Group's acquisition of such properties (the "**Properties**") in November 2023 for the continual operation of such pachinko and pachislot hall and car parking lots, as disclosed in the Company's announcement dated 9 November 2023 and further elaborated in the paragraph headed "Material Acquisition of Properties" below. Such gains in FY2023 mainly represented an early termination of lease following the closure of one of the Group's pachinko and pachislot halls, Big Apple Ofuna Hall in FY2023.

Other gains, net

Other gains, net are mainly comprised of (i) net exchange gains, (ii) provision for impairment loss of investment properties, (iii) net gains on fair value changes on financial assets at fair value through profit or loss, (iv) losses on written-off and gains on disposal of property, plant and equipment, and (v) other gains which are mainly comprised of insurance claims.

Other net gains increased by approximately ¥17 million, or approximately 22.7%, from approximately ¥75 million in FY2023 to approximately ¥92 million in FY2024 due to the decrease in impairment loss of investment properties by approximately ¥18 million.

Hall operating expenses and administrative and other operating expenses

Hall operating expenses decreased by approximately ¥215 million, or approximately 3.9%, from approximately ¥5,507 million in FY2023 to approximately ¥5,292 million in FY2024. This is primarily due to (i) the decrease in pachinko and pachislot machine expenses by approximately ¥252 million, and (ii) the decrease in utilities expenses of approximately ¥109 million as a result of lower electricity prices due to government subsidies to electricity suppliers, which was offset by an increase in the provision of impairment loss for (i) property, plant and equipment by approximately ¥83 million, and (ii) the right of use assets by approximately ¥73 million.

Administrative and other operating expenses increased by approximately ¥101 million, or approximately 15.0%, from approximately ¥675 million in FY2023 to approximately ¥776 million in FY2024, primarily due to the increase in consultancy services expenses of approximately ¥117 million in relation to a business feasibility study for a potential web 3.0 business opportunity which was no longer pursued.

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 cash-generating units ("**CGUs**").

In FY2023, the Group's management regarded operating loss for FY2023 or performing below management expectation, defined as not fulfilling the projected operating profit or loss for FY2023, as the impairment indicator. For FY2024, the Company continued to apply the aforementioned impairment indicator and the management identified four CGUs (FY2023: eight CGUs) had resulted in operating loss or not fulfilling management's expectations for FY2024, 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.

For CGUs with impairment indicators, management assessed the performance of the CGU to determine if either value-in-use or fair value less cost of disposal would exceed the carrying amount of the CGU. The recoverable amount of a CGU is determined as the value-in-use or fair value less cost of disposal, whichever is higher. Accordingly, the recoverable amounts of two CGUs were determined by their value-in-use, and the remaining two CGUs were determined by their fair value less cost of disposal.

Following the plan of ceasing the operation of K's Plaza Ohato in December 2023, the management assessed the impairment provision for each of the individual assets belonging to K's Plaza Ohato. As a result of such impairment assessment, for FY2024, provisions for impairment losses of approximately ¥54 million on property, plant and equipment, and approximately ¥1 million on intangible assets were recognised.

Due to the under performance of the financial results of Big Apple Omura, the management has also assessed the impairment provision for Big Apple Omura at the CGU level. As a result of such impairment assessment, for FY2024, provisions for impairment losses of approximately ¥97 million on property, plant and equipment, and approximately ¥96 million on right-of-use assets were recognised.

Value-in-use approach

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. The cash flow projections cover the remaining lease terms of the respective CGUs or a five-year period, whichever is shorter. Management's forecast for the first year takes into account the performance of each of the CGUs in current period and incorporates management's latest plans for each CGUs.

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

(i) the revenue growth of the Group ranges from -3% to -5% for the twelve months ending 30 June 2025 based on the business performance for each of the CGUs during FY2024, and 0% after 30 June 2025;

(ii) the pre-tax discount rate is 9.14%; and

(iii) there is no change in the 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 FY2023.

Fair value less cost of disposal approach

The recoverable amounts of the two out of the four CGUs with significant self-owned properties were determined based on fair value less cost of disposal calculations performed by the management with reference to recent market quotation of similar fixed assets and the valuation performed by an independent professionally qualified valuer. The management considered that the income and market approach adopted in the valuation, with assumptions such as monthly rental per square metre, discount rate, vacancy rate, and unit price per square metre for land are appropriate to reflect the current market situation and the fair value of the CGU.

Value of inputs and key assumptions

In determining the fair value less cost of disposal of the aforementioned two CGUs, monthly rental per square metre, discount rate, vacancy rate, and unit price per square metre for land were considered as the key assumptions.

Subsequent changes to the valuation methods adopted

As at 30 June 2024, the management made reference to the valuation performed by an independent professionally qualified valuer and the recent transaction prices of the fixed assets belonging to the CGU.

Profit before income tax

Profit before income tax decreased by approximately ¥1,242 million, or approximately 39.5%, from approximately ¥3,146 million in FY2023 to approximately ¥1,904 million in FY2024. This was mainly attributable to a decrease in the gain on the release of lease liabilities as elaborated above.

Profit for the year attributable to shareholders of the Company

Profit for the year attributable to shareholders of the Company decreased by approximately ¥1,176 million, or approximately 36.5%, from approximately ¥3,220 million for FY2023 to approximately ¥2,044 million for FY2024. This was mainly due to the reasons mentioned in the paragraph headed "Profit before income tax" above.

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 2024, the Company had total borrowings of approximately ¥4,987 million (30 June 2023: approximately ¥4,883 million), of which approximately 74.4% represented bank borrowings and approximately 25.6% represented loans from a governmental financial institution. The Company's borrowings are all denominated in Japanese Yen.

Investment policy

The Group adopted a treasury and investment policy for financial assets and financial liabilities 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 FY2024. 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 FY2024, the Group did not use any risk hedging instrument.

Cash and cash equivalents

As at 30 June 2024, the Company had cash and cash equivalents of approximately ¥3,049 million (30 June 2023: approximately ¥2,423 million), and short-term bank deposits of approximately ¥100 million (30 June 2023: 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

As at 30 June 2024, the capital structure of the Group comprised share capital and reserves. As at 30 June 2024, equity attributable to shareholders of the Company amounted to approximately ¥7,769 million (30 June 2023: approximately ¥5,718 million). As at 30 June 2024, total assets of the Group amounted to approximately ¥18,470 million (30 June 2023: approximately ¥18,266 million).

Borrowings

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

	As at 30 June 2024		As at 30 June 2023	
	¥ million	**%**	¥ million	%
Within 1 year	**940**	**18.9**	785	16.1
Between 1 year and 2 years	**785**	**15.7**	704	14.4
Between 2 years and 5 years	**1,383**	**27.7**	1,640	33.6
Over 5 years	**1,879**	**37.7**	1,754	35.9
	4,987	**100.0**	4,883	100.0

As illustrated above, the proportion of the Group's borrowings repayable within 1 year, repayable between 1 year and 2 years, and repayable over 5 years increased, while the borrowings repayable in between 2 years and 5 years decreased. The change of maturity profile of the Group's borrowings was primarily due to the ageing of existing loans and the entering into of a 10-year loan amounting to approximately ¥700 million. As at 30 June 2024, 35.5% of the Group's borrowings, amounted to approximately ¥1,771 million were subject to a fixed interest rate and 64.5% of the Group's borrowings, amounted to approximately ¥3,216 million were subject to a floating interest rate.

Bonds

No new bond was issued in FY2024.

Pledged assets

As at 30 June 2024, the Group's pledged assets, including (i) property, plant and equipment, (ii) investment properties, and (iii) listed securities, in the sum of approximately ¥7,636 million (30 June 2023: approximately ¥6,689 million) to secure certain general banking facilities of the Group. The increase by approximately ¥947 million from approximately ¥6,689 million as at 30 June 2023 to approximately ¥7,636 million as at 30 June 2024 was mainly due to the acquisition of the Properties in November 2023 as disclosed in the Company's announcement dated 9 November 2023, which resulted in an increase in carrying value of approximately ¥920 million of pledged assets to secure a bank loan to finance the acquisition.

Gearing ratio

The gearing ratio, being the aggregate of interest-bearing loans and lease liabilities less cash and cash equivalents divided by total equity of the Company, was approximately 39.3% as at 30 June 2024 (30 June 2023: approximately 56.6%). The decrease was mainly attributable to the increase in cash balance by approximately ¥626 million and the decrease in lease liabilities due to the early termination of the BA Shunan Hall lease following the acquisition of the Properties in November 2023. For details, please refer to the announcement of the Company dated 9 November 2023.

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 FY2024, 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 US 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 US Dollars in recent years, the Group will continue to look for opportunities to manage its exposures in US 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	
	2024 **¥ million**	2023 ¥ million
Not later than 1 year	**53**	52

As at 30 June 2024, the Group did not have capital commitments which were contracted but not provided for in respect of purchase of property, plant and equipment (30 June 2023: nil).

Capital expenditures

The Group's 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 ¥1,480 million for FY2024 (FY2023: approximately ¥676 million), a majority of which came from equipment and fixtures for its pachinko and pachislot halls. Out of such capital expenditures for FY2024, the capital expenditures of approximately ¥945 million for FY2024 mainly comprised the acquisition of the Properties in November 2023 as disclosed in the Company's announcement dated 9 November 2023. These capital expenditures were financed by the Group's internal funds and borrowing from financial institutions.

Contingent liabilities

As at 30 June 2024, the Company did not have any material contingent liabilities or guarantees.

SIGNIFICANT INVESTMENTS

As at 30 June 2024, the Group held investments primarily in (i) investment properties of approximately ¥3,020 million, which represented 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 2024, and (ii) financial assets of approximately ¥1,130 million, which represented the Bonds issued by the Bond Issuer, trust funds, and listed and unlisted securities. As at 30 June 2024, 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 ¥15 million was recognised on the Group's investment properties for FY2024 (FY2023: approximately ¥33 million). The recoverable amounts for investment properties are stated at fair value less cost of disposal based on valuations performed by an independent professionally qualified valuer or management. The valuations were 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 valuations 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 5.2% to 10.1% based on that of similar properties, interviews with real estate investors and various published indices, (iii) a discount rate of 5.6% 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 land 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 and financial liabilities

In relation to the Group's financial assets, the Group recorded a gain of approximately ¥37 million for the fair value changes on financial assets and financial liabilities at fair value through profit or loss in FY2024 (FY2023: approximately ¥36 million), which was 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. Everglory Capital is a company incorporated under the laws of Japan and headquartered in Tokyo, Japan, principally engaged in investment and financial advisory businesses in Japan. 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. On 27 January 2023, 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 25 January 2024, 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 2024, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to further extend the maturity/redemption date of the 1st 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, 25 January 2022, 27 January 2023, 25 January 2024 and 30 July 2024 and the circulars of the Company dated 29 October 2021 and 30 September 2024.

As at 30 June 2024, the fair value of each of the 1st Series Bond and the 2nd Series Bond was ¥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 FY2024 as they are calculated at amortised cost. For FY2024, the amount of interest earned by the Group under each of the 1st Series Bond and the 2nd Series Bond is approximately ¥20 million and ¥20 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 business outlook of the pachinko industry, 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. Therefore, the Company will continue with this investment in accordance with the terms of the Bonds.

Save as disclosed herein, the Group did not hold any significant investments as at 30 June 2024.

HUMAN RESOURCES

Employees and remuneration policies

As at 30 June 2024, the Group had 352 employees (30 June 2023: 381 employees), almost all of whom were based in Japan, and of whom 297 were stationed at the Group's pachinko and pachislot halls. For newly recruited employees, the Group has prepared a series of training sessions which mainly focuses on pachinko and pachislot hall operations and customer service. Upon appointment of every three years, as required by the Public Safety Commission in Japan, 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 the Directors. The total staff costs for FY2024 amounted to approximately ¥1,032 million (FY2023: approximately ¥1,061 million), which accounted for approximately 17.0% (FY2023: approximately 17.2%) of the Group's 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 the 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 dated 28 April 2017.

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 in the form of share options of the Company to eligible participants ("**Eligible Participants**") and for such other purposes as the Board approves from time to time.

Eligible Participants includes, among others, 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 its subsidiaries and suppliers.

As at 1 July 2023 and at 30 June 2024, 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 as at the date of the Company's listing (i.e., 15 May 2017), being 50,000,000 Shares.

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

Placing of new Shares under general mandate

On 30 March 2023 (after trading hours), the Company and Space Securities Limited (the "**Placing Agent**") (as placing agent) entered into a placing agreement (the "**Placing Agreement**") in relation to the placing of up to 100,000,000 new ordinary Shares (the "**Placing Share(s)**") to not less than six placees at the placing price of HK$0.20 per Placing Share (the "**Placing Price**") subject to the terms and conditions set out in the Placing Agreement (the "**Placing**"). The Placing Price of HK$0.20 per Placing Share represents (i) a discount of approximately 11.1% to the closing price of HK$0.225 per Share as quoted on the Stock Exchange on the date of the Placing Agreement, and (ii) a discount of approximately 9.75% to the average closing price of HK$0.2216 per Share in the last five trading days immediately prior to the date of the Placing Agreement. The net price (after deducting the placing commission payable to the Placing Agent and other costs and expenses incurred in the Placing) to the Company of each Placing Share was approximately HK$0.17.

Given the prolonged decline in the pachinko business coupled with rising cost of living in Japan reducing the disposable income of consumers, the Group continues to face challenges to its business recovery after the COVID-19 outbreak. As such, the Directors believe that the Placing represents a timely opportunity to strengthen the Group's financial position to support its efforts in boosting the recovery of the Group's operations and business performance, as well as to broaden the Company's capital and shareholder base.

The Placing was completed on 26 April 2023, where a total of 100,000,000 Placing Shares, representing approximately 16.67% of the total issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares, have been successfully placed to not less than six placees at the Placing Price of HK$0.20 per Placing Share who are professional, institutional and/or other investors. The Placing Shares were allotted and issued under the general mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 22 November 2022.

The aggregate gross proceeds from the Placing amounted to HK$20.0 million and the aggregate net proceeds (after deducting the placing commission payable to the Placing Agent and other costs and expenses incurred in the Placing) from the Placing amounted to approximately HK$17.0 million (the "**Placing Net Proceeds**"). The Company intended to use approximately HK$12.75 million or 75% and approximately HK$2.55 million or 15% of the Placing Net Proceeds for (i) the purchase of pachinko and pachislot machines, and (ii) the renovation or enhancement of the Group's existing pachinko and pachislot halls and marketing expenses, respectively, and the remaining approximately HK$1.70 million or 10% for other general working capital of the Group. The Placing Net Proceeds have been applied in the manner consistent with the use of net proceeds as disclosed in the announcements of the Company dated 30 March 2023 and 26 April 2023 in relation to the Placing (the "**Placing Announcements**"). For details, please refer to the Placing Announcements.

The amount of unutilised Placing Net Proceeds brought forward from FY2023 to the beginning of FY2024 amounted to approximately HK$8.55 million, and such unutilised placing net proceeds have been fully utilised during FY2024.

As at 30 June 2024, the Group had applied the Placing Net Proceeds as follows:

Use of Placing Net Proceeds as disclosed in the Placing Announcements	Amounts of planned use of Placing Net Proceeds as disclosed in the Placing Announcements (HK$) (Approximate)	Amounts of actual use of Placing Net Proceeds during FY2023 (HK$) (Approximate)	Amounts of actual use of Placing Net Proceeds during FY2024 (HK$) (Approximate)	Amounts of unutilised Placing Net Proceeds as at 30 June 2024 (HK$) (Approximate)
Purchase of pachinko and pachislot machines	12.75 million	6.34 million	6.41 million	Nil
Renovation or enhancement of the Group's existing pachinko and pachislot halls and marketing expenses	2.55 million	2.11 million	0.44 million	Nil
Other general working capital of the Group	1.70 million	Nil	1.70 million	Nil
Total	**17.00 million**	**8.45 million**	**8.55 million**	**Nil**

Issue of equity securities

During FY2024, 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 FY2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITION OF PROPERTIES

On 9 November 2023, K's Property and G.K. Shunan Kaihatsu* (合同会社周南開発) ("**G.K. Shunan Kaihatsu**") entered into an acquisition agreement, pursuant to which K's Property, an indirectly wholly-owned subsidiary of the Company, as the purchaser agreed to purchase, and G.K. Shunan as the vendor agreed to sell the entrusted asset under the trust, which consists of (i) three parcels of land situated at Azakaisakuminami, Oazakuriya, Shunan-Shi, Yamaguchi Prefecture, Japan, with a total area of approximately 8,952 square metres, together with an irrigation channel of approximately 34 square metres (the "**Land**"); and (ii) a four-story building and a single-story warehouse erected on the Land with a total gross floor area of approximately 7,406 square metres and 118 square metres, respectively, at a total consideration of approximately ¥935 million (inclusive of consumption tax), subject to adjustments. The Acquisition was completed on 9 November 2023. For details, please refer to the announcement of the Company dated 9 November 2023.

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

On 21 June 2024, Okura Japan, an indirect wholly-owned subsidiary of the Company and K's Property, a direct wholly-owned subsidiary of the Company underwent an absorption-type merger, whereby K's Property was absorbed and dissolved, and Okura Japan survived and remains as a wholly-owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 26 April 2024.

Save as disclosed, the Group did not conduct any material acquisitions or disposals of subsidiaries, associates and joint ventures during FY2024.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed, there are no other 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 64, is the chief executive officer of the Company, an executive Director and the chairman of the Board. He is also the chairman of the Nomination Committee, and a member of the Remuneration Committee. 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 2024, Mr. Yamamoto was also a representative director of each of Okura Japan and Okura Nishinihon. He was a representative director of K's Property prior to its merger with Okura Japan on 21 June 2024.

Mr. Yamamoto has spent over 39 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 2024 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 46, was appointed as an executive Director on 27 April 2016. He is also a member of the Remuneration Committee and the Nomination Committee, and the chairman of the Risk Management Committee. 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.

Independent Non-executive Directors

Mr. Kazuyuki YOSHIDA

Mr. Yoshida, aged 44, was appointed as an independent non-executive Director on 19 October 2018. He is also the chairman of each of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee.

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.

Ms. Mariko YAMAMOTO

Ms. Yamamoto, aged 60, was appointed as an independent non-executive Director on 18 July 2023. She is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Ms. Yamamoto has been working as a disc jockey and radio personality hosting various programs at different radio stations for over 20 years. Since 2019, she has been and is currently involved in the production and broadcasting of radio programs focusing on music, movies and literature for RKB MUSE Co., Ltd (RKBミューズ株式会社). From February 2019 to August 2020, she worked for Hakuhodo Product's Inc. (株式会社博報堂プロダクツ), an integrated production company where she was involved in writing articles for magazines. From 2003 to 2017, she worked as a radio program host for CROSS FM Co., Ltd.* (株式会社CROSS FM), hosting various radio programs about weekend entertainment activities such as "weekend jazz".

Ms. Yamamoto graduated from Kwassui Women's Junior College (currently known as Kwassui Women's University) in Japan with an Associate of Arts degree majoring in Japanese Literature in October 1985.

Mr. Masaaki AYRES (alias Gettefeld AYRES)

Mr. Ayres, aged 34, was appointed as an independent non-executive Director on 18 July 2023. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Ayres has been and is currently the business development executive of Next Chymia Consulting HK Limited since 2018 and his main responsibilities include reviewing financial reports, providing strategic advice, and collaborating with the management teams of start-up companies. Prior to that, he worked as the sales manager of INFORICH INC. (株式会社 INFORICH), a company listed on the Tokyo Stock Exchange (stock code: 9338) from 2015 to 2018, where he was principally involved in the business planning and development of the company.

Mr. Ayres graduated from Soka University in Japan with a Bachelor of Business Administration in March 2015.

Senior Management

Mr. Satoshi MAEDA

Mr. Maeda, aged 44, 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 41, 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 and an associate member of The Hong Kong Chartered Governance Institute 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 pachislot halls in Japan, and opened our first pachinko hall in Nagasaki in 1968, where the Group has been headquartered since then.

We currently operate 10 pachinko halls in the Kyushu, Kanto, Kansai and Chugoku regions in Japan. The activities of our subsidiaries are set out in note 37 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.

Principal 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 approximately 99.0% 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.

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 52.4% of our total purchases and our five largest suppliers combined accounted for approximately 99.3% 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 2024, the Group had 352 employees, almost all of whom were based in Japan, and of whom 297 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 2024, 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 the consolidated statement of changes in equity of this Report. The Company did not have any distributable reserves or profits available for distribution as at 30 June 2024.

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, the Group did not make donations for charitable or other purposes amounting to not less than HK$10,000.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of our Directors, there is sufficient public float of not less than 25% of the Company's issued Shares as required under the Listing Rules during the Year and up to the date of this Report.

SHARE AND DEBENTURES ISSUED

The Company did not issue any shares and debentures for the Year.

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. Yutaka KAGAWA (香川裕)	Executive Director
Mr. Toshiro OE (大江敏郎) *(resigned on 25 May 2024)*	Executive Director
Mr. Kazuyuki YOSHIDA (吉田和之)	Independent non-executive Director
Ms. Mariko YAMAMOTO (山本真理子) *(appointed on 18 July 2023)*	Independent non-executive Director
Mr. Masaaki AYRES (alias Gettefeld AYRES) *(appointed on 18 July 2023)*	Independent non-executive Director
Mr. Mitsuru ISHII (石井満) *(resigned on 18 July 2023)*	Independent non-executive Director
Mr. Yuji MATSUZAKI (松﨑裕治) *(resigned on 18 July 2023)*	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.

According to the Articles and the CG Code, Mr. Katsuya YAMAMOTO and Mr. Kazuyuki YOSHIDA will retire at the 2024 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(Note)
Okura Nishinihon	Mr. Katsuya YAMAMOTO	Representative director

Note:

Mr. Katsuya YAMAMOTO ceased to be a representative director of K's Property following the absorption-type merger between Okura Japan and K's Property on 21 June 2024, whereby K's Property was absorbed and dissolved, and Okura Japan survived and remains as a wholly-owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 26 April 2024.

DIRECTORS' SERVICE CONTRACTS

None of our Directors who are proposed for re-election at the 2024 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

The changes in Directors' information, as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Name of Director	Details of Change
Mr. Toshiro OE	Mr. Toshiro OE resigned as an executive Director with effect from 25 May 2024 and subsequently resigned as a member of the Risk Management Committee with effect from 19 August 2024.
Mr. Katsuya YAMAMOTO	Mr. Katsuya YAMAMOTO ceased to be a representative director of K's Property following the absorption-type merger between Okura Japan and K's Property on 21 June 2024, whereby K's Property was absorbed and dissolved, and Okura Japan survived and remains as a wholly-owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 26 April 2024.

Save as disclosed in this Report, the Company is not aware of any changes in Directors' information since the date of the interim report of the Company for 6M2024 pursuant to Rule 13.51B(1) of the Listing Rules.

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 2024, 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 of the Company:

Name	Capacity/ nature of interest	Number of Shares	Approximate percentage of shareholding in the total issued share capital of the Company
Mr. Katsuya YAMAMOTO(Note1)	Beneficial interest	303,000,000	50.50%
	Founder of a discretionary trust	72,000,000(Note2)	12.00%

Notes:

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

2. By virtue of being the founder of the Foundation, Mr. Katsuya YAMAMOTO is deemed to be interested in the 72,000,000 Shares held by the Foundation.

Save as disclosed above, as at 30 June 2024, 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 2024, so far as was known to the Directors, the following persons (not being the Directors or chief executives of the Company) had, or deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long positions in the Shares of the Company:

Name	Capacity/ nature of interest	Number of Shares	Approximate percentage of shareholding in the total issued share capital of the Company
Ichikura Limited	Beneficial owner	72,000,000	12.00%
AMI Culture Foundation	Interest in a controlled corporation	72,000,000(Note 1)	12.00%
Corfiducia Anstalt	Trustee of the Foundation	72,000,000(Note 2)	12.00%
Mr. Josef SPRECHER	Trustee of the Foundation	72,000,000(Note 2)	12.00%

Notes:

1. As Ichikura Limited is wholly-owned by the Foundation, the Foundation is deemed to be interested in the Shares held by Ichikura Limited.

2. By virtue of being members of the board of trustees of the Foundation, Mr. Josef SPRECHER and Corfiducia Anstalt are deemed to be interested in the Shares held by Ichikura Limited.

Save as disclosed above, as at 30 June 2024, no person (not being the Directors or chief executives of the Company) had, or deemed to have, any interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be as recorded in the register required to be kept by the Company 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 23 pachinko halls in geographical locations mainly in the Kanagawa prefecture, 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 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 the 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. Katsuya 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

Saved as disclosed in this Report, 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, exercised, lapsed or cancelled 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 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 Eligible Participants including 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 and advisers who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of our subsidiaries.

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 Listing Date and approximately 8.3% of the issued Shares as at the date of this Report). Thus, at the beginning of the Year and the end of the Year, 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 50,000,000 Shares. 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, and the vesting period of the options granted under the Share Option Scheme, is determined by the Board at its absolute discretion upon the grant of an option, 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. Accordingly, the remaining life of the Share Option Scheme is approximately 2.5 years.

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 an unfunded defined benefit scheme for a family member of Mr. Yamamoto's family which is a pension benefit that the family member receives on retirement, and is dependent on his position and years of service in the Group. The defined benefit obligation is calculated by the management using the projected unit credit method. The principal actuarial assumption adopted in the valuation was a discount rate at approximately 0.99%. The defined benefit obligation is approximately ¥175 million as at 30 June 2024. 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.

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 the management with reference to the actuarial valuation performed 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 approximately 0.99%, an employment turnover rate of approximately 1.56%, yield curve calculated based on corporate bonds rated AA or higher as of 30 June 2024 and standard mortality rates under defined benefit corporate pension plan (the 22nd Life Tables for male and female). The defined benefit obligation is approximately ¥33 million as at 30 June 2024. 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 the Deed 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" or "continuing connected transaction" 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 requirements (including 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 2024 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, 30 September 2024

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 2024, complied with the Code Provisions set out in the CG Code set out in Appendix C1 to the Listing Rules, with the exception for Code Provision C.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, 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 five Directors, with two executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Katsuya YAMAMOTO (Chairman and chief executive officer)
Mr. Yutaka KAGAWA
Mr. Toshiro OE *(resigned on 25 May 2024)*

Independent Non-executive Directors

Mr. Kazuyuki YOSHIDA
Ms. Mariko YAMAMOTO *(appointed on 18 July 2023)*
Mr. Masaaki AYRES (alias Gettefeld AYRES) *(appointed on 18 July 2023)*
Mr. Mitsuru ISHII *(resigned on 18 July 2023)*
Mr. Yuji MATSUZAKI *(resigned on 18 July 2023)*

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 five 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 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 Mr. Kazuyuki YOSHIDA (as the case may be) for three years commencing from 15 May 2023. Both Ms. Mariko YAMAMOTO and Mr. Masaaki AYRES (alias Gettefeld AYRES) have entered into a letter of appointment with the Company for a fixed term of three years commencing from 18 July 2023.

The principal particulars of these service contracts and letters of appointment are (i) for a term of three years commencing from the relevant commencement date, 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 35 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 ¥35 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, 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	7
¥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
Below ¥10,000,000	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 (resigned on 25 May 2024), Mr. Mitsuru ISHII (resigned on 18 July 2023), Mr. Yuji MATSUZAKI (resigned on 18 July 2023), Mr. Kazuyuki YOSHIDA, Ms. Mariko YAMAMOTO (appointed on 18 July 2023) and Mr. Masaaki AYRES (alias Gettefeld AYRES) (appointed on 18 July 2023) 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. 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.

Newly appointed Director will be arranged a comprehensive, formal and tailored induction which includes provision of key guidelines, documents and publications relevant to their roles, responsibilities and ongoing obligations; a briefing on the Company's structure, businesses, risk management and other governance practices and meeting with other fellow Directors so as to help the newly appointed Directors familiarise with the management, business and governance policies and practices of the Company, and ensure that they have a proper understanding of the operations and businesses of the Company.

Meetings of Board and Board Committees and Directors' Attendance Records

Code Provision C.5.1 of the CG Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication.

Notice of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular 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, adequate and reliable information supplied by the management, 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. Queries raised by Directors would receive a prompt and full response if possible. The minutes of Board meetings and Board committee meetings are kept by the company secretary and are open to inspection at any reasonable time on reasonable notice 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 and final versions of minutes are sent to all Directors for their comment and records, respectively, 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 *(resigned on 25 May 2024)*	1/1	3/3
Mr. Mitsuru ISHII *(resigned on 18 July 2023)*	N/A	N/A
Mr. Yuji MATSUZAKI *(resigned on 18 July 2023)*	N/A	N/A
Mr. Kazuyuki YOSHIDA	1/1	4/4
Ms. Mariko YAMAMOTO *(appointed on 18 July 2023)*	0/1	4/4
Mr. Masaaki AYRES (alias Gettefeld AYRES) *(appointed on 18 July 2023)*	0/1	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 (resigned on 18 July 2023), Mr. Yuji MATSUZAKI (resigned on 18 July 2023), Ms. Mariko YAMAMOTO (appointed on 18 July 2023) and Mr. Masaaki AYRES (alias Gettefeld AYRES) (appointed on 18 July 2023), 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 effectiveness of the internal audit function; 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 FY2023 and the unaudited consolidated financial results of the Company for 6M2024, the annual audit plan and scope of work for the external audit and discussed issues arising from the audit (if any). The Board had no disagreement with the Audit Committee's view on the re-appointment of the external auditor of the Company. The attendance of individual members is set out in the following table.

Name of committee members	Meetings attended/eligible to attend
Mr. Kazuyuki YOSHIDA	2/2
Mr. Mitsuru ISHII *(resigned on 18 July 2023)*	N/A
Mr. Yuji MATSUZAKI *(resigned on 18 July 2023)*	N/A
Ms. Mariko YAMAMOTO *(appointed on 18 July 2023)*	2/2
Mr. Masaaki AYRES (alias Gettefeld AYRES) *(appointed on 18 July 2023)*	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 7 members, namely Mr. Yutaka KAGAWA, Mr. Toshiro OE (resigned on 19 August 2024), Mr. Hayato TOBISAWA, Mr. Shota MIYANO, Mr. Seiji OTOFUJI, Mr. Yuki DOMOTO, Mr. Hirokazu HAYASHI and Mr. Takeshi MATSUMOTO (appointed on 19 August 2024) and 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 *(resigned on 19 August 2024)*	Head of accounting and finance	12/12
Mr. Hayato TOBISAWA	General marketing manager	12/12
Mr. Shota MIYANO	Member of sales department	12/12
Mr. Seiji OTOFUJI	Head of internal audit	12/12
Mr. Yuki DOMOTO	General affairs and human resources department manager	12/12
Mr. Hirokazu HAYASHI	Procurement department manager	12/12
Mr. Takeshi MATSUMOTO *(appointed on 19 August 2024)*	Leader of the accounting and finance department	N/A

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 (resigned on 18 July 2023), Mr. Yuji MATSUZAKI (resigned on 18 July 2023), Ms. Mariko YAMAMOTO (appointed on 18 July 2023) and Mr. Masaaki AYRES (alias Gettefeld AYRES) (appointed on 18 July 2023), 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, two Remuneration Committee meetings were held whereat the Remuneration Committee, among others, reviewed the performance of executive Directors, the terms of executive Directors' service contracts, 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, reviewed the terms of executive Directors' service contracts and ensured that the share options and/or share awards offered by the Company to the Directors or senior management (if any) are in accordance with Chapter 17 of the Listing Rules. The attendance of individual members is set out in the following table.

Name of committee members	Meetings attended/eligible to attend
Mr. Kazuyuki YOSHIDA	2/2
Mr. Mitsuru ISHII *(resigned on 18 July 2023)*	N/A
Mr. Yuji MATSUZAKI *(resigned on 18 July 2023)*	N/A
Mr. Katsuya YAMAMOTO	2/2
Mr. Yutaka KAGAWA	2/2
Ms. Mariko YAMAMOTO *(appointed on 18 July 2023)*	2/2
Mr. Masaaki AYRES (alias Gettefeld AYRES) *(appointed on 18 July 2023)*	2/2

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, Mr. Kazuyuki YOSHIDA, Mr. Mitsuru ISHII (resigned on 18 July 2023), Mr. Yuji MATSUZAKI (resigned on 18 July 2023), Ms. Mariko YAMAMOTO (appointed on 18 July 2023) and Mr. Masaaki AYRES (alias Gettefeld AYRES) (appointed on 18 July 2023), 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 22 November 2023; (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 *(resigned on 18 July 2023)*	N/A
Mr. Yuji MATSUZAKI *(resigned on 18 July 2023)*	N/A
Mr. Yutaka KAGAWA	1/1
Mr. Kazuyuki YOSHIDA	1/1
Ms. Mariko YAMAMOTO *(appointed on 18 July 2023)*	1/1
Mr. Masaaki AYRES (alias Gettefeld AYRES) *(appointed on 18 July 2023)*	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 to select and recommend candidates for directorship during the year;

— 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 Director is female, (iv) at least one of the Directors must have appropriate professional qualifications or accounting or related financial management expertise, and (v) at least one Director should have intensive experience of the industry on which the business of the Group is engaged in. The Board achieved these measurable objectives during the Year.

As at 30 June 2024, the Board comprises four male Directors and one female Director. The Nomination Committee will continue to look 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, in order to achieve and/or maintain the aforesaid gender diversity.

As at 30 June 2024, the employees of the Group (including executive Directors and senior management of the Company) comprised 185 males and 167 females and the ratio of male to female staff was approximately 1:0.9. Accordingly, the Board considers that the gender diversity has been achieved in its workplace generally. The Group strives to continue maintaining the gender diversity in its workplace by promoting such diversity during recruitment.

The Board diversity policy is reviewed by the Nomination Committee annually, and the Board's composition is disclosed in the Corporate Governance Report. The Nomination Committee is satisfied with the implementation and effectiveness of the Board diversity policy.

Directors Remuneration Policy

The Company has adopted a remuneration policy, which aims to provide a fair market level of remuneration to retain and motivate high quality directors, senior management of the Company and attract experienced people of high calibre to oversee the business and development of the Group. 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.

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 perform their duties 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. The Board shall review the implementation and effectiveness of the Mechanism annually.

An annual review of the Mechanism has been conducted. The Board is satisfied with the implementation and effectiveness of the Mechanism.

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 in respect of the audit and audit-related services amounted to approximately ¥35 million. The fees charged by PricewaterhouseCoopers in respect of the non-audit services for the Year were approximately ¥13 million. The remuneration paid to PricewaterhouseCoopers and its affiliated firm for services rendered for the Year is listed as follows:

	2024 **¥ million**
Types of services	
Audit services[1]	35
Non-audit services[2]	13
Total	48

Notes:

1. Audit services comprise the audit of the annual consolidated financial statements of the Group for the year ended 30 June 2024.

2. Non-audit services comprise tax compliance service, compliance services for Environmental, Social and Governance Reporting, and the interim review of the consolidated financial statements of the Group for 6M2024.

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.

PURPOSE, VALUES, STRATEGY AND CORPORATE CULTURE

To ensure the purpose, values and strategies of the Company are in line with its corporate culture, the Board has formulated the statement on purpose, values and strategies of the Company. The statement has set out the purpose and values of the Company, as well as various strategies adopted for the realization of its purpose and values.

Purpose

As a group that provides comprehensive entertainment services, the Company strives for the prosperity of the community, society and the smiles of people, and pursues the growth and happiness of its employees and their families, aiming to achieve both sustainable business growth and a sustainable society with an awareness of environmental protection.

The following sets out how the Company fulfils its purpose:

(i) For the environment

As a member living in the global environment, we aim to reduce the environmental burden and realise a sustainable society through our business activities.

(ii) For the community

In order to contribute to the realisation of a better lifestyle and urban development, we will strive to further build relationships for coexistence and cooperation with local communities and society.

(iii) For customers

We aim to realise "service that exceeds customer expectations" from the customer's point of view so that we can provide our customers with peace of mind, satisfaction, and trust of our customers.

(iv) For employees

We aim to develop excellent human resources and enhance the overall strength of the company by ensuring a safe and comfortable workplace and an environment where those who take on challenges can demonstrate their abilities and realizing the comfort and satisfaction of our employees.

Values

The Company's values are embodied in its "3S" motto below:

(i) Service

It is always the Company's pleasure to serve its customers. The Company treats its customers with a sincere heart and kind attitude.

(ii) Smile

The Company's employees always wear a smile towards customers as well as their colleagues.

(iii) Success

The Company pursues success. It does its best for the success of the Company and its employees.

Strategies

The Company aims to achieve its purpose and values through the following strategies:

- **Relationship with customers**: The Company aims to provide "services that exceed customer expectations" in order to earn the trust, satisfaction and assurance of its customers;

- **Relationship with business partners**: In order to continue to be a company that is needed by society, the Company will strive to conduct fair and transparent transactions in accordance with the rules of reasonable business transactions, aiming for mutual development and prosperity in the relationships with its business partners;

- **Relationship with shareholders**: The Company will systematically carry out its business activities with the aim of promoting its corporate value in a stable manner, and will ensure transparency in its management through timely and appropriate information disclosure;

- **Relationship with assets and information**: The Company recognises the importance of handling all assets and information, and ensures such handling is appropriate and is in accordance with its objectives and rules;

- **Relationships with employees**: The Company respects the personality and individuality of each and every one of its employees. By ensuring a safe and comfortable workplace and an environment where people take on challenges to demonstrate their abilities, and by realizing the wellbeing and enrichment of its employees, the Company will nurture excellence and enhance the overall strength of the workforce; and

- **Community and social relations**: The Company is committed to building stronger relationships of co-existence and co-operation with local communities and society in order to contribute to the creation of a richer lifestyle and culture.

Review

The Board has conducted and will continue to conduct regular reviews to ensure that the Company's culture is aligned with the Company's purpose and values and is able to deliver long-term sustainable growth, and that all employees understand the core values of the Company's culture.

RISK MANAGEMENT, INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

Our Board is responsible for the risk management and internal control systems and reviewing their effectiveness, and 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 identify, evaluate and manage significant risks and 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 effectiveness of 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, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, as well as those relating to the Groups' ESG performance and reporting. 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.

ANTI-CORRUPTION POLICY

The Company does not tolerate any form of fraud, bribery and corruption by its directors and employees of the Group. The Company adopts the anti-corruption policy to promote and support anti-corruption laws and regulation, and to assist the employees in recognising circumstances which may lead to or give the appearance of being involved in fraudulent or corrupt activity, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance if necessary.

The anti-corruption policy will be reviewed on an annual basis, and any convicted cases will be reported to the Audit Committee or the Board.

WHISTLEBLOWING POLICY

The Company expects and encourages employees of the Group and those who deal with the Group (e.g., customers, suppliers and subcontractors) to report to the Company, in confidence, any suspected misconduct, malpractice or irregularities concerning the Group. The Company establishes the whistleblowing policy and system for employees and those who deal with the Group (e.g., customers and suppliers) to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Group. The whistleblowing policy also provides reporting channels and guidance on whistleblowing and reassurance to whistleblowers of the protection that the Group will extend to them in the formal system.

The whistleblowing policy will be reviewed on annual basis, and any suspected cases will be reported to the Audit Committee.

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 and concluded that it is effective.

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 solicit 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 annual general meetings of the Company provide an opportunity for Shareholders to communicate directly with the Directors. Under normal circumstances, the chairman of the Board and the independent non-executive Directors and the chairmen of the Board committees will attend the annual general meetings to answer Shareholders' questions. The external auditor of the Company will also attend the annual general meetings to answer questions about the audit works, the preparation and content of the auditor's report, the accounting policies and the independence of the auditor.

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 contact_us@okura-holdings.com.

The upcoming 2024 AGM will be held on Friday, 22 November 2024. Shareholders are encouraged to participate to all the general meetings of the Company.

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 contact_us@okura-holdings.com.

Information on Shareholders

As at 30 June 2024 and to the best knowledge of our Directors, Mr. Katsuya YAMAMOTO is interested in 375,000,000 Shares, representing 62.5% of the entire issued share capital of the Company (in which Mr. Katsuya YAMAMOTO directly held 303,000,000 Shares, representing 50.50% of the entire issued share capital of the Company, and was deemed to be interested in 72,000,000 Shares held by the Foundation by virtue of being the founder of the Foundation, representing 12.00% of the entire issued share capital of the Company, as at 30 June 2024). Details of Mr. Katsuya YAMAMOTO's interest in the Shares as at 30 June 2024 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. 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 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 advice and services of the company secretary to ensure that the Board procedures, and all applicable law, rules and regulations, 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. Mr. MAN Yun Wah reports to Mr. Yutaka KAGAWA, an executive Director and the head of Corporate Planning Department. Mr Yutaka KAGAWA is also the primary corporate contact person at the Company.

ABOUT THIS REPORT

This ESG Report contains disclosures made by the Group with reference to the ESG Reporting Guide set out in Appendix C2 of the Listing Rules. As a general principle, this ESG Report focuses on the pachinko business operated by the Group in Japan.

ESG STATEMENT FROM THE BOARD

Since the establishment of the Group, the Board has been responsible for our CSR strategy and performed identification and evaluation of CSR risks, implementation of appropriate and effective risk management strategies, and establishment of 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 ESG 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 standards, methodologies, assumptions, calculation references, and sources of key conversion factors used for KPIs are described in the relevant sections.

(iii) Balance

This ESG 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 this ESG Report.

REPORTING SCOPE

The Group identifies the reporting scope by considering the materiality principle, its core business and its main revenue source. The scope of this ESG 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 (FY2024: 92.4% of total revenue). We closed 1 pachinko hall in January 2024 and operated 10 pachinko halls at the end of the Year. The Group will continue to assess the major KPIs of different businesses and broaden the reporting scope when and where necessary.

A. ENVIRONMENT

Our View on the Environment

The Group recognises that preserving the global environment is one of our missions. By concentrating on reducing greenhouse gas emissions, managing waste effectively, and taking proactive measures against climate change, the Group aims to lessen its impact on the global environment and advance environmental protection.

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 purchased electricity which is categorised as indirect greenhouse gas emissions (Scope 2). The greenhouse gas emissions at our halls for the Year and FY2023 are set out below:

	FY2024	FY2023
Carbon dioxide emissions (t-CO_2)[1]	**4,711**	5,151.2
Intensity (t-CO_2/per pachinko and pachislot machine)	**0.72**	0.69
Average number of machines in fiscal year[2]	**6,541**	7,519

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 FY2023 are set out below:

	FY2024	FY2023
Power consumption (1,000 Kwh)	**10,368.7**	12,705.7
Intensity (1,000 Kwh/per pachinko and pachislot machine)	**1.59**	1.69
Average number of machines in fiscal year	**6,541**	7,519

In order to decrease our electricity consumption to reduce greenhouse gas emissions and increase the energy efficiency at its halls, 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 2024, we have installed these new air conditioners at five of our 10 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 2024, we have completed the installation of LED lighting in 7 of our 10 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 emission and energy use efficiency targets, the Group targets to reduce power consumption and associated greenhouse gas emission by switching to power that derives from renewable energy so as to reduce the level of indirect greenhouse gas emissions (Scope 2) generated by the Group.

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 and sourcing 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.

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

During the Year, our Directors are 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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

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 FY2023. We consider that since most of our employees live in Japan, the breakdown of employees by geographical region would not be meaningful.

	FY2024		FY2023	
Employment type	**Number of male employees**	**Number of female employees**	Number of male employees	Number of female employees
Regular employees	**100**	**25**	107	27
Semi-regular employees and contract employees	**3**	**1**	3	1
Subtotal	**103**	**26**	110	28
Part-time Employees	**82**	**141**	95	148
Total	**185**	**167**	205	176

The following table shows the age distribution of our employees by gender for the Year and FY2023.

	FY2024		FY2023	
Age	**Number of male employees**	**Number of female employees**	Number of male employees	Number of female employees
Below 20 years old	**10**	**6**	18	3
20–29 years old	**57**	**26**	58	32
30–39 years old	**25**	**38**	32	44
40–49 years old	**59**	**32**	62	32
50–59 years old	**17**	**30**	18	29
60–69 years old	**8**	**21**	8	2
Above 70 years old	**9**	**14**	9	15
Total	**185**	**167**	205	176

The following table shows the retention rate of our employees for the Year and FY2023.

	FY2024	FY2023
	%	%
Retention rate (Employees)[1]	**89.4**	86.4

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

The safety of our employees is of utmost importance and the Group is committed to complying with all applicable health and safety laws and regulations. Further, in order to provide a safe working environment and to protect our employees from any occupational hazards, the Group has also 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:

	FY2024	FY2023
Lost days due to work injury	**151.2 days**	227.7 days
Frequency rate[1]	**6.18**	14.16
Severity rate[1]	**0.31**	0.46

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 FY2023 are as follows:

	FY2024 Hour	FY2023 Hour
Training hours per full-time employee[1]	**1.6**	3.0
Average training attendance rate[2]	**75.7%**	71.8%

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

As there were few opportunities for training during the Year, we consider 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 the relevant laws and regulations that had a significant impact on the Group relating to preventing child and forced labour.

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 34 (FY2023: 39) machine manufacturers, and out of those, transactions with top 5 game machine manufacturers account for 47.8% (FY2023: 47.9%) of the consideration of the total transactions. For the purchase of prizes, the Group deals with 47 ongoing prize suppliers (FY2023: 31 suppliers), and out of those, transactions with top 5 prize suppliers account for 99.3% (FY2023: 99.1%) 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 that are relevant to game machine sales and manufacturing companies in mind, we only engage or enter into business with such companies (FY2024: 34 business partners) that are registered with industrial associations to ensure we only purchase gaming machines that comply with the Amusement Business Law. In particular, the regulations relating to the certification of and model approval for gaming machines established by the National Public Safety Commission of Japan under the Amusement Business Law restrict certain aspects of gaming machines, including but not limited to (i) pay-out performance, (ii) technological intervention (i.e., possibility to earn more pachinko balls or pachislot tokens than usual by playing in a certain way), and (iii) unauthorized modification.

Further, when the Group engages or enters into business with new business partners, we perform comprehensive compliance checks on anti-social force laws and regulations on all our new business partners and obtain written confirmation from a research company that such new business partners (FY2024: 28 business partners) are not engaged in or associated with any activities in breach of anti-social force laws and regulations. Going forward, our compliance department will monitor the status of engagements after signing contracts with all our business partners by conducting annual checks. We classify business partners with transactions of ¥100,000 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 10 pachinko halls we operate in Japan, the Group received 21 (FY2023: 17) 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 installed posters to raise customers' awareness in our pachinko halls, and placed pachinko and pachislot advisers who assist customers by providing appropriate advice in each pachinko hall. To further promote customer awareness, the posters and stickers of Recovery Support Network, a non-profit organization established to help people afflicted with gambling and their family and friends by offering free telephone service, are displayed at a place that can be easily seen from customers in our pachinko halls. In addition, we adopted a 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.","K's Plaza" and SENKURA 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 takes a stern stance against any corruption and money-laundering behaviours that not only violate local laws and regulations but also severely damage the business integrity and reputation of the Group. With this in mind, the Group has been taking the following measures to prevent corruption incidents and money laundering incidents:

- Installation of CCTVs;
- Performing regular patrols or data checks for the early detection of cheating or abnormal matters;
- Ensuring compliance with relevant laws and regulations on high-value prize exchange;
- Introducing and maintaining a whistleblowing hotline (for details of the Group's whistleblowing hotline, please refer to our whistleblowing policy in the announcement of the Company dated 23 June 2022);

- Performing evaluation and verifying on the prevention and/or detection measures against money laundering transactions by the Risk Management Committee;

- Implementing an annual training session on anti-corruption for all staff which covers the relevant laws in order to help the staff to recognise and mitigate associated risks; and

- Requiring all staff to take an assessment upon receiving the annual training session on anti-corruption to check their level of understanding. Employees with unsatisfactory test results will be required to retake the training session.

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 maintaining healthy business practices and preventing dishonesty.

D. CONTRIBUTION TO THE SOCIETY

Our Group considers that creating a better society through our business is the most important social contribution. In addition to 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 in 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 a 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 local communities.

In addition, we are working on raising our employees' awareness and understanding on CSR through company-wide activities. As part of this effort, we are participating in a campaign that involves collecting 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 a food bank that collects and distributes food to welfare facilities, etc.

Through these activities, we aim to raise awareness not only on 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 80 to 156, comprise:

- the consolidated statement of financial position as at 30 June 2024;
- 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, comprising material accounting policy information 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 2024, 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 IFRS Accounting Standards 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.

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

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 2024, the Group had property, plant and equipment ("PP&E") of ¥8,587 million and right-of-use assets ("ROU") of ¥1,150 million, respectively, before provision for impairment for the year ended 30 June 2024. Management performs impairment assessment of property, plant and equipment and right-of-use assets whenever events or changes in circumstances indicate the carrying amount of a cash-generating unit ("CGU"), defined as each pachinko and pachislot hall, 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 these to be 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 assess 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 PP&E and ROU with the relevant CGUs. We evaluated management's VIU calculations by: • Reconciling data used in the VIU calculations to the approved forecasts to ensure data inputs accuracy; • Assessing the mathematical accuracy of management's VIU calculations; • Comparing the current year actual results with the prior year forecasts to consider the reasonableness of management's forecasts; • Challenging management's adopted assumption of revenue growth rates, by comparing the rates to industry trends, the CGU's historical performance and operational developments;

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 30 June 2024, management performed impairment assessments to assess the recoverable amounts of these CGUs, which were determined as the higher of value-in-use ("VIU") or fair value less cost of disposal ("FVLCD"). The VIU calculations were derived from discounted future cash flow forecasts of the CGUs prepared by management and the FVLCD calculations were performed by management with reference to recent market quotation of similar fixed assets and the 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 assessment, provision for impairment loss of ¥151 million was recorded for PP&E and ¥96 million for ROU for the year ended 30 June 2024. We focused on this area due to 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 adopted assumptions of 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 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. We evaluated management's FVLCD calculations on CGUs by: • Evaluating the competence, capability and objectivity of the independent professional qualified valuer who assisted management; • Assessing the mathematical accuracy of FVLCD 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; • Assessing the reasonableness of the valuations by comparing against market quotation of similar properties based on our independent research; and • Evaluating the sensitivity analysis performed by management around monthly rental for land and building, and unit price per square meter for land 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 assessed the adequacy of the disclosures related to impairment of PP&E and ROU in the context of IFRS Accounting Standards and HKFRSs disclosure requirements. Based on the procedures performed, we considered that the judgements and estimates adopted by management in relation to the VIU and FVLCD calculations used in their impairment assessments of PP&E and ROU 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 Okura Holdings Limited 2024 Annual Report (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including Corporate Information, Definitions, Chairman's Statement, Management Discussion and Analysis, Biographies of the Directors and Senior Management, Directors' Report, and Corporate Governance Report, prior to the date of this auditor's report. The remaining other information, including Environmental, Social and Governance Report, Financial Summary, and Particulars of Investment Properties to be included in the annual report, are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

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 IFRS Accounting Standards 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, 30 September 2024

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2024

	Note	2024 ¥million	2023 ¥million
Revenue	5	**6,483**	6,284
Other income	6	**457**	442
Gain on release of lease liabilities	6	**1,032**	2,691
Other gains, net	6	**92**	75
Hall operating expenses	7	**(5,292)**	(5,507)
Administrative and other operating expenses	7	**(776)**	(675)
Operating profit		**1,996**	3,310
Finance income		**61**	55
Finance costs		**(153)**	(219)
Finance costs, net	9	**(92)**	(164)
Profit before income tax		**1,904**	3,146
Income tax credit	10	**140**	74
Profit for the year attributable to shareholders of the Company		**2,044**	3,220
Earnings per share attributable to shareholders of the Company for the year (expressed in ¥ per share)			
Basic and diluted	11	**3.41**	6.22
Profit for the year		**2,044**	3,220
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of employee benefit obligations		**5**	8
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		**2**	35
		7	43
Total comprehensive income for the year attributable to shareholders of the Company		**2,051**	3,263

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 2024

	Note	**2024 ¥million**	2023 ¥million
Assets			
Non-current assets			
Property, plant and equipment	13	**8,436**	7,653
Right-of-use assets	14	**1,054**	1,855
Investment properties	15	**3,020**	2,978
Intangible assets	16	**126**	130
Prepayments and deposits	22	**603**	665
Financial assets at amortised cost	19	**500**	500
Financial assets at fair value through other comprehensive income	18(b)	**93**	88
Deferred income tax assets	29	**683**	515
		14,515	14,384
Current assets			
Inventories	20	**74**	137
Trade receivables	21	**11**	10
Prepayments, deposits and other receivables	22	**184**	288
Financial assets at amortised cost	19	**500**	500
Financial assets at fair value through profit or loss	18(a)	**37**	424
Short-term bank deposits	23	**100**	100
Cash and cash equivalents	23	**3,049**	2,423
		3,955	3,882
Total assets		**18,470**	18,266
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	24	**20,644**	20,644
Reserves	24	**(12,875)**	(14,926)
Total equity		**7,769**	5,718

Consolidated Statement of Financial Position

As at 30 June 2024

	Note	**2024 ¥million**	2023 ¥million
Liabilities			
Non-current liabilities			
Borrowings	28	**4,047**	4,098
Lease liabilities	14	**2,625**	4,604
Accruals, provisions and other payables	26	**359**	365
Employee benefit obligations	27	**208**	183
Deferred income tax liabilities	29	**199**	216
		7,438	9,466
Current liabilities			
Borrowings	28	**940**	785
Financial liabilities at fair value through profit or loss	18(c)	**—**	151
Lease liabilities	14	**468**	550
Trade payables	25	**13**	14
Accruals, provisions and other payables	26	**1,816**	1,537
Amount due to a director	33(a)	**3**	3
Current income tax liabilities		**23**	42
		3,263	3,082
Total liabilities		**10,701**	12,548
Total equity and liabilities		**18,470**	18,266

The consolidated financial statements on pages 80 to 156 were approved by the Company's Board of Directors on 30 September 2024 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 2024

	Share capital (Note 24) ¥million	Capital reserve (Note 24(a)) ¥million	Legal reserve (Note 24(b)) ¥million	Other reserves (Note 24(c)) ¥million	Accumulated loss ¥million	Total ¥million
Balance at 1 July 2022	20,349	(12,837)	40	10	(5,402)	2,160
Profit for the year	—	—	—	—	3,220	3,220
Other comprehensive income						
Remeasurement of long-term benefit obligation	—	—	—	8	—	8
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	35	—	35
Total comprehensive income	—	—	—	43	3,220	3,263
Transaction with owners in their capacity as owners:						
Issue of ordinary shares, net of transaction costs and tax	295	—	—	—	—	295
Total transaction with owners in their capacity as owners	295	—	—	—	—	295
Balance at 30 June 2023	20,644	(12,837)	40	53	(2,182)	5,718

Consolidated Statement of Changes in Equity

For the year ended 30 June 2024

	Share capital (Note 24) ¥million	Capital reserve (Note 24(a)) ¥million	Legal reserve (Note 24(b)) ¥million	Other reserves (Note 24(c)) ¥million	Accumulated loss ¥million	Total ¥million
Balance at 1 July 2023	**20,644**	**(12,837)**	**40**	**53**	**(2,182)**	**5,718**
Profit for the year	—	—	—	—	**2,044**	**2,044**
Other comprehensive income						
Remeasurement of long-term benefit obligation	—	—	—	**5**	—	**5**
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	**2**	—	**2**
Total comprehensive income	—	—	—	**7**	**2,044**	**2,051**
Balance at 30 June 2024	**20,644**	**(12,837)**	**40**	**60**	**(138)**	**7,769**

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 2024

	Note	2024 ¥million	2023 ¥million
Cash flows from operating activities			
Cash generated from operations	30	**2,214**	1,788
Income tax paid		**(67)**	(57)
Interest received		**53**	55
Interest paid		**(72)**	(64)
Net cash generated from operating activities		**2,128**	1,722
Cash flows from investing activities			
Proceeds from disposal of financial assets at fair value through profit or loss		**483**	20
Purchase of financial assets at fair value through profit or loss		**(149)**	(29)
Proceeds from disposal of property, plant, and equipment		**22**	—
Purchase of property, plant and equipment		**(1,373)**	(544)
Purchase of investment properties		**(11)**	(90)
Purchase of intangible asset		**—**	(15)
Net cash used in investing activities		**(1,028)**	(658)
Cash flows from financing activities			
Proceeds from issuance of new shares		**—**	295
Proceeds from borrowings		**804**	219
Repayment of borrowings		**(700)**	(740)
Interest elements of lease payments		**(81)**	(155)
Principal elements of lease payments		**(500)**	(656)
Net cash used in financing activities		**(477)**	(1,037)
Net increase in cash and cash equivalents		**623**	27
Cash and cash equivalents at beginning of the year		**2,423**	2,340
Effects of exchange rate changes on cash and cash equivalents		**3**	56
Cash and cash equivalents at end of the year		**3,049**	2,423

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

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 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards 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 Accounting Standards 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 Accounting Standards and HKFRS. Reference to IFRS Accounting Standards, 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 Accounting Standards and HKFRS affecting the consolidated financial statements.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards 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.

Certain comparative figures have been reclassified to conform with the current period's presentation.

(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 BASIS OF PREPARATION (CONTINUED)

(b) New and amended standards and practice statement adopted by the Group

The Group has applied the following new and amendments to standards and practice statement for the first time for their annual reporting period commencing 1 July 2023:

Amendments under IFRS	
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to IAS 12	International Tax Reform— Pillar Two Model Rules
IFRS 17 and Amendments to IFRS 17	Insurance Contracts and the related Amendments

The adoption of these amendments to accounting standards has no material impact on the Group's financial statements except as described below.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The Group is required to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. Any entity-specific information that are relevant for an understanding of line items in the financial statements have been moved to the relevant notes for those line items. Material accounting policies which are not entity-specific but rather summarise the requirements of the accounting standards are now disclosed in Note 38.

2 BASIS OF PREPARATION (CONTINUED)

(c) New and amended standards and interpretation to existing standards not yet adopted by the Group

Certain new and amendments to accounting standards and interpretation have been published that are not mandatory for 30 June 2024 reporting periods and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments under IFRS		
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21 and IFRS 1	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Amendments to Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments under HKFRS		
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The directors are in the process of assessing the impact of these amended standards and interpretations in the period of initial application. Other than those disclosed below, the directors do not expect the adoption of these amended standards and interpretations to have a material impact on the Group's financial statements when they become effective.

2 BASIS OF PREPARATION (CONTINUED)

(c) New and amended standards and interpretation to existing standards not yet adopted by the Group (continued)

IFRS 18 — Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the Group's financial statements.

The directors are in the process of assessing the impact of IFRS 18 in the period of initial application. The directors anticipate that the application of IFRS 18 has certain impacts on the presentation and disclosure on the Group's financial statements.

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, 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, and financial assets denominated in United States dollars ("USD").

As at 30 June 2024, if USD had weakened/strengthened by 5% against ¥ with all other variables held constant, post-tax profit for the year would have been approximately ¥4 million lower/higher (2023: ¥26 million lower/higher), 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) Interest rate risk

The Group's interest rate risk arises from bank balances and borrowings which are carried at variable rates, which expose the Group to cash flow interest rate risk. As at 30 June 2024, if interest rates were increased or decreased by 5 basis points and all other variables were held constant, the post-tax profit would decrease or increase by approximately ¥1 million (2023: the post-tax profit would increase or increase by approximately ¥1 million) as a result of increase or decrease in interest income.

(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 profit or loss and financial assets at fair value through other comprehensive income.

As at 30 June 2024, for financial assets at fair value through profit or loss, 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 profit would increase or decrease by approximately ¥1 million (2023: ¥5 million). For financial assets at fair value through other comprehensive income, if the share prices of underlying financial instruments were increased or decreased by 5% and all other variables were held constant, the Group's equity would increase or decrease by approximately ¥3 million (2023: ¥3 million).

(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 mainly financial institutions with high credit ratings assigned by international credit rating agencies.

Approximately 99% (2023: 93%) 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group adopts general approach for expected credit losses of other receivables and financial assets at amortised cost 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 2024 and 2023 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 several 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 2024						
Non-derivatives						
Trade payables	**13**	**—**	**—**	**—**	**13**	**13**
Other payables	**813**	**108**	**35**	**51**	**1,007**	**1,007**
Borrowings	**1,003**	**832**	**1,472**	**1,964**	**5,271**	**4,987**
Amount due to a director	**3**	**—**	**—**	**—**	**3**	**3**
Lease liabilities	**551**	**509**	**1,457**	**1,091**	**3,608**	**3,093**
	2,383	**1,449**	**2,964**	**3,106**	**9,902**	**9,103**
Derivatives						
Net settled (financial liabilities at fair value through profit or loss)	**—**	**—**	**—**	**—**	**—**	**—**
	—	**—**	**—**	**—**	**—**	**—**
As at 30 June 2023						
Non-derivatives						
Trade payables	14	—	—	—	14	14
Other payables	671	115	18	51	855	855
Borrowings	839	750	1,723	1,841	5,153	4,883
Amount due to a director	3	—	—	—	3	3
Lease liabilities	651	640	1,769	2,911	5,971	5,154
	2,178	1,505	3,510	4,803	11,996	10,909
Derivatives						
Net settled (financial liabilities at fair value through profit or loss)	151	—	—	—	151	151
	151	—	—	—	151	151

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 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.

To maintain or adjust the capital structure, the Group may adjust the amounts 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.

	2024 **¥million**	2023 ¥million
Borrowings (Note 28)	**4,987**	4,883
Lease liabilities (Note 14)	**3,093**	5,154
Less: cash and cash equivalents (Note 23)	**(3,049)**	(2,423)
Less: liquid investment (Note)	**—**	(144)
Net debt	**5,031**	7,470
Total equity	**7,769**	5,718
Total capital	**12,800**	13,188
Gearing ratio	**39.3%**	56.6%

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

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 2024				
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	—	37	—	37
Financial assets at fair value through other comprehensive income				
— Listed equity securities	92	—	—	92
— Unlisted equity securities	—	—	1	1
	92	37	1	130
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivatives	—	—	—	—

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 2023				
Assets				
Financial assets at fair value through profit or loss				
— Listed equity securities	144	—	—	144
— Debt securities	—	280	—	280
Financial assets at fair value through other comprehensive income				
— Listed equity securities	87	—	—	87
— Unlisted equity securities	—	—	1	1
	231	280	1	512
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivatives	—	(151)	—	(151)

(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 2024, 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 (30 June 2023: 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).

(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 2024, instruments included in level 2 comprise bonds and trust funds 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 (30 June 2023: instruments included in level 2 comprise bonds and trust funds issued by, as well as options held 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 2024 and 2023, financial assets at fair value through other comprehensive income mainly comprise investment in unlisted shares.

The unlisted shares are 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 unlisted shares, 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 the net asset value of the unlisted shares and macroeconomic conditions. The unobservable inputs which significantly impact the fair value are the net asset value of the unlisted shares which were based on the latest available financial statements. 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 2024 and 2023:

	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 2022	2	—*	2
Fair value loss on valuation	(1)	—	(1)
Balance at 30 June 2023	1	—*	1
Fair value loss on valuation	—	—	—
Balance at 30 June 2024	**1**	**—***	**1**

* The amount represents less than ¥1 million.

There were no transfers between levels 1, 2 and 3 during the years ended 30 June 2024 and 2023.

3.4 Offsetting financial assets and financial liabilities

As at 30 June 2024 and 2023, 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.

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 of disposal 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; (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; and (4) 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 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.

5 REVENUE AND SEGMENT INFORMATION

Material Accounting Policy

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

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

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Material Accounting Policy (continued)

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 represent 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.

(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) Rental income from investment properties is recognised on a straight-line basis over the term of the leases. Refer to Note 15.

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

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

(vi) Income from other operations includes motor vehicle rental operation and karaoke operation which are recognised over-time when the related services have been provided to customers.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Revenue

	2024 ¥million	2023 ¥million
Revenue		
Gross pay-ins	**31,850**	29,871
Less: gross pay-outs	**(25,861)**	(24,049)
Revenue from pachinko and pachislot hall business	**5,989**	5,822
Vending machine income	**96**	94
Property rental	**385**	359
Revenue from other operations	**13**	9
	6,483	6,284

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.

During the year ended 30 June 2024, revenue recognised that was included in the contract liabilities balances of unutilised balls and tokens at the beginning of the year amounted to ¥523 million (2023: ¥387 million). Unutilised balls and tokens have an expiry term of 1 year and the Company expects to deliver the services to satisfy the remaining performance obligations of these contract liabilities 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 (prior to the discontinuation in April 2023), motor vehicle rental operation, and karaoke operation (prior to the discontinuation in June 2024). These operations in the other segments 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 2024 and 2023 are as follows:

	Year ended 30 June 2024				
	Pachinko and pachislot hall operation ¥million	**Property rental ¥million**	**Other segments ¥million**	**Unallocated amounts ¥million**	**Total ¥million**
Segment revenue from external customers	**6,085**	**385**	**13**	**—**	**6,483**
Segment results	**2,172**	**146**	**1**	**—**	**2,319**
Unallocated amount	**—**	**—**	**—**	**(415)**	**(415)**
Income tax credit					**140**
Profit for the year					**2,044**
Other segment items					
Provision for impairment loss of property, plant and equipment	**(151)**	**—**	**—**	**—**	**(151)**
Provision for impairment loss of right-of-use assets	**(96)**	**—**	**—**	**—**	**(96)**
Provision for impairment loss of intangible assets	**(1)**	**—**	**—**	**—**	**(1)**
Provision for impairment loss of investment properties	**—**	**(15)**	**—**	**—**	**(15)**
Depreciation and amortisation	**(520)**	**(79)**	**(5)**	**(37)**	**(641)**
Finance income	**—**	**—**	**—**	**61**	**61**
Finance costs	**(97)**	**(54)**	**—**	**(2)**	**(153)**

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

	Year ended 30 June 2023				
	Pachinko and pachislot hall operation ¥million	Property rental ¥million	Other segments ¥million	Unallocated amounts ¥million	Total ¥million
Segment revenue from external customers	5,916	359	9	—	6,284
Segment results	3,039	178	(5)	—	3,212
Unallocated amount	—	—	—	(66)	(66)
Income tax credit					74
Profit for the year					3,220
Other segment items					
Provision for impairment loss of property, plant and equipment	(68)	—	—	—	(68)
Provision for impairment loss of right-of-use assets	(23)	—	—	—	(23)
Provision for impairment loss of intangible assets	—	—	—	(3)	(3)
Provision for impairment loss of investment properties	—	(33)	—	—	(33)
Depreciation and amortisation	(504)	(80)	(4)	(40)	(628)
Finance income	—	—	—	55	55
Finance costs	(160)	(57)	—	(2)	(219)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

The segment assets as at 30 June 2024 and 2023 are as follows:

	Pachinko and pachislot hall operation ¥million	Property rental ¥million	Other segments ¥million	Total ¥million
As at 30 June 2024				
Segment assets	**10,161**	**3,391**	**2**	**13,554**
Unallocated assets				**3,103**
Financial assets held at amortised cost				**1,000**
Financial assets at fair value through profit or loss				**37**
Financial assets at fair value through other comprehensive income				**93**
Deferred income tax assets				**683**
Total assets				**18,470**
Additions to non-current assets other than financial instruments and deferred tax assets	**1,376**	**58**	**—**	**1,434**
As at 30 June 2023				
Segment assets	10,577	3,306	4	13,887
Unallocated assets				2,352
Financial assets held at amortised cost				1,000
Financial assets at fair value through profit or loss				424
Financial assets at fair value through other comprehensive income				88
Deferred income tax assets				515
Total assets				18,266
Additions to non-current assets other than financial instruments and deferred tax assets	486	155	—	641

There is no single external customer contributed more than 10% revenue to the Group's revenue for the years ended 30 June 2024 and 2023.

The Group is domiciled in Japan and majority of the non-current assets of the Group as at 30 June 2024 and 2023 are located in Japan.

6 OTHER INCOME, GAIN ON RELEASE OF LEASE LIABILITIES AND OTHER GAINS, NET

	2024 ¥million	2023 ¥million
Other income		
Income from scrap sales of used pachinko machines	**405**	386
Dividend income	**8**	2
Income from expired prepaid IC and membership card	**7**	6
Income from forfeited unutilised balls	**16**	15
Government subsidies	**1**	20
Others	**20**	13
	457	442

	2024 ¥million	2023 ¥million
Gain on release of lease liabilities (Note)	**1,032**	2,691

	2024 ¥million	2023 ¥million
Other gains, net		
Provision for impairment loss of investment properties (Note 15)	**(15)**	(33)
Provision for impairment loss of intangible assets	**—**	(3)
Exchange gains, net	**65**	77
Gains on disposal of property, plant and equipment	**2**	—
Losses on write-off of property, plant and equipment	**(3)**	(23)
Fair value changes on financial assets and financial liabilities at fair value through profit or loss	**37**	36
Others	**6**	21
	92	75

Note: Gain on release of lease liabilities during the years ended 30 June 2024 and 2023 mainly represents the gain from early termination of lease in relation to the closure of one pachinko and pachislot hall in Japan.

7 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2024 ¥million	2023 ¥million
Pachinko and pachislot machines expenses (Note)	**2,399**	2,651
Auditor's remuneration		
— Audit services	**35**	30
— Non-audit services	**13**	12
Employee benefits expenses (Note 8)		
— Hall operating expenses	**797**	823
— Administrative and other operating expenses	**235**	238
Operating lease rental expense in respect of land and buildings	**12**	17
Depreciation and amortisation (Notes 13, 14, 15 and 16)	**641**	628
Advertising and promotion expenses	**271**	220
Equipment and consumables costs	**75**	85
Provision for impairment loss of property, plant and equipment (Note 13)	**151**	68
Provision for impairment loss of right-of-use assets (Note 14)	**96**	23
Provision for impairment loss of intangible assets (Note 16)	**1**	—
Repairs and maintenance	**182**	153
Other taxes and duties	**144**	133
Outsourcing service expenses	**75**	110
Utilities expenses	**238**	347
G-prize procurement expenses to wholesalers	**130**	164
Legal and professional fees	**53**	56
Consultancy fees	**144**	27
Travel expenses	**17**	27
Insurance fee	**22**	21
Others	**337**	349
	6,068	6,182

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

	2024 **¥million**	2023 ¥million
Salaries, bonuses and allowances	**874**	895
Post-employment benefits	**33**	33
Other employee benefits	**125**	133
	1,032	1,061

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 30 June 2024 include one director (2023: one director) whose emolument is reflected in the analysis shown in Note 35. The emoluments payable to the remaining four (2023: four) individuals during the year are as follows:

	2024 **¥million**	2023 ¥million
Salaries, allowances and other benefits	**37**	35
Contribution to pension scheme	**—**	—
	37	35

The emoluments fell within the following bands:

	Number of individuals	
	2024	2023
Nil to ¥20,630,000 (equivalent to approximately HK$Nil to HK$1,000,000)	**4**	4

No discretionary bonus, inducement for joining or upon joining the Group or compensation for loss of office was paid or payable to any five highest paid individuals during the year (2023: Nil).

9 FINANCE COSTS, NET

	2024 ¥million	2023 ¥million
Finance income		
Interest income	**21**	12
Interest from debt securities	**40**	43
	61	55
Finance costs		
Interest for lease liabilities	**(81)**	(155)
Bank borrowings interest expenses	**(63)**	(62)
Bond interest expenses	**—**	—*
Others	**(9)**	(2)
	(153)	(219)
Finance costs, net	**(92)**	(164)

* The amount represents less than ¥1 million.

10 INCOME TAX CREDIT

Material Accounting Policy

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.

10 INCOME TAX CREDIT (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 substantively 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 where there is a legally enforceable right to offset current tax assets and liabilities and where 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.

	2024 **¥million**	2023 ¥million
Current income tax		
— Japan	**48**	94
Deferred income tax (Note 29)		
— Japan	**(188)**	(168)
	(140)	(74)

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 2024 and 2023.

10 INCOME TAX CREDIT (CONTINUED)

Japan corporate income tax include national corporate income tax, inhabitant tax, and enterprise tax, and has been calculated on the estimated assessable profit for the year. During the year ended 30 June 2024, the aggregated rates of national corporate income tax, inhabitant tax, and enterprise tax resulted in statutory income tax rates of 34.26% (2023: 34.26%).

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

	2024 **¥million**	2023 ¥million
Profit before income tax	**1,904**	3,146
Tax calculated at applicable Japan corporate income tax rate	**652**	1,078
Expenses not deductible for tax purposes	**2**	3
Income not subject to tax purpose	**(30)**	(25)
Temporary differences for which no deferred tax assets were recognised	**57**	74
Utilisation of previously unrecognised temporary differences	**(531)**	(1,245)
Recognition of previously unrecognised temporary differences	**(273)**	(166)
Tax losses not recognised	**—**	43
Withholding tax on undistributed earnings of subsidiaries	**(17)**	164
Income tax credit	**(140)**	(74)

11 EARNINGS PER SHARE

Basic earnings per share for the years ended 30 June 2024 and 2023 are calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the years ended 30 June 2024 and 2023.

	2024	2023
Profit attributable to shareholders of the Company (¥million)	**2,044**	3,220
Weighted average number of ordinary shares in issue (million) (Note)	**600**	518
Basic and diluted earnings per share (¥)	**3.41**	6.22

Note: No diluted earnings per share is presented as there was no potential dilutive share during the years ended 30 June 2024 and 2023. Diluted earnings per share is equal to the basic earnings per share.

12 DIVIDENDS

The board of directors did not recommend the payment of dividend for the year ended 30 June 2024 (2023: Nil).

13 PROPERTY, PLANT AND EQUIPMENT

Material Accounting Policy

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 gains, net" in the statement of comprehensive income.

Impairment of non-financial assets

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

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 1 July 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
Year ended 30 June 2023							
Opening net book amount	4,844	2,093	334	122	9	—	7,402
Additions	93	27	258	249	15	—	642
Transfer to investment properties	(5)	(10)	(1)	—	—	—	(16)
Write-off	—	—	(21)	(2)	—	—	(23)
Impairment loss	—	(59)	(2)	(7)	—	—	(68)
Depreciation (Note 7)	—	(140)	(55)	(82)	(7)	—	(284)
Closing net book amount	4,932	1,911	513	280	17	—	7,653

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 2023							
Cost	5,519	4,992	3,374	3,618	79	213	17,795
Accumulated depreciation and impairment	(587)	(3,081)	(2,861)	(3,338)	(62)	(213)	(10,142)
Net book amount	4,932	1,911	513	280	17	—	7,653
Year ended 30 June 2024							
Opening net book amount	4,932	1,911	513	280	17	—	7,653
Additions	426	557	149	286	6	—	1,424
Transfer to investment properties	(104)	(11)	(1)	—	—	—	(116)
Disposal	—	—	—	(20)	—	—	(20)
Write-off	—	—	(2)	(1)	—	—	(3)
Impairment loss	—	(44)	(71)	(36)	—	—	(151)
Depreciation (Note 7)	—	(162)	(57)	(125)	(7)	—	(351)
Closing net book amount	5,254	2,251	531	384	16	—	8,436
At 30 June 2024							
Cost	5,841	5,532	3,494	3,829	78	213	18,987
Accumulated depreciation and impairment	(587)	(3,281)	(2,963)	(3,445)	(62)	(213)	(10,551)
Net book amount	5,254	2,251	531	384	16	—	8,436

Depreciation of ¥328 million (2023: ¥269 million) have been charged in "Hall operating expenses" and ¥23 million (2023: ¥15 million) have been charged in "Administrative and other operating expenses" for the year ended 30 June 2024.

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 2024 and 2023 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 amounts of cash-generating units ("CGUs") and assets served for corporate uses and not allocated to specific CGU ("corporate assets"). As at 30 June 2024, each CGU is determined as each individual pachinko and pachislot hall operation and the motor vehicle rental operation (30 June 2023: each CGU is determined as each individual pachinko and pachislot hall and the horse management operation). For corporate assets, recoverability of the assets is assessed at Group level (30 June 2023: Same).

Pachinko and pachislot operation

For the years ended 30 June 2024 and 2023, the management regards CGU with operating loss recorded for the current year or performing below management's expectation, defined as not fulfilling the projected operating profit or loss for the year, as having impairment indicator. As at 30 June 2024, 4 CGUs were identified with an impairment indicator (2023: 8 CGUs). The management has reviewed the recoverability of the relevant carrying amounts of these CGUs.

In the value-in-use calculations, management used pre-tax cash flow projections covering the remaining useful lives of the CGUs (if the remaining useful lives are below 5 years) or a period of 5 years, whichever is shorter. For the pre-tax cash flow projections beyond the period of 5 years, management extrapolates the projections by assuming zero growth rate for subsequent years. This growth rate shall not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified. The cash flow projections were prepared by management and approved by the Board of Directors.

These projections incorporated management's estimated impact on highly popular machines introduced to the CGUs in current year. Management's forecast for the first year's revenue growth rate to be −3% to −5%, after taking into account the performance of each of the CGUs in current year and incorporating management's latest plans for each CGU. Regarding the revenue growth rate from the second year, management considered there is no announced or foreseeable changes in regulations or machine types and determined the performance of each CGU would remain stable. Therefore, management determined the estimated annual revenue growth rate to be 0% for each CGU until the end of the useful life of each respective CGU. (2023: management forecasted the revenue growth rate to be 0% to 11% in the first year. Regarding the revenue growth rate from the second year, management determined the estimated annual revenue growth rate to be 0% for each CGU until the end of the useful life of each respective CGU). The pre-tax discount rate used to determine the recoverable amounts is 9.14% (2023: 8.88%) which reflects the current market assessment of the time value of money and the risk specific to the CGUs.

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment of property, plant and equipment (continued)

Pachinko and pachislot operation (continued)

The fair value less cost of disposal calculations were performed by management with reference to valuations performed by an independent professional qualified valuer who holds recognised relevant professional qualifications and have recent experiences in the locations and segments of the properties valued. Management changed the valuation technique on fair value less cost of disposal calculations from cost approach to income approach and sales comparison approach during the year ended 30 June 2024, considering the availability of data and to maximise the use of relevant observable inputs. The valuation largely used observable and unobservable inputs, including monthly rental per square metre, discount rate, vacancy rate, and unit price per square metre for land. The fair values of all CGUs subject to fair value less cost of disposal calculation is within level 3 of the fair value hierarchy. (2023: The valuations largely used observable and unobservable inputs, including unit price per square metre of similar comparable 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 is within level 3 of the fair value hierarchy).

The key assumptions used for fair value less costs of disposal calculations for the years ended 30 June 2024 and 2023 are as follows:

	2024	2023
Monthly rental per square metre	**¥790–¥1,815**	Not applicable
Discount rate	**6.8%–7.3%**	Not applicable
Vacancy rate	**4.0%–5.0%**	Not applicable
Land — unit price per square metre	**¥671,000**	¥42,300–¥933,000
Building — replacement cost per square metre	**Not applicable**	¥175,000–¥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, 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.

Management assessed the sensitivity of the recoverable amounts to change in key assumptions. If the revenue growth rate in the value-in-use calculations decreases by 2% (30 June 2023: 2%) with other assumptions remain constant, no additional impairment loss would be recorded (30 June 2023: Same). If the discount rate in the value-in-use calculations increases by 1% (30 June 2023: 1%) with other assumptions remain constant, no additional impairment loss would be recorded (30 June 2023: Same).

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment of property, plant and equipment (continued)

Pachinko and pachislot operation (continued)

If the monthly rental per square meter in the fair value less cost of disposal calculations and the unit price per square metre of land decreases by 1% (30 June 2023: unit price per square metre of land and building decreases by 1%), with other assumptions remain constant, additional impairment loss would be immaterial (30 June 2023: Same).

For the year ended 30 June 2024, as a result of the impairment review on the CGUs as mentioned above, impairment losses of ¥97 million and ¥96 million were recognised on property, plant and equipment and right-of-use assets, respectively (2023: impairment losses of ¥68 million and ¥23 million were recognised on property, plant and equipment and right-of-use asset, respectively).

With the decision of closing one of the pachinko and pachislot halls made for the year ended 30 June 2024, the management has carried out reviews of the recoverable amounts of each of the individual assets belonging to this hall. As a result of the impairment review as mentioned above, impairment losses of ¥54 million and ¥1 million were recognised on property, plant and equipment and intangible assets, respectively.

The impairment losses for the years ended 30 June 2024 and 2023 as described above were classified as hall operating expenses.

14 LEASES

Material Accounting Policy

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.

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.

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.

14 LEASES (CONTINUED)

Material Accounting Policy (continued)

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

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

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. 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.

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:

	2024 ¥million	2023 ¥million
Right-of-use assets		
Land	**82**	195
Buildings	**972**	1,660
	1,054	1,855
Lease liabilities		
Non-current	**2,625**	4,604
Current	**468**	550
	3,093	5,154

Additions and disposals to the right-of-use assets during the year ended 30 June 2024 were ¥46 million (2023: ¥25 million) and ¥534 million (2023: ¥598 million) respectively.

For the year ended 30 June 2024, as a result of the impairment review of the CGUs as disclosed in Note 13, provision for impairment loss of ¥96 million (2023: ¥23 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	**2024 ¥million**	2023 ¥million
Depreciation charge of right-of-use assets:			
Land		**16**	11
Buildings		**201**	260
	7	**217**	271
Expense relating to short-term leases	7	**12**	17
Interest expense (included in finance cost)	9	**81**	155

The cash outflow for leases during the year ended 30 June 2024 was approximately ¥593 million (2023: ¥828 million).

(c) Leasing activities and how these are accounted for

The Group leases various land, buildings, leasehold improvements and equipment. 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 several property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. Most of the 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

Material Accounting Policy

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.

	Investment properties ¥million
At 1 July 2022	
Cost	4,604
Accumulated depreciation and impairment	(1,622)
Net book amount	2,982
Year ended 30 June 2023	
Opening net book amount	2,982
Transfer from property, plant and equipment	16
Additions	90
Lease modification	(8)
Impairment loss	(33)
Depreciation (Note 7)	(69)
Closing net book amount	2,978
At 30 June 2023 and 1 July 2023	
Cost	4,702
Accumulated depreciation and impairment	(1,724)
Net book amount	2,978
Year ended 30 June 2024	
Opening net book amount	2,978
Transfer from property, plant and equipment	116
Additions	11
Impairment loss	(15)
Depreciation (Note 7)	(70)
Closing net book amount	3,020
At 30 June 2024	
Cost	4,829
Accumulated depreciation and impairment	(1,809)
Net book amount	3,020

15 INVESTMENT PROPERTIES (CONTINUED)

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 2024 and 2023.

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:

	2024 **¥million**	2023 ¥million
Rental income	**385**	345
Direct operating expenses from the properties that generated rental income	**(123)**	(121)
	262	224

The valuation on investment properties were performed by management with reference to the valuations performed by an independent professional qualified valuer as at 30 June 2024 and 2023. 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 relies on similar comparable properties 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 2024 and 2023 are as follows:

	2024	2023
Income approach		
Land		
— Monthly rental per square meter	**¥491**	¥634
— Capitalisation rate	**10.1%**	10.1%
— 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	**¥358–¥837**	¥358–¥837
— 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	**¥1,308–¥5,752**	¥1,338–¥5,998
— Capitalisation rate	**5.9%–7.1%**	6.0%–7.1%
— Discount rate	**5.6%–6.8%**	5.7%–6.8%
— Vacancy rate after expiry of current lease terms	**10.0%–30.0%**	10.0%–20.0%
Car park		
— Monthly rental per square meter	**¥141–¥269**	¥141–¥269
— Capitalisation rate	**5.2%–6.5%**	5.2%–6.6%
— Discount rate	**6.2%**	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 metre	**¥4,490–¥22,700**	¥4,490–¥22,800
Carpark		
— Unit price per square metre	**¥207,000–¥247,000**	¥195,000–¥247,000

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, 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.

15 INVESTMENT PROPERTIES (CONTINUED)

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 2024 is ¥4,016 million (2023: ¥3,632 million). For particular investment properties with carrying amounts below the recoverable amounts, impairment loss of ¥15 million was recognised for the year ended 30 June 2024 (2023: ¥33 million).

16 INTANGIBLE ASSETS

Material Accounting Policy

(a) Goodwill

Goodwill is measured as described in Note 38.1.2. 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.

16 INTANGIBLE ASSETS (CONTINUED)

	Goodwill ¥million	Computer software ¥million	Club membership ¥million	Total ¥million
At 1 July 2022				
Cost	740	113	5	858
Accumulated amortisation and impairment	(623)	(111)	(2)	(736)
Net book amount	117	2	3	122
Year ended 30 June 2023				
Opening net book amount	117	2	3	122
Additions	—	15	—	15
Impairment loss	—	—	(3)	(3)
Amortisation (Note 7)	—	(4)	—	(4)
Closing net book amount	117	13	—	130
At 30 June 2023				
Cost	740	128	5	873
Accumulated amortisation and impairment	(623)	(115)	(5)	(743)
Net book amount	117	13	—	130
Year ended 30 June 2024				
Opening net book amount	**117**	**13**	**—**	**130**
Impairment loss	**—**	**(1)**	**—**	**(1)**
Amortisation (Note 7)	**—**	**(3)**	**—**	**(3)**
Closing net book amount	**117**	**9**	**—**	**126**
At 30 June 2024				
Cost	**740**	**128**	**5**	**873**
Accumulated amortisation and impairment	**(623)**	**(119)**	**(5)**	**(747)**
Net book amount	**117**	**9**	**—**	**126**

16 INTANGIBLE ASSETS (CONTINUED)

Intangible assets represent computer software, club membership 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 2024, amortisation expenses relating to computer software of ¥3 million (2023: amortisation expenses relating to computer software of ¥4 million) have been charged in "Administrative and other operating expenses".

Impairment assessment of goodwill

Goodwill arising from the acquisition is allocated to the relevant CGUs 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 the CGU is determined as the value-in-use. 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. For the pre-tax cash flow projections beyond the period of 5 years, management extrapolates the projections by assuming zero growth rate for subsequent years. Management's forecast for the first year takes into account the performance of the CGU in current period and incorporating management's latest plans for the CGU, with annual revenue growth rate thereafter until the end of remaining useful life as 0% (2023: Management's forecast for the first year takes into account the performance of the CGU in current period and incorporating management's latest plans for the CGU, with annual revenue growth rate thereafter until the end of remaining useful life as 0%). The pre-tax discount rate used to determine the recoverable amounts is 9.14% (2023: 8.88%).

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.

Management assessed the sensitivity of the recoverable amounts of the CGU to change in key assumptions. if the revenue growth rate in the value-in-use calculations decreases by 2% (30 June 2023: 2%) with other assumptions remain constant, no additional impairment loss would be recorded (30 June 2023: Same). If the discount rate in the value-in-use calculations increases by 1% (30 June 2023: 1%) with other assumptions remain constant, no additional impairment loss would be recorded (30 June 2023: Same).

17 FINANCIAL INSTRUMENTS BY CATEGORY

	2024 **¥million**	2023 ¥million
Financial assets at fair value		
Financial assets at fair value through profit or loss	**37**	424
Financial assets at fair value through other comprehensive income	**93**	88
	130	512
Financial assets at amortised cost		
Trade receivables	**11**	10
Deposits and other receivables	**612**	795
Bonds	**1,000**	1,000
Short-term bank deposits	**100**	100
Cash and cash equivalents	**3,049**	2,423
	4,772	4,328
	4,902	4,840
Financial liabilities		
Financial liabilities at fair value		
Financial liabilities at fair value through profit or loss	**—**	151
	—	151
Financial liabilities at amortised cost		
Trade payables	**13**	14
Lease liabilities	**3,093**	5,154
Other payables	**1,007**	855
Amount due to a director	**3**	3
Borrowings	**4,987**	4,883
	9,103	10,909
	9,103	11,060

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

	2024 **¥million**	2023 ¥million
Listed securities	**—**	144
Unlisted securities		
— Debt securities	**37**	280
Current portion	**37**	424

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

The fair values of 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 level 2 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:

	2024 **¥million**	2023 ¥million
¥	**—**	298
USD	**37**	126
	37	424

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

	2024 **¥million**	2023 ¥million
Listed securities		
— Equity securities	**92**	87
Unlisted securities		
— Equity securities	**1**	1
	93	88

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)

Changes in fair values of financial assets at fair value through other comprehensive income are recorded in "Investment revaluation reserve" in the consolidated statement of changes in equity.

The fair values of all 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 ¥.

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

	2024 **¥million**	2023 ¥million
Derivatives	—	(151)

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

19 FINANCIAL ASSETS AT AMORTISED COST

	2024 **¥million**	2023 ¥million
Non-current portion		
Bonds	**500**	500
Current portion		
Bonds	**500**	500

The bonds carry fixed interest rate of 4.0% per annum during the year ended 30 June 2024 (2023: Same), denominated in ¥ and approximate their fair values as at 30 June 2024 and 2023. The maturity period of the bonds was within 1–2 years.

20 INVENTORIES

	2024 ¥million	2023 ¥million
Uninstalled pachinko and pachislot machines	**74**	137

The cost of inventories recognised as expense and included in "Hall operating expenses" amounted to ¥2,399 million (2023: ¥2,651 million) for the year ended 30 June 2024 (Note 7).

21 TRADE RECEIVABLES

	2024 ¥million	2023 ¥million
Trade receivables	**11**	10

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:

	2024 ¥million	2023 ¥million
Less than 30 days	**11**	10

The carrying amounts of the trade receivables approximate their fair values as at 30 June 2024 and 2023 and are denominated in ¥.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 ¥million	2023 ¥million
Non-current portion		
Rental and other deposits	**571**	646
Prepaid expenses	**32**	19
	603	665
Current portion		
Prepayment for prizes in operation for pachinko and pachislot halls	**56**	69
Prepayment for pachinko and pachislot machines	**21**	9
Prepaid expenses	**47**	61
Other receivables	**58**	67
Rental and other deposits	**2**	82
	184	288

The carrying amounts of prepayments, deposits and other receivables of the Group approximate their fair values as at 30 June 2024 and 2023 and are denominated in ¥.

23 CASH AND CASH EQUIVALENTS AND SHORT TERM BANK DEPOSITS

(a) Short-term bank deposits

	2024 ¥million	2023 ¥million
Bank deposit with maturity more than three months	**100**	100

As at 30 June 2024, the original maturity of the fixed deposit is 365 days (30 June 2023: Nil), and the applicable effective interest rate is 0.02%.

The short-term bank deposit is denominated in ¥.

23 CASH AND CASH EQUIVALENTS AND SHORT TERM BANK DEPOSITS (CONTINUED)

(b) Cash and cash equivalents

	2024 **¥million**	2023 ¥million
Cash at banks	**2,796**	2,230
Cash on hand	**253**	193
Cash and cash equivalents	**3,049**	2,423

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

	2024 **¥million**	2023 ¥million
¥	**3,041**	1,672
USD	**103**	667
Hong Kong Dollars ("HKD")	**5**	184
	3,149	2,523

24 SHARE CAPITAL AND RESERVE

	Number of shares million	**Share capital ¥million**
As at 30 June 2023, 1 July 2023, and 30 June 2024	600	20,644

(a) Capital reserve

Capital reserve deficit of approximately ¥12,837 million as at 30 June 2024 and 2023 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.

24 SHARE CAPITAL AND RESERVE (CONTINUED)

(c) Other reserves

Other reserves of approximately ¥60 million (30 June 2023: ¥53 million) represented (i) the cumulative net change in the fair value of financial assets through other comprehensive income, and (ii) the remeasurement of employee benefit obligation arising from actuarial gains and losses.

25 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice dates as at 30 June 2024 and 2023 is as follows:

	2024 **¥million**	2023 ¥million
Less than 30 days	**13**	14

The carrying amounts of trade payables approximate their fair values as at 30 June 2024 and 2023 and are denominated in ¥.

26 ACCRUALS, PROVISIONS AND OTHER PAYABLES

	2024 **¥million**	2023 ¥million
Non-current portion		
Provision for reinstatement costs	**165**	181
Rental deposits	**73**	73
Payable for pachinko and pachislot machines	**121**	111
	359	365
Current portion		
Payable for pachinko and pachislot machines	**544**	451
Accrued expenses	**274**	269
Unutilised balls and tokens	**606**	523
Other tax payable	**212**	103
Others	**180**	191
	1,816	1,537

The carrying amounts of accruals, provisions and other payables approximate their fair values as at 30 June 2024 and 2023 are denominated in the following currencies:

	2024 **¥million**	2023 ¥million
¥	**2,172**	1,899
USD	**3**	3
	2,175	1,902

27 EMPLOYEE BENEFIT OBLIGATIONS

	2024 ¥million	2023 ¥million
Long term benefit obligations for Yamamoto Family (Note i)	**175**	148
Retirement benefit obligations for employees (Note ii)	**33**	35
	208	183

Note:

i) Yamamoto Family refers to Katsuya Yamamoto, the Chairman of the Board of Directors, and his family members, namely Kai Yamamoto, Kinya Yamamoto and Kakuya Yamamoto.

The long-term benefit obligation for Yamamoto Family as at 30 June 2024 and 30 June 2023 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 provision is measured at present value and valued by management. The valuation was carried out by projected unit credit method.

ii) The retirement benefit obligation for employees as at 30 June 2024 and 30 June 2023 represents the provision for an unfunded pension plan for full-time employees upon retirement, and is dependent to the ages, years of service, and compensation of the employees. The provision is measured at present value which are determined by management with reference to the valuation performed by an independent professional qualified actuary. The valuation was carried out by projected unit credit method.

(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:

	2024 ¥million	2023 ¥million
At beginning of year	**148**	124
Current service cost	**31**	31
Remeasurement of long-term benefit obligations	**(4)**	(7)
At end of year	**175**	148

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

	2024 ¥million	2023 ¥million
At beginning of year	**35**	38
Current service cost	**2**	2
Benefit paid	**(3)**	(4)
Remeasurement of retirement benefit obligations	**(1)**	(1)
At end of year	**33**	35

27 EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

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

	2024 **¥million**	2023 ¥million
Current service cost on — long term benefit obligation for Yamamoto family	**31**	31
— retirement benefit obligation for employees	**2**	2

(d) The principal actuarial assumptions adopted as at 30 June 2024 and 2023 are as follows:

	2024	2023
Discount rate (in percentage)	**0.99%–1.56%**	0.99%

28 BORROWINGS

Material Accounting Policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in 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 reporting period.

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

28 BORROWINGS (CONTINUED)

	2024 ¥million	2023 ¥million
Non-current portion		
Bank loans	**2,870**	2,828
Loans from a governmental financial institution	**1,177**	1,270
	4,047	4,098
Current portion		
Bank loans	**839**	691
Loans from a governmental financial institution	**101**	94
	940	785
Total borrowings	**4,987**	4,883

As at 30 June 2024 and 2023, the Group's borrowings were repayable as follows:

	Bank loans		Loans from a governmental financial institution	
	2024 ¥million	2023 ¥million	**2024 ¥million**	2023 ¥million
Within 1 year	**839**	691	**101**	94
Between 1 and 2 years	**692**	611	**93**	93
Between 2 and 5 years	**1,102**	1,359	**281**	281
Over 5 years	**1,076**	858	**803**	896
	3,709	3,519	**1,278**	1,364

28 BORROWINGS (CONTINUED)

The average effective interest rates (per annum) at 30 June 2024 and 2023 were set out as follows:

	2024	2023
Bank loans	**1.48%**	1.35%
Loans from a governmental financial institution	**0.78%**	0.59%

As at 30 June 2024 and 2023, the total borrowings are pledged by certain assets and their carrying values are shown as below:

	2024 **¥million**	2023 ¥million
Property, plant and equipment	**5,172**	4,954
Investment properties	**2,374**	1,651
Financial assets at fair value through other comprehensive income — listed equity securities	**90**	84
	7,636	6,689

The carrying amounts of borrowings of the Group approximate their fair values as at 30 June 2024 and 2023 and are denominated in ¥.

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:

	2024 **¥million**	2023 ¥million
Deferred income tax assets	**683**	515
Deferred income tax liabilities	**(199)**	(216)
	484	299

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

	2024 **¥million**	2023 ¥million
At beginning of year	**299**	152
Charged to other comprehensive income	**(3)**	(21)
Credited to profit or loss (Note 10)	**188**	168
At end of year	**484**	299

29 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets

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

	2024 ¥million	2023 ¥million
Property, plant and equipment	**265**	313
Lease liabilities	**447**	680
Pachinko and pachislot machines	**426**	498
Financial assets at fair value through other comprehensive income	**1**	—
Retirement benefit plans	**12**	12
Losses carried forward	**323**	56
Other provisions	**137**	130
Total deferred income tax assets	**1,611**	1,689
Set-off of deferred income tax liabilities pursuant to set-off provisions	**(928)**	(1,174)
Net deferred income tax assets	**683**	515

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 other comprehensive income ¥million	Retirement benefit plans ¥million	Losses carried forward ¥million	Other provisions ¥million	Total ¥million
At 1 July 2022	409	721	355	11	13	34	137	1,680
Charged to other comprehensive income	—	—	—	(11)	—	—	—	(11)
(Charged)/credited to profit or loss	(96)	(41)	143	—	(1)	22	(7)	20
At 30 June 2023 and 1 July 2023	313	680	498	—	12	56	130	1,689
Charged to other comprehensive income	—	—	—	1	—	—	—	1
(Charged)/credited to profit or loss	(48)	(233)	(72)	—	—	267	7	(79)
At 30 June 2024	**265**	**447**	**426**	**1**	**12**	**323**	**137**	**1,611**

29 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities

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

	2024 **¥million**	2023 ¥million
Property, plant and equipment	**(512)**	(518)
Right-of-use assets	**(394)**	(635)
Provision for reinstatement costs	**—**	(1)
Financial assets at fair value through profit or loss	**(7)**	(5)
Financial assets at fair value through other comprehensive income	**(14)**	(10)
Taxable temporary differences relating to investments in subsidiaries	**(168)**	(185)
Others	**(32)**	(36)
Total deferred income tax liabilities	**(1,127)**	(1,390)
Set-off of deferred income tax assets pursuant to set-off provisions	**928**	1,174
Net deferred income tax liabilities	**(199)**	(216)

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 other comprehensive income ¥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 2022	(553)	(931)	(2)	—	(5)	(23)	(14)	(1,528)
Charged to other comprehensive income	—	—	—	(10)	—	—	—	(10)
Credited/(charged) to profit or loss	35	296	1	—	—	(162)	(22)	148
At 30 June 2023 and 1 July 2023	(518)	(635)	(1)	(10)	(5)	(185)	(36)	(1,390)
Charged to other comprehensive income	—	—	—	(4)	—	—	—	(4)
Credited/(charged) to profit or loss	6	241	1	—	(2)	17	4	267
At 30 June 2024	**(512)**	**(394)**	**—**	**(14)**	**(7)**	**(168)**	**(32)**	**(1,127)**

29 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities (continued)

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.

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 2024 and 2023 are as follows:

	2024 **¥million**	2023 ¥million
Deductible temporary differences	**3,543**	5,307
Losses carried forward	**2,272**	2,989
Total	**5,815**	8,296

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

	2024 **¥million**	2023 ¥million
1st year	**—**	—
2nd year	**—**	—
3rd year	**474**	—
4th year	**—**	809
5th year and thereafter	**1,798**	2,180
Total	**2,272**	2,989

30 CASH GENERATED FROM OPERATIONS

	2024 ¥million	2023 ¥million
Profit before income tax	**1,904**	3,146
Adjustments for:		
Depreciation and amortisation	**641**	628
Gains on disposal of property, plant and equipment	**(2)**	—
Losses on write-off of property, plant and equipment	**3**	23
Provision for impairment loss of property, plant and equipment	**151**	68
Provision for impairment loss of right-of-use assets	**96**	23
Provision for impairment loss of investment properties	**15**	33
Provision for impairment loss of intangible assets	**1**	3
Gains on release of lease liabilities	**(1,032)**	(2,691)
Provision for employee benefit obligation	**33**	33
Fair value change on financial assets and financial liabilities at fair value through profit or loss	**(37)**	(36)
Finance income	**(61)**	(55)
Finance costs	**153**	219
Unrealised exchange gains	**(4)**	(75)
Changes in working capital:		
Inventories	**63**	(54)
Trade receivables and prepayments, deposits and other receivables	**11**	188
Trade payables	**(1)**	3
Accruals, provisions and other payables	**280**	332
Cash generated from operations	**2,214**	1,788

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

	2024 ¥million	2023 ¥million
Net book amount	**20**	—
Gains on disposal of property, plant and equipment	**2**	—
Proceeds from disposal of property, plant and equipment	**22**	—

30 CASH GENERATED FROM OPERATIONS (CONTINUED)

Net debt reconciliation

The movement in net debt is as follows:

	Liabilities from financing activities		
	Borrowings ¥million	Lease liabilities ¥million	Total ¥million
Net debt at 30 June 2022	(5,404)	(9,097)	(14,501)
Cash flows			
Principal elements of lease payments	—	656	656
Interest elements of lease payments	—	155	155
Proceeds from borrowings	(219)	—	(219)
Repayment of borrowings	740	—	740
Non-cash movements			
Acquisition of leases	—	(25)	(25)
Termination of leases	—	3,312	3,312
Accrued interest elements of lease payments	—	(155)	(155)
Net debt at 30 June 2023 and 1 July 2023	(4,883)	(5,154)	(10,037)
Cash flows			
Principal elements of lease payments	—	500	500
Interest elements of lease payments	—	81	81
Proceeds from borrowings	(804)	—	(804)
Repayment of borrowings	700	—	700
Non-cash movements			
Acquisition of leases	—	(46)	(46)
Termination of leases	—	1,607	1,607
Accrued interest elements of lease payments	—	(81)	(81)
Net debt at 30 June 2024	**(4,987)**	**(3,093)**	**(8,080)**

31 CONTINGENCIES

As at 30 June 2024 and 2023, the Group did not have any significant contingent liabilities.

32 COMMITMENTS

Operating lease commitments

(i) As a lessor

As at 30 June 2024 and 2023, the Group's future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	2024 **¥million**	2023 ¥million
No later than one year	**53**	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 2024 and 2023:

Name of related parties	**Relationship with the Company/Group**
Katsuya Yamamoto	Executive Director, the Chairman and the Chief executive officer
株式会社ビーエス葛西 (“BS Kasai Company Limited”) (Note)	An entity controlled by the Executive Director of the Group

Note: The English name of the related party referred to in the consolidated financial statements represent management's best efforts at translating the Japanese name of this company as no English name has been registered.

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 2024 and 2023:

(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:

	2024 ¥million	2023 ¥million
Amount due to a director		
— Katsuya Yamamoto	**3**	3
	3	3

(b) Transactions with related parties

	2024 ¥million	2023 ¥million
Rental income		
— BS Kasai Company Limited	**—***	—
	—*	—

* The amount represents less than ¥1 million.

(c) 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:

	2024 ¥million	2023 ¥million
Salaries and other short-term employee benefits	**39**	40

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2024 ¥million	2023 ¥million
Assets			
Non-current asset			
Investments in subsidiaries		**8,786**	8,786
Financial assets at amortised cost		**500**	500
		9,286	9,286
Current assets			
Financial assets at amortised cost		**500**	500
Prepayments and other receivables		**157**	128
Amount due from a subsidiary		**1,208**	1,208
Cash and cash equivalents		**502**	449
		2,367	2,285
Total assets		**11,653**	11,571
Equity and liabilities			
Equity			
Share capital		**20,752**	20,752
Reserves	(b)	**(9,101)**	(9,181)
Total equity		**11,651**	11,571
Liabilities			
Other payables		**2**	—
Total liabilities		**2**	—
Total equity and liabilities		**11,653**	11,571

The statement of financial position of the Company was approved by the Company's Board of Directors on 30 September 2024 and was signed on its behalf.

Katsuya Yamamoto	**Yutaka Kagawa**
Director	*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 2022	(2,845)	(6,407)	(9,252)
Profit for the year	71	—	71
At 30 June 2023	(2,774)	(6,407)	(9,181)
At 1 July 2023	**(2,774)**	**(6,407)**	**(9,181)**
Profit for the year	**80**	**—**	**80**
At 30 June 2024	**(2,694)**	**(6,407)**	**(9,101)**

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 2024

	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**	**Discretionary 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
Yutaka Kagawa	—	3	—	—	—	—	3
Toshiro Oe (Note (iv))	—	2	—	—	—	—	2
Independent non-executive directors:							
Yuji Matsuzaki (Note (v))	—*	—	—	—	—	—	—*
Kazuyuki Yoshida	—*	—	—	—	—	—	—*
Mitsuru Ishi (Note (v))	—*	—	—	—	—	—	—*
Mariko Yamamoto (Note (vi))	—*	—	—	—	—	—	—*
Masaaki Ayres (alias Gettefeld Ayres) (Note (vi))	—*	—	—	—	—	—	—*
	30	5	—	—	—	—	35

* The amount represents less than ¥1 million.

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 2023

	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	Discretionary 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
Yutaka Kagawa	—	3	—	—	—	—	3
Toshiro Oe	—	3	—	—	—	—	3
Independent non-executive directors:							
Yuji Matsuzaki	—*	—	—	—	—	—	—*
Kazuyuki Yoshida	—*	—	—	—	—	—	—*
Mitsuru Ishi	—*	—	—	—	—	—	—*
	30	6	—	—	—	—	36

* The amount represents less than ¥1 million.

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 2024 (2023: Same).

(ii) No remuneration was paid to the directors as an inducement to join, or upon joining, the Group and no compensation was paid to, or received 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 2024 (2023: Nil).

(iii) No directors waived any emoluments during the year ended 30 June 2024 (2023: Nil).

(iv) Mr. Toshiro Oe resigned as the executive director of the Group in May 2024.

(v) Mr. Yuji Matsuzaki and Mr. Mitsuru Ishi resigned as the independent non-executive directors of the Group in July 2023.

(vi) Ms. Mariko Yamamoto and Mr. Masaaki Ayres were appointed as the independent non-executive directors of the Group in July 2023.

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)

(a) Directors' retirement benefits

The retirement benefits receivable by Mr. Katsuya Yamamoto at 30 June 2024 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 ¥175 million (2023: ¥148 million).

Remaining of the directors did not receive or will receive any retirement benefits during the year ended 30 June 2024 (2023: Nil).

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 30 June 2024 (2023: Nil).

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

No consideration was provided to third parties for making available of directors' services during the year ended 30 June 2024 (2023: 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 2024, there was no arrangement in relation to loans, quasi-loans and other dealings between the Group and the directors (2023: 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 (2023: Nil).

36 AGGREGATE AMOUNT OF AUTHORISED LOANS (DISCLOSURES REQUIRED BY SCHEDULE 4 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND HONG KONG LISTING RULES)

No outstanding loans have been made by the Group under the authority of sections 280 and 281 of the Hong Kong Companies Ordinance during the year ended 30 June 2024 (2023: Nil).

37 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 Juwne 2024 and 2023:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares directly held by the Company	
				2024	2023
Directly held:					
Okura Co., Ltd.	Japan	Pachinko and Pachislot hall operation in Japan	¥50 million	**100%**	100%
Okura Global Works Limited	Hong Kong	Dormant company in Hong Kong	HKD10,000	**100%**	100%
Indirectly held:					
K's Property Co., Ltd. (Note 1)	Japan	Real estate investment in Japan	¥10 million	**—**	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%

Note 1:

For the year ended 30 June 2024, K's Property Co., Ltd. was merged with Okura Co., Ltd. and was dissolved.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

Apart from the accounting policies within the corresponding notes to the financial statements, other potentially material accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

38.1 Subsidiaries

38.1.1 Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls entities where 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 to direct the activities of the entities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 38.1.2).

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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

38.1 Subsidiaries (continued)

38.1.1 Principles of consolidation (continued)

(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 IFRS Accounting Standards.

38.1.2 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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

38.1 Subsidiaries (Continued)

38.1.2 Business combinations (Continued)

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.

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.

38.2 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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

38.3 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.

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

Foreign exchange gains and losses that relate to borrowings are presented in the statement of 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 gains, net".

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

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

38.4 Foreign currency translation (continued)

(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.

38.5 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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

38.5 Investment and other financial assets (continued)

(b) Recognition and derecognition

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

(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 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 gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains, net" and impairment expenses are presented as separate line item in the statement of comprehensive income.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

38.5 Investment and other financial assets (continued)

(c) Measurement (continued)

Debt instruments (continued)

- 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 gains, net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in 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 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.

38.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is 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 but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

38.7 Inventories

Inventories represent supplies, including uninstalled pachinko and pachislot machines with useful life typically less than one year. Cost is determined using the first-in, first-out method.

38.8 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 –60 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 38.5 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.

38.9 Cash and cash equivalents

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

38.10 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.

38.11 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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

38.12 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.

(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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

38.13 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 several 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

38.14 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).

38.15 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.

38.16 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.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

38.17 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.

38.18 Earnings per share

(a) Basic earnings/loss per share

Basic earnings/loss per share is calculated by dividing:

- the profit/loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings/loss per share

Diluted earnings/loss per share adjusts the figures used in the determination of basic earnings/loss per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Financial Summary

The following table summarises the results of the Group for each of the five years ended 30 June 2020, 2021, 2022, 2023 and 2024.

	As at 30 June				
	2024	2023	2022	2021	2020
	¥ million	¥ million	¥ million	¥ million	¥ million
Gross pay-ins	**31,850**	29,871	25,177	24,232	29,669
Gross pay-outs	**(25,861)**	(24,049)	(20,099)	(19,327)	(23,076)
Revenue from pachinko and pachislot business	**5,989**	5,822	5,078	4,905	6,593
Other revenue	**494**	462	484	518	458
Revenue	**6,483**	6,284	5,562	5,423	7,051
Hall operating expenses	**(5,292)**	(5,507)	(5,976)	(5,767)	(13,076)
Administrative and other operating expenses	**(776)**	(675)	(807)	(832)	(849)
Profit before income tax	**1,904**	3,146	(1,205)	(273)	(6,767)
Profit attributable to the shareholders of the Company	**2,044**	3,220	(1,321)	(577)	(6,362)
Current assets	**3,955**	3,882	4,218	4,590	3,161
Current liabilities	**3,263**	3,082	2,755	3,310	2,906
Net current assets	**692**	800	1,463	1,280	255
Total assets	**18,470**	18,266	18,602	21,324	22,146
Total assets less current liabilities	**15,207**	15,184	15,897	18,014	19,240

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 旧ディノ 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%
Ks Mikatsuki, 1105–5 and other tracts, Chokanda, Mikatsukicho, Ogi-shi, Saga-ken, Japan ケイズ (三日月) 佐賀県小城市三日月町 長神田, 1105–5外	Vacant	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%

Location	Existing use	Tenure	Attributable interest of the Group
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%
Crear Sumiyoshi 905,1526, Sumiyoshimachi, Nagasaki-shi, Nagasaki-ken, Japan クレアール905 長崎県長崎市 住吉町1526番	Residence	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%
#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%

Particulars of Investment Properties

Location	Existing use	Tenure	Attributable interest of the Group
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%
Taguchi Building, 36-1, Ohashimachi, Nagasaki-shi, Nagasaki-ken, Japan 田口ビル 長崎県長崎市大橋町36-1	Retail and office	Freehold	100%
Former Nagasaki Poultry Farming Association Land, 36-2, Obashimachi, Nagasaki-shi, Nagasaki-ken, Japan 養鶏農業協同組合跡地 長崎県長崎市大橋町36-2	Vacant	Freehold	100%