OKURA HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 1655

ANNUAL REPORT 2019

This report is printed on environmentally friendly paper

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Mitsuru ISHII
Mr. Yuji MATSUZAKI
Mr. Kazuyuki YOSHIDA
(appointed with effect from 19 October 2018)
Mr. Takamasa KAWASAKI
(resigned with effect from 19 October 2018)

COMPANY SECRETARY

Mr. MAN Yun Wah *ACIS, ACS, MCG*

AUDIT COMMITTEE

Mr. Kazuyuki YOSHIDA (Chairman)
(appointed with effect from 19 October 2018)
Mr. Mitsuru ISHII
Mr. Yuji MATSUZAKI
Mr. Takamasa KAWASAKI
(resigned with effect from 19 October 2018)

REMUNERATION COMMITTEE

Mr. Kazuyuki YOSHIDA (Chairman)
(appointed with effect from 19 October 2018)
Mr. Mitsuru ISHII
Mr. Yuji MATSUZAKI
Mr. Katsuya YAMAMOTO
Mr. Yutaka KAGAWA
Mr. Takamasa KAWASAKI
(resigned with effect from 19 October 2018)

NOMINATION COMMITTEE

Mr. Katsuya YAMAMOTO (Chairman)
Mr. Kazuyuki YOSHIDA
(appointed with effect from 19 October 2018)
Mr. Mitsuru ISHII
Mr. Yuji MATSUZAKI
Mr. Yutaka KAGAWA
Mr. Takamasa KAWASAKI
(resigned with effect from 19 October 2018)

RISK MANAGEMENT COMMITTEE

Mr. Fumihide HAMADA (Chairman)
Mr. Yutaka KAGAWA
Mr. Toshiro OE
Mr. Satoshi MAEDA
Mr. Koji NAKAO
Mr. Hayato TOBISAWA
Mr. Junichi HITOMI
Mr. Shota MIYANO
Mr. Seiji OTOFUJI
Mr. Masayuki SAKATA
Mr. Fumihiko TANAKA (passed away on 9 September 2019)
Mr. Shuntaro HONDA

AUTHORISED REPRESENTATIVES

Mr. Yutaka KAGAWA
Mr. MAN Yun Wah *ACIS, ACS, MCG*

HEADQUARTERS IN JAPAN

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

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

Shinwa Bank, Sumiyoshi Branch
2-22, Sumiyoshimachi
Nagasaki City, Nagasaki Prefecture,
Japan 852-8154

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building,
Central, Hong Kong

HONG KONG LEGAL ADVISOR

H.M. Chan & Co
in association with 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.

"2019 AGM"	the 2019 annual general meeting of the Company to be held on Wednesday, 20 November 2019
"6M2018"	the six months ended 31 December 2018
"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 subsidiary indirectly wholly-owned by the Company which merged with Aratoru on 1 January 2019
"Aisen"	Aisen Co., Ltd.* (株式会社アイセン), a company incorporated under the laws of Japan on 9 March 2000 and a former subsidiary indirectly wholly-owned by the Company which merged with Okura Nishinihon on 1 January 2019
"Allotment Result Announcement"	the announcement of the Company dated 12 May 2017 in respect of the allotment results of the Share Offer
"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 a subsidiary indirectly wholly-owned by the Company
"Articles"	the articles of association of the Company as amended from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Bond Issuer"	Sinwa Co., Ltd.* (株式会社しんわ)
"Bonds"	two series of bonds issued by the Bond Issuer in an aggregate amount of ¥1,000 million
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	Okura Holdings Limited
"Controlling Shareholder"	Mr. Katsuya YAMAMOTO, being the controlling shareholder of the Company

"Deed"	the deed of non-competition entered into between the Controlling Shareholder and the Company on 10 April 2017
"Director(s)"	the director(s) of the Company
"EQU"	EQU Co., Ltd.* (株式会社EQU), a company incorporated under the laws of Japan on 9 March 2005, which merged with K's Works on 1 November 2015
"ESG Report"	the Environmental, Social and Governance Report of the Company
"FY2018"	the financial year ended 30 June 2018
"FY2019" or "Year"	the financial year ended 30 June 2019
"Group"	the Company and our subsidiaries (or the Company and any one or more of our subsidiaries, as the content may require) or, where the context so requires, in respect of the period before the Company became the holding company of our present subsidiaries, the present subsidiaries of the Company and the businesses carried on by such subsidiaries or (as the case may be) their respective predecessors
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"K's Holdings"	K's Holdings Co., Ltd.* (株式会社ケーズ•ホールデイングス), a company incorporated under the laws of Japan on 27 October 2008 and a former directly wholly-owned subsidiary of the Company which merged with Okura Japan on 1 January 2019
"K's Property"	K's Property Co., Ltd.* (株式会社ケイズプロパテイー), a company incorporated under the laws of Japan on 30 March 2001 and a subsidiary indirectly wholly-owned by the Company
"K's Works"	K's works Co., Ltd.* (株式会社K's works), a company incorporated under the laws of Japan on 18 November 2008 and a subsidiary indirectly wholly-owned by the Company, which merged with K's Property on 1 November 2015
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	15 May 2017, the date on which dealings in the Shares on the Main Board of the Stock Exchange first commenced
"Listing Rules"	the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time

Definitions

"Mid-sized Pachinko Hall Operator(s)"	pachinko hall operator(s) which operate(s) 15 to 19 halls
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"Nomination Committee"	the nomination committee of the Company
"Okura Japan"	Okura Co., Ltd.* (王蔵株式会社), a company incorporated under the laws of Japan on 3 April 1984 and a subsidiary indirectly wholly-owned by the Company
"Okura Kyushu"	Okura Kyushu Co., Ltd.* (王蔵九州株式会社), a company incorporated under the laws of Japan on 17 February 2017 and a former subsidiary indirectly wholly-owned by the Company which merged with Okura Japan on 1 January 2018
"Okura Nishinihon"	Okura Nishinihon Co., Ltd.* (王蔵西日本株式会社), a company incorporated under the laws of Japan on 3 December 2012 and a subsidiary indirectly wholly-owned by the Company
"Prospectus"	the prospectus of the Company dated 28 April 2017
"Remuneration Committee"	the remuneration committee of the Company
"Report"	the annual report for the Year
"Risk Management Committee"	the risk management committee of the Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Share Offer"	the public offer of the 12,500,000 Shares and the placing of the 112,500,000 Shares by the Company for subscription at HK$1.20 per Share
"Share Option Scheme"	the share option scheme adopted by the Company on 10 April 2017
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

"Three Party System"	the industry practice under which pachinko hall operators, G-prize buyers and G-prizes wholesalers participate in the sale and purchase cycle of G-prizes obtained by a customer of a pachinko hall operator by playing pachinko and pachislot machines in Japan, as described in more detail in the sections headed "Three Party System" and "Applicable Laws and Regulations" of the Prospectus
"HK$", "HKD", "Hong Kong dollar(s)" or "cent(s)"	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
"¥" or "JPY"	Japanese Yen, the lawful currency of Japan
"%"	per cent

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

Chairman's Statement

Dear Shareholders,

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

COMPANY OVERVIEW

We are a pachinko hall operator in Japan, operating mainly pachinko and pachislot machines. As at 30 June 2019, we operated 17 (FY2018: 17) pachinko halls under the trading names "Big Apple.", "K's Plaza", "Big Apple. YOUPARK" and "Monaco".

INDUSTRY AND BUSINESS REVIEW

We are a pachinko hall operator in Japan, operating mainly pachinko and pachislot machines. As at 30 June 2019, we operated 17 (FY2018: 17) pachinko halls under the trading names "Big Apple.", "K's Plaza", "Big Apple. YOUPARK" and "Monaco".

The pachinko and pachislot industry has continued to be affected by the continuous decline in pachinko and pachislot players during FY2019. As disclosed in the Group's annual report for FY2018 and interim report for 6M2018, 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 of Japan on 1 February 2018 (the "2018 Regulations") limited the gaming element of both pachinko and pachislot machines, which reduced attractiveness of the game and hence reduced customer traffic of pachinko halls. As pachinko manufacturers' progress in developing new models that meet the new standards was slower than expected, pachinko hall operators' selection of machines were limited by the machines available in the market. The pachinko industry is expected to shrink further and remain competitive, with stronger pachinko halls acquiring weaker pachinko halls and adopting aggressive marketing strategies to expand their market share to maintain their financial performance.

MANAGING PACHINKO HALLS COST-EFFECTIVELY AND STREAMLINING OPERATIONS

Against such competitive landscape, the Group has prioritised managing its pachinko hall expenses more cost-effectively. Following the Group's initiatives to streamline its pachinko hall operations in FY2018 which included closing down two pachinko halls that were not performing favourably, the Group did not open new pachinko halls during FY2019. As the Group had already conducted major renovation works on certain pachinko halls in FY2018 for facilities upgrade and changing of machine mix, no further pachinko halls were required to undergo major renovation works during FY2019. The Group also began to gradually replace its air conditioning and lighting systems across its pachinko halls to save utilities costs in the long run and to achieve environmental and social governance initiatives. As a result of the above cost controlling measures, the Group managed to reduce its total hall operating expenses by approximately 19.2% from approximately ¥8,414 million for FY2018 to approximately ¥6,798 million in FY2019. In addition, as disclosed in the interim report for 6M2018, effective on 1 January 2019, certain inefficient operating subsidiaries of the Group were dissolved to streamline the Group's corporate structure. For details, please refer to the Group's announcement dated 13 November 2018.

ADOPTING ALTERNATIVE MEANS TO INCREASE OUR CASH FLOW AND EXPANDING OUR BUSINESS TO NEW SEGMENTS

As disclosed in the Group's interim report for 6M2018, we have begun to adopt alternative means to increase our cash flow and income. In July 2018, we subscribed to two series of Bonds issued by the Bond Issuer and an amendment agreement was entered into in January 2019 to extend the maturity date of the Bonds. We believe that the Bonds can help the Group earn a stable yield without being affected by exchange rate fluctuations. For details, please refer to the Company's announcements dated 26 July 2018 and 25 January 2019.

The Group is also exploring ways to diversity its business operations into different segments in light of the continued decline of the pachinko industry. During FY2019, in view of continuous interest in horse racing and increasing interest in other forms of equestrian activities in Japan, the Group acquired two riding horses to expand and diversify its scope of business into competition horse training. The management believes that the new business segment in training and raising competition horses will enable the Group to diversify into Japan's competition horse training industry and generate new sources of revenue in the long run. Completion of the purchase took place in August 2019. For details, please refer to the Company's announcement dated 18 June 2019.

MARKET THREATS AND PROSPECTS

Although our effort in enhancing cost efficiency in our pachinko hall operations has helped stabilise our financial performance in FY2019, our management expects our revenue to further decline in the coming financial year. Starting from 1 October 2019, consumption tax in Japan will increase from 8% to 10%, which may discourage customer spending at our pachinko and pachislot halls.

In addition, we anticipate that our renovation expenses will increase in the year ending 30 June 2020. Pursuant to the Japanese government's measures to protect the public from exposure to second-hand smoke, the "Act on the Partial Revision of the Health Promotion Act (No. 78 of 2018)" (健康増進法の一部を改正する法律) was enacted in July 2018, prohibiting people from smoking indoors at selected establishments. The new law is implemented in stages and is expected to cover more establishments such as pachinko halls by April 2020. Pachinko hall operators will be required to maintain a smoke-free environment by installing sealed smoking rooms or designating a floor of their premises exclusively for smokers. Although our management does not expect such legislation to significantly affect our customer traffic in the long run, the new law requires us to renovate our premises to create a smoke-free environment, which will increase our renovation expenses and we foresee the renovation works may temporarily disrupt our operations.

Our management will continue to monitor our business closely and strive to achieve cost efficiency in order to minimise the impact of government policies and intensifying competition. Despite the continuous market and regulatory threats, our management has noted that, our newer pachinko halls, in particular our flagship BA. Dejima Hall in Nagasaki which commenced operations in September 2017, have shown an increase in revenue during FY2019, indicating that our well-equipped facilities and updated machine mix in such newer halls are able to attract satisfactory customer traffic despite the general decline of gaming atmosphere. Going forward, we will continue to prioritise our effort in enhancing cost efficiency and allocating our resources to maintain the attractiveness of our pachinko halls. We will also continue to explore opportunities to diversify into other segments and to broaden our 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

Hong Kong, 25 September 2019

FINANCIAL REVIEW

Revenue

Our total revenue comprised revenue from (i) pachinko and pachislot business, being gross pay-ins less gross pay-outs, (ii) vending machine income, and (iii) property rental. During the Year, revenue from pachinko and pachislot business remained the majority source of income for the Company, accounting for approximately 95.0% of the total revenue (FY2018: approximately 94.7%). Our total revenue decreased by approximately 6.4%, from approximately ¥8,719 million for FY2018, to approximately ¥8,157 million for the Year. This decrease was mainly a result of the decrease in approximately 6.1% in revenue generated from our overall pachinko and pachislot business, from approximately ¥8,256 million for FY2018 to approximately ¥7,752 million for the Year. The decrease in revenue from pachinko and pachislot business was primarily due to the closure of the BA. Nagasaki Hall and the BA. Kamata Hall in February 2018 and April 2018, respectively, which contributed certain amount of revenue in the first six months of FY2018 prior to their closure, and the decline in customer traffic at our pachinko and pachislot halls, partially offset by the increase in revenue of certain of our pachinko halls such as our BA. Dejima Hall and our BA. Shunan Hall.

We derived income from vending machines installed at our halls provided by vending machine operators under service agreements. The vending machines sell drinks and food and we share a certain portion of income generated by such vending machines. Our vending machine income decreased from approximately ¥135 million, or approximately 3.7%, for FY2018 to approximately ¥130 million for the Year, primarily due to a result of decrease in customer traffic.

We derived rental income from renting out (i) car parks, (ii) offices, (iii) residential units and (iv) premises to G-prize wholesalers. Property rental income decreased from approximately ¥328 million, or 16.5%, for FY2018 to approximately ¥274 million for the Year, due to the decrease in the area of property rented out as a result of the closure of the BA. Kamata Hall, which contributed certain amount of revenue in the first six months of FY2018, prior to its closure in April 2018 as well as the reduction of rental rates in line with the prevailing rental market.

Gross pay-ins

Our gross pay-ins represents gross amount received from customers for rental of pachinko balls and pachislot tokens. Gross pay-ins is primarily affected by the level of customer spending at our halls, which is in turn largely affected by (i) G-prize mark-ups, (ii) pay-out ratios, (iii) number, types and mixes of machines, (iv) number and types of halls, (v) number, playing time and preferences of customers, (vi) competitors' behaviour and the general trend of the pachinko industry, and (vii) macroeconomic factors (including tax and inflation). Our accounting policy recognises gross pay-ins net of consumption tax. The consumption tax rate was 8% in Japan during FY2019.

Our gross pay-ins recorded a decrease of approximately ¥801 million, or approximately 2.2%, from approximately ¥36,368 million for FY2018 to approximately ¥35,567 million for the Year, which was mainly due to the reasons mentioned in the paragraph headed "Revenue" above.

Gross pay-outs

Our gross pay-outs represent the aggregate cost of G-prizes and general prizes exchanged by our customers, taking into consideration the G-prize mark-up and the value of any unutilised balls and tokens during the relevant period. Gross pay-outs recorded a decrease of approximately ¥297 million, or approximately 1.1%, from approximately ¥28,112 million in FY2018 to approximately ¥27,815 million in the Year as a result of the decrease in customer traffic as reflected by the drop in gross pay-ins for the reasons above.

Revenue margin

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 our halls, and as a result of the resultant changes in customer behavior (i.e. rounds of play and machine utilisation). Our revenue margin worsened slightly from approximately 22.7% in FY2018 to approximately 21.8% in the Year as we strategically increased the pay-out ratio of machines at certain pachinko halls to attract higher customer traffic.

Other income

Our other income mainly comprised (i) income from scrap sales of used pachinko machines to machines broker for reselling in the second-hand market, (ii) dividend income from our investments, (iii) income from expired IC card, and (iv) other income sources, which mainly included income from forfeited pachinko balls and pachislot tokens.

Other income decreased from approximately ¥852 million, or approximately 29.2%, for FY2018 to approximately ¥603 million for the Year, mainly due to a decrease in income from scrap sales of used pachinko machines from approximately ¥783 million for FY2018 to approximately ¥557 million for the Year, which mainly resulted from the decrease in number of machines replaced due to our slower turnover rate in machine replacement in light of the 2018 Regulations and general market reluctance in replacing pachinko and pachislot machines as mentioned above.

Hall operating expenses and administrative and other operating expenses

Hall operating expenses decreased by approximately ¥1,616 million, or approximately 19.2%, from approximately ¥8,414 million in FY2018 to approximately ¥6,798 million in the Year. This is primarily due to (i) the decrease in pachinko and pachislot machine expenses by approximately ¥1,336 million or approximately 35.9% from approximately ¥3,724 million in FY2018 to approximately ¥2,388 million in the Year, attributable to the decrease in the number of machines replaced and (ii) the absence of hall operating expenses incurred by the BA. Nagasaki Hall and the BA. Kamata Hall after their closure, partially offset by the absence of the reversal of impairment loss of property, plant and equipment in the Year which amounted to approximately ¥169 million in FY2018.

Administrative and other operating expenses increased by approximately ¥762 million, or approximately 544.3%, from approximately ¥140 million in FY2018 to approximately ¥902 million in the Year, primarily because during the Year, there was an absence of a one-off reversal of provision for Directors' retirement benefits of approximately ¥947 million made in FY2018.

Profit before income tax

Profit before income tax increased by approximately ¥132 million, or approximately 15.4%, from approximately ¥857 million in FY2018 to approximately ¥989 million in the Year. This is mainly attributable to the decrease in hall operating expenses as aforementioned, offset by the decrease in revenue and other income and increase in administrative and other operating expenses as aforementioned.

Profit for the year attributable to shareholders of the Company

Profit for the year attributable to shareholders of the Company decreased by approximately ¥142 million, or approximately 19.1%, from approximately ¥743 million in FY2018 to approximately ¥601 million in the Year. The decrease in profit for the Year was mainly due to the increase in income tax expense by approximately ¥274 million from approximately ¥114 million for FY2018 to approximately ¥388 million for the Year attributable to an increase in taxable income as compared to FY2018.

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 our interest and principal of bank borrowings and capital expenditure. These have been funded through a combination of cash generated from operations and borrowings.

Investment policy

We adopted a treasury and investment policy for financial assets that set out overall principles as well as detailed approval processes of our investment activities. Such policy includes, amongst other things, the following:

— investments in low liquidity products being avoided;

— investments should be yield-earning in nature and the primary objectives of investment activities is to diversify our investment and control their risk;

— investments should be undertaken only in situations where we have surplus cash not required for short or medium term of use; and

— investments should be undertaken only to the extent that adequate liquid capital is maintained.

Our finance division is responsible for the initial assessment and analysis on the expected benefit and potential risk of our investment activities and compiling of relevant data and information from banks. Our 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, our 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. Our finance division is also responsible for reporting the status of our investment activities to our Directors regularly. The report should include the total investment return.

Capital structure

As at 30 June 2019, the Company had total borrowings of approximately ¥4,532 million (30 June 2018: approximately ¥5,378 million), of which approximately 95.1% represented bank borrowings and approximately 4.9% represented bonds.

Cash and cash equivalents

As at 30 June 2019, the Company had cash and cash equivalents of ¥2,565 million (30 June 2018: ¥2,904 million).

Borrowings

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

	As at 30 June 2019		As at 30 June 2018	
	¥ million	**%**	¥ million	%
Within 1 year	**730**	**16.1%**	821	15.3%
Between 1 year and 2 years	**715**	**15.8%**	746	13.9%
Between 2 years and 5 years	**1,694**	**37.4%**	1,971	36.6%
Over 5 years	**1,393**	**30.7%**	1,840	34.2%
	4,532	**100.0%**	5,378	100.0%

As illustrated above, the proportion of our borrowings repayable within 1 year increased while the proportion of our borrowings repayable in over 5 years decreased. The change of maturity profile of our borrowings was primarily attributed to the fact that there were no new bank borrowings during the Year, and that existing bank borrowings were gradually repaid by the issuance of bonds by the Group as described below. As at 30 June 2019, none of the Group's borrowings were subject to a fixed interest rate.

The value of the outstanding bond issued by the Group as at 30 June 2019 amounts to ¥224 million (30 June 2018: ¥30 million). This relates to the bonds which were issued in March 2019.

Pledged assets

As at 30 June 2019, the Company pledged assets, including (i) property, plant and equipment, (ii) investment properties, and (iii) listed securities, in the sum of ¥7,448 million (30 June 2018: ¥8,095 million) to secure certain general banking facilities of the Group. The decrease in pledged assets was primarily attributable to the release of pledges over certain assets as part of our existing borrowing has been repaid as mentioned above.

Gearing ratio

The gearing ratio, being the aggregate of interest-bearing loans and obligations under finance leases divided by total equity of the Company, was 21.9% as at 30 June 2019 (30 June 2018: 27.0%). The decrease of 5.1% was mainly attributable to the repayment of our existing borrowings.

Interest rate and foreign exchange exposure

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

We operate in Japan and our business transactions are principally denominated in Japanese Yen. However, we are exposed to foreign exchange risks associated with United States Dollars for expenses we incur in such currency. To manage such foreign exchange risks, we entered into foreign exchange transactions to purchase United States Dollars using Japanese Yen in FY2019. Our finance division monitors our foreign exchange fluctuation exposure closely. In light of the continued fluctuation of Japanese Yen against United States Dollars in recent years, we will continue manage our exposures in United States Dollars by maintaining significant amount of our cash and bank balances in Japanese Yen.

Contractual and capital commitments

As both lessees and lessors, the Group had future aggregate minimum lease payments and lease receipts under non-cancellable operating leases as follows:

	As a lessee As at 30 June		**As a lessor As at 30 June**	
	2019 ¥ million	2018 ¥ million	**2019 ¥ million**	2018 ¥ million
No later than 1 year	**860**	932	**50**	66
Later than one year and no later than five years	**17**	17	**—**	—
Over five years	**25**	34	**—**	—

As at 30 June 2019, the Group had capital commitments, which were contracted but not provided for, in respect of purchase of property, plant and equipment in the sum of ¥50 million (30 June 2018: ¥3 million).

Capital expenditures

Our capital expenditures mainly consisted of expenditures on acquisitions of property, plant and equipment for its operations. The Group incurred capital expenditures of approximately ¥322 million for the Year (FY2018: ¥2,316 million), majority of which came from freehold land, buildings, leasehold improvements and equipment and tools for our pachinko halls. The capital expenditure were financed by net proceeds from the Share Offer (defined below) and the Group's internal funds.

Contingent liabilities

As at 30 June 2019, the Company did not have any material contingent liabilities or guarantees.

SIGNIFICANT INVESTMENTS

As at 30 June 2019, the Group held significant investments primarily in investment properties of ¥2,279 million, which represented carparks situated in Japan and rented out under operating lease, and financial assets of ¥1,609 million, which represented bonds, trust funds, and listed and unlisted securities.

In relation to our investment properties, 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. No impairment loss was recognised during the Year and as at the date of this Report, our Directors do not foresee any significant impairment loss to our investment properties in the near future.

In relation to our financial assets, the Group recorded (i) a loss of ¥17 million for the changes from financial assets at fair value through profit or loss, (ii) and a loss of ¥13 million for the changes in fair values of financial assets at fair value through other comprehensive income, and there has been no default or any impairment made to any debt securities held by the Group, during the Year. Although changes in market conditions will continue to result in fair value gains or losses from financial assets, our Directors are of the view that the investment in financial assets will help to increase the average yield earned from the excess funds from our business overall. To the best of their knowledge and as at the date of this Report, our Directors do not foresee any default or any impairment to be made to any financial assets held by the Group.

As disclosed in the Company's interim report for 6M2018, on 26 July 2018, the Company entered into two agreements with the Bond Issuer, pursuant to which the Company has agreed to subscribe for two series of Bonds at face value to be issued by the Bond Issuer, in an aggregate amount of ¥1,000 million. 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 Co., Ltd. (株式会社エバーグローリー•キャピタル) entered into an agreement to, among others, extend the maturity date of the Bonds. For details, please refer to the Company's announcements dated 26 July 2018 and 25 January 2019.

HUMAN RESOURCES

Employees and remuneration policies

As at 30 June 2019, the Group had 494 employees, almost all of whom were based in Japan, and of whom 435 were stationed at our pachinko halls. For newly recruited employees, we prepared a series of training sessions which mainly focuses on pachinko hall operations and customer service. Upon appointment of every three years, as required by the Public Safety Commission, each hall manager is required to attend the training course conducted by the Public Safety Commission.

The staff costs include all salaries and benefits payable to our employees and staff, including our Directors. The total staff costs for the Year amounted to ¥1,504 million (FY2018: ¥619 million), which accounted for approximately 19.5% (FY2018: 7.2%) of the total operating expenses, including the remuneration of our Directors.

The Company's policy concerning the remuneration of our 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 our 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.

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

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

ISSUE OF SHARES AND USE OF PROCEEDS

On 15 May 2017, our Shares were listed on the Main Board of the Stock Exchange. A total of 125,000,000 Shares were issued at HK$1.20 each by way of public offer and placing, raising a total of approximately HK$150 million. The net proceeds raised by the Company from the Share Offer, after deduction of the underwriting commissions and other related listing expenses, amounted to approximately HK$74.0 million. The following table sets forth (i) the intended utilisation of such net proceeds as disclosed in the Prospectus and the Allotment Result Announcement, (ii) the actual utilisation of such proceeds from the Listing Date to 30 June 2019 and (iii) the unutilised net proceeds as at 30 June 2019 and the expected timeline of utilising such net proeeds:

	Intended utilisation of net proceeds as disclosed in the Prospectus and Allotment Result Announcement		Actual utilisation of net proceeds from the Listing Date to 30 June 2019		Unutilised net proceeds as at 30 June 2019		
	Amount (HK$ million)	% of net proceeds	Amount (HK$ million)	% of net proceeds	Amount (HK$ million)	% of net proceeds	Expected timeline
Establishing the new pachinko hall in the Kyushu region:							
Machine procurement	20.4	27.6	20.4	27.6	—	—	—
Renovation	3.7	5.0	3.7	5.0	—	—	—
Pachinko related facilities	11.1	15.0	11.1	15.0	—	—	—
Promotional expenses	1.8	2.4	1.8	2.4	—	—	—
Renovating and enhancing facilities for pachinko halls	29.6	40.0	20.5	27.7	9.1	12.3	To be utilised during the year ending 30 June 2020
Working capital and other general corporate purposes	7.4	10.0	7.4	10.0	—	—	—
	74.0	100.0	64.9	87.7	9.1	12.3	—

The remaining 12.3% of the net proceeds from the Share Offer have been deposited in interest-bearing accounts with a licensed bank in Hong Kong. Our Directors expect to continue to utilise the net proceeds from the Share Offer in accordance with the related disclosure in the Prospectus and the Allotment Result Announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MATERIAL ACQUISITIONS AND/OR DISPOSALS OF SUBSIDIARIES

On 1 January 2019, six of the Company's wholly-owned subsidiaries, namely, K's Holdings, Okura Japan, Aisen, Okura Nishinihon, Adward and Aratoru, underwent absorption-type mergers whereby K's Holdings, Aisen and Adward were absorbed and dissolved, and Okura Japan, Okura Nishinihon and Aratoru survived and remain wholly-owned subsidiaries of the Company. For details, please refer to the Company's announcement dated 13 November 2018.

PURCHASE OF HORSES

On 18 June 2019, Okura Japan and Ichikura Limited entered into a horse purchase agreement, pursuant to which Okura Japan agreed to purchase and Ichikura Limited agreed to sell two riding horses at a consideration of approximately JPY212.8 million. As Ichikura Limited is a company indirectly wholly-owned by Mr. Katsuya YAMAMOTO, an executive Director, the chief executive officer and a Controlling Shareholder, Ichikura Limited is an associate of Mr. Katsuya YAMAMOTO and a connected person of the Company. Accordingly, the purchase of the horses constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The purpose of such purchase was to enable the Group to expand and diversify its scope of business into competition horse training. Completion of the purchase of the horses took place in August 2019. For details, please refer to the Company's announcement dated 18 June 2019.

EVENTS AFTER THE REPORTING PERIOD

Mr. Katsumitsu YAMAMOTO, a former member of the senior management of the Company who resigned with effect from 30 June 2019, passed away on 11 September 2019. The late Mr. Katsumitsu YAMAMOTO is the father of Mr. Katsuya YAMAMOTO, an executive Director, the chief executive officer and the chairman of the Board. For details, please refer to the Company's announcement dated 13 September 2019.

Save as disclosed above, there are no significant events after the reporting period up to the date of this report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL INVESTMENTS

Save for those disclosed in this announcement and the Prospectus, 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 59, is the chief executive officer of the Company, an executive Director and the chairman of the Board. He was appointed as an executive Director on 16 June 2015 and is primarily responsible for overseeing the general management and business development of the Group, and formulating business strategies and policies for our business management and operations.

Mr. Yamamoto is the son of 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 2019, Mr. Yamamoto was also a representative director of each of Okura Japan, K's Property and Okura Nishinihon. He was a representative director of Okura Kyushu prior to its merger with Okura Japan on 1 January 2018 and a representative director of K's Holdings and Aisen prior to their merger with Okura Japan in January 2019.

Mr. Yamamoto has spent over 35 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 2019 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. Fumihide HAMADA

Mr. Hamada, aged 70, was appointed as an executive Director on 27 April 2016. Mr. Hamada has been a general manager of Okura Japan since August 2015 and was primarily responsible for overseeing the administrative management of the Group. He first joined the Group as the head of audit office of EQU in February 2004. He then served various positions in K's Works between April 2006 and August 2015, with his last position as the general manager and director of K's Works.

Prior to joining the Group, Mr. Hamada worked for Kyushu Bank, Ltd. between April 1971 and January 2004 and served various positions including branch manager in the Nagasaki area.

Mr. Hamada graduated from Kanagawa University in Japan with a bachelor's degree in economics in March 1971.

Mr. Yutaka KAGAWA

Mr. Kagawa, aged 41, was appointed as an executive Director on 27 April 2016. Mr. Kagawa has 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 standardisation committee and head of system promotion team of EQU from April 2004 to April 2007.

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

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

Mr. Toshiro OE

Mr. Oe, aged 60, was appointed as an executive Director on 27 April 2016. Mr. Oe has been the group manager of finance and accounting group of Okura Japan since May 2016 and was primarily responsible for overseeing the accounting and financial management of the Group. Mr. Oe first joined the Group as the chief of the finance section in EQU Limited Company in September 2001 and had then served in various positions. He worked in K's Works from October 2008 to August 2015 with his last position as a team leader of the accounting team. Prior to that, Mr. Oe worked in EQU between June 2002 and September 2008 with his last position as the head of finance department.

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

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

Independent Non-executive Directors

Mr. Mitsuru ISHII

Mr. Ishii, aged 65, was appointed as an independent non-executive Director on 10 April 2017.

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

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

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

Mr. Yuji MATSUZAKI

Mr. Matsuzaki, aged 53, was appointed as an independent non-executive Director on 10 April 2017.

Mr. Matsuzaki has been the non-executive director of, Fukukuru Foods, Inc., a company engaged in restaurant business, since January 2014 and the representative director of Rokuji Sangaku Kyoudo Jigyo Corporation, a company involved in restaurant business, since April 2014. He has also been a representative director in Will Sourcing Co., Ltd., a company engaged in business consultancy services, since April 2011. From January 2002 to March 2011, he worked in Future Create Co., Ltd. (currently known as Tenpo Ryutsuu Net, Inc.), a company engaged in general business support for restaurant business, with his last position as a board director.

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

Mr. Kazuyuki YOSHIDA

Mr. Yoshida, aged 39, was appointed as an independent non-executive Director on 19 October 2018.

Mr. Yoshida is the chief executive officer of Yoshida Certified Public Accountant and Tax Accountant Office* (formerly known as Kazuyuki Yoshida Certified Public Accountant Office*), which he founded in April 2017. He has been an auditor at Omuta City Hospital*, which is an Incorporated Administrative Agency of the Japanese local government, since April 2018. Mr. Yoshida has over 6 years of experience in accounting. 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 certified public accountant by Josui Tax Accountant Corporation* from May 2013 to June 2014, and by Kodama Certified Public Accountant/Tax Accountant Office* from January 2012 to April 2013. From April 2006 to September 2009, Mr. Yoshida was employed by Kyoei Environment Development Co. Ltd.*, at which his last position was chief of the general affairs department.

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

Senior Management

Mr. Satoshi MAEDA

Mr. Maeda, aged 39, is the marketing supervisor of the Group, and is primarily responsible for managing the marketing functions of the Group.

He has been the marketing supervisor of the Group since April 2011 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 36, was appointed as the company secretary on 27 April 2016. He is the principal and head of corporate advisory division of Dominic K.F. Chan & Co and a director of RHT Corporate Advisory (HK) Limited.

Mr. Man has been an associate member of the Institute of Chartered Secretaries and Administrators and an associate member of the Hong Kong Institute of Company Secretaries since 2015.

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

Mr. Man has over nine 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.

Directors' Report

PRINCIPAL ACTIVITIES

The Group is principally engaged in the business of operating pachinko halls in Japan, and opened our first pachinko hall in Nagasaki in 1968, where the Group has been headquartered since then. As at 30 June 2019, the Group operated 17 pachinko halls in the Kyushu, Kanto, Kansai and Chugoku regions in Japan. The activities of our subsidiaries are set out in note 35 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 and an indication of the likely future developments of the Group's business, can be found in the Chairman's Statement and the Management Discussion and Analysis of this Report and both form part of this directors' report.

Principle risks and uncertainties and the respective risk responses

Description of principal risks	Risk responses
Our business depends significantly on the services provided by our G-prize wholesalers and their G-prize buyers because the value of G-prize exchanged by our customers constituted over 98% 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 Mid-sized 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 compliance 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 compliance department will conduct comprehensive background checks which focus on their independence and anti-social forces.

Description of principal risks	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 was 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 45.8% of our total purchases and our five largest suppliers combined accounted for approximately 89.8% of our total purchases.

In light of the independence requirement under the Three Party System, none of our Directors and directors of the Company's subsidiaries, or their respective associates 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 and directors of the Company's subsidiaries, or their respective associates, 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 2019, the Group had 494 employees, almost all of whom were based in Japan, and of whom 435 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.

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 22 to the consolidated financial statements of this Report.

RESERVES AND PROFITS AVAILABLE FOR DISTRIBUTION

Movements in reserves during the Year are set out in note 33 to the consolidated financial statements of this Report. Profits available for distribution of the Company as at 30 June 2019, calculated under Part 6 of the Companies Ordinance, amounted to ¥190 million (FY2018: ¥137 million).

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.

ISSUE OF SHARES

For information on the Company's issue of shares, please refer to the paragraph headed "Issue of Shares and Use of Proceeds" of this Report.

INVESTMENT PROPERTIES

Details of the properties held for investment purposes are set out in note 14 to the consolidated financial statements and the section headed "Particulars of Investment Properties" of this Report.

CHARITABLE DONATIONS

During the Year, charitable donations made by the Group amounted to ¥170,000.

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.

PUBLIC FLOAT

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

DIRECTORS OF THE COMPANY

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

Katsuya YAMAMOTO (山本勝也)	Executive Director, chairman and chief executive officer
Fumihide HAMADA (濵田文秀)	Executive Director
Yutaka KAGAWA (香川裕)	Executive Director
Toshiro OE (大江敏郎)	Executive Director
Mitsuru ISHII (石井満)	Independent non-executive Director
Yuji MATSUZAKI (松﨑裕治)	Independent non-executive Director
Takamasa KAWASAKI (川崎貴聖) (resigned on 19 October 2018)	Independent non-executive Director
Kazuyuki YOSHIDA (吉田和之) (appointed on 19 October 2018)	Independent non-executive Director

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

According to the Articles and the CG Code, Fumihide HAMADA, Yutaka KAGAWA, Toshiro OE, and Yuji MATSUZAKI will retire at the 2019 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 are:

Name of subsidiaries	Name of directors	Title
K's Holdings[1]	Katsuya YAMAMOTO Katsumitsu YAMAMOTO	Representative director Representative director
Okura Japan	Katsuya YAMAMOTO Katsumitsu YAMAMOTO[4]	Representative director Representative director
Aratoru	Satoshi MAEDA	Representative director
Adward[2]	Satoshi MAEDA	Representative director
K's Property	Katsuya YAMAMOTO Katsumitsu YAMAMOTO[4]	Representative director Representative director
Okura Nishinihon	Katsuya YAMAMOTO Katsumitsu YAMAMOTO[4]	Representative director Representative director
Aisen[3]	Katsuya YAMAMOTO Katsumitsu YAMAMOTO	Representative director Representative director

Notes:

(1) K's Holdings was merged with Okura Japan on 1 January 2019.

(2) Adward was merged with Aratoru on 1 January 2019.

(3) Aisen was merged with Okura Nishinihon on 1 January 2019.

(4) Katsumitsu YAMAMOTO resigned as a representative director on 30 June 2019.

DIRECTORS' SERVICE CONTRACTS

None of our Directors who are proposed for re-election at the 2019 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 had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' information since the date of the last interim report is set out below:

With effect from 19 October 2018, Mr. Takamasa KAWASAKI resigned as, and Mr. Kazuyuki YOSHIDA was appointed as, an independent non-executive Director, the chairman of the audit committee and the remuneration committee, as well as a member of the nomination committee of the Company.

Save as disclosed above, pursuant to Rule 13.51B(1) of the Listing Rules, the Company is not aware of other changes in the Directors' information.

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 2019, 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); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the Shares:

Name	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the total issued share capital of the Company
Katsuya YAMAMOTO[1,2]	Beneficial interest	375,000,000	75%

Note:

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

(2) On 25 July 2018, Mr. Katsuya YAMAMOTO entered into a share charge agreement with Mizuho Bank, Ltd.* (株式会社みずほ銀行) (the "Chargee"), pursuant to which he pledged all 375,000,000 Shares held by him in favour of the Chargee, for the purpose of securing a term loan granted by the Chargee to his associate. After 31 June 2019 and on 9 September 2019, such share charge was terminated and Mr. Katsuya YAMAMOTO was released from his obligations thereunder.

Save as disclosed above, as at 30 June 2019, 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 or recorded in the Register 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 2019, our Directors were not aware of any persons or entities (other than a Director or the chief executive of the Company) who/which had or were deemed or taken to have interests or short positions in the Shares or the underlying Shares, which were required to be recorded in the register of substantial shareholders under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, none of our Directors or the directors of the Company's subsidiaries, or their respective associates, had interests in businesses which compete or are likely to compete either directly or indirectly with the businesses of the Company and our subsidiaries as required to be disclosed pursuant to the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Mr. Katsumitsu YAMAMOTO, a former member of the senior management of the Company who resigned with effect from 30 June 2019, passed away on 11 September 2019. The late Mr. Katsumitsu YAMAMOTO is the father of Mr. Katsuya YAMAMOTO, an executive Director, the chief executive officer and the chairman of the Board. For details, please refer to the Company's announcement dated 13 September 2019.

Save as disclosed above, there are no significant events after the reporting period up to the date of this report.

PERMITTED INDEMNITY PROVISION

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

MANAGEMENT CONTRACTS

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

SHARE OPTION SCHEME

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

Purpose

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

Eligible Participants

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

Maximum Number of Shares

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

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

Maximum Entitlement of Each Eligible Participant

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

Time of Exercise of Option

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

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

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

Payment on Acceptance of the Option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

Basis of Determining the Exercise Price

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

The Remaining Life of the Share Option Scheme

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

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

REMUNERATION POLICY AND PENSION SCHEME

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.

The Group operates a defined contribution plan which covers all full-time employees and Directors. No forfeited contributions were incurred during the Year. For further information on the pension scheme operated by the Group, please refer to note 25 to the consolidated financial statements in this Report.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

At no time during 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

Save as the related party transactions disclosed in note 32 to the consolidated financial statements of this Report, 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 not) to the business of the Group to which the Company or any of our subsidiaries was a party during the Year.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDER

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

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

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the ordinary course of business by the Group during the Year are set out in note 32 to the consolidated financial statements of this Report. The related party transactions set out in note 32 to the consolidated financial statements constitute "continuing connected transactions" (as defined under Chapter 14A of the Listing Rules) which are fully exempted from the reporting, announcement and independent shareholders approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Save as the related party transactions disclosed in note 32 of the consolidated financial statements of this Report and the purchase of horses as disclosed above, during the Year, the Group did not conduct any "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.

CONNECTED TRANSACTION

On 18 June 2019, Okura Japan and Ichikura Limited entered into a horse purchase agreement, pursuant to which Okura Japan agreed to purchase and Ichikura Limited agreed to sell two riding horses at a consideration of approximately JPY212.8 million. As Ichikura Limited is a company indirectly wholly-owned by Mr. Katsuya YAMAMOTO, an executive Director, the chief executive officer and Controlling Shareholder, Ichikura Limited is an associate of Mr. Katsuya YAMAMOTO and a connected person of the Company. Accordingly, the purchase of horses constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The purpose of such purchase was to enable the Group to expand and diversify its scope of business into competition horse training. Completion of the purchase of horses took place in August 2019. For details, please refer to the Company's announcement dated 18 June 2019.

Save as disclosed above, during the Year, the Group did not conduct any "connected transaction" which is subject to reporting requirements under the Listing Rules.

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 2019 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, 25 September 2019

Corporate Governance Report

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 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.

During the Year, the Company fully complied with the CG Code set out in Appendix 14 of the Listing Rules, with the exception for Code Provision A.2.1, which requires that the roles of chairman and chief executive be held by different individuals.

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

Responsibilities

The Board is the primary decision-making body of the Company, setting fundamental business strategies and policies for the management and operation of our business, as well as monitoring the implementation of such strategies and policies. 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 of seven Directors, with four executive Directors and three independent non-executive Directors.

Executive Directors
Mr. Katsuya YAMAMOTO (chairman and chief executive officer)
Mr. Fumihide HAMADA
Mr. Yutaka KAGAWA
Mr. Toshiro OE

Independent Non-executive Directors
Mr. Mitsuru ISHII
Mr. Yuji MATSUZAKI
Mr. Kazuyuki YOSHIDA (appointed on 19 October 2018)

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.

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 Shareholders' interest and the overall interest of the Group.

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

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

Term of Directors

Each of the executive Directors entered into a service contract with the Company on 10 April 2017 and the Company issued letters of appointment to each of the independent non-executive Directors on the same day. The principal particulars of these service contracts and letters of appointment are (i) for a term of three years commencing from the Listing 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. One of our executive Directors, Mr. Katsuya YAMAMOTO, and two of our independent non-executive Directors, namely, Mr. Mitsuru ISHII and Mr. Kazuyuki YOSHIDA, were subject to rotation and re-elected at the annual general meeting held on 20 November 2018.

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 34 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 ¥130 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 B.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 bands

Number of Directors and Senior Management

	Number of Directors and Senior Management
Below ¥10,000,000	7[Note]
¥10,000,001 to ¥20,000,000	1
¥20,000,001 to ¥30,000,000	1
¥30,000,001 to ¥100,000,000	1
¥100,000,001 to ¥110,000,000	1

Note: This figure includes Mr. Takamasa KAWASAKI who resigned as an independent non-executive Director on 19 October 2018.

During the Year, (i) no remuneration was paid to 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 received 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. Fumihide HAMADA, Mr. Yutaka KAGAWA, Mr. Toshiro OE, Mr. Mitsuru ISHII, Mr. Yuji MATSUZAKI and Mr. Kazuyuki YOSHIDA, and our senior management have attended training sessions 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 an issuer. We will continue to arrange trainings which are provided by our external legal advisers and/or other appropriate accredited institutions, to reinforce the management's awareness on applicable laws and regulations.

Meetings of Board and Board Committees and Directors' Attendance Records

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

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

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

Board meeting

Name of Directors	General meeting attended/eligible to attend	Board meetings attended/eligible to attend
Mr. Katsuya YAMAMOTO	1/1	4/4
Mr. Fumihide HAMADA	0/1	4/4
Mr. Yutaka KAGAWA	1/1	4/4
Mr. Toshiro OE	0/1	4/4
Mr. Mitsuru ISHII	0/1	4/4
Mr. Yuji MATSUZAKI	0/1	4/4
Mr. Takamasa KAWASAKI (resigned on 19 October 2018)	0/0	1/1
Mr. Kazuyuki YOSHIDA (appointed on 19 October 2018)	1/1	3/3

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. Takamasa KAWASAKI (resigned on 19 October 2018), Mr. Mitsuru ISHII, Mr. Yuji MATSUZAKI and Mr. Kazuyuki YOSHIDA (appointed on 19 October 2018), and was chaired by Mr. Takamasa KAWASAKI prior to his resignation as an independent non-executive Director. Following Mr. Takamasa KAWASAKI's resignation on 19 October 2018, Mr. Kazuyuki YOSHIDA was appointed as chairman on the same day. The primary duties of the Audit Committee are, among others:

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

(ii) to oversee the audit process; and

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

During the Year, two Audit Committee meetings were held whereat the Audit Committee reviewed (i) the audited consolidated financial results of the Company for FY2018 and (ii) the unaudited consolidated financial results of the Company for the six months ended 31 December 2018. The attendance of individual members is set out in the following table.

Name of Directors	attended/eligible to attend
Takamasa KAWASAKI (resigned on 19 October 2018)	1/1
Mitsuru ISHII	2/2
Yuji MATSUZAKI	2/2
Kazuyuki YOSHIDA (appointed on 19 October 2018)	1/1

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. The Risk Management Committee comprises 12 members, namely Mr. Fumihide HAMADA, Mr. Yutaka KAGAWA, Mr. Toshiro OE, Mr. Satoshi MAEDA, Mr. Koji NAKAO, Mr. Hayato TOBISAWA, Mr. Junichi HITOMI, Mr. Shota MIYANO, Mr. Seiji OTOFUJI, Mr. Masayuki SAKATA, Mr. Fumihiko TANAKA (passed away on 9 September 2019) and Mr. Shuntaro HONDA, and is chaired by our executive Director, Mr. Fumihide HAMADA. During the Year, twelve 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	Meeting attended/eligible to attend
Mr. Fumihide HAMADA	Executive director	11/12
Mr. Yutaka KAGAWA	Executive director	12/12
Mr. Toshiro OE	Executive director	12/12
Mr. Satoshi MAEDA	Marketing supervisor	4/12
Mr. Koji NAKAO	Risk control department manager	12/12
Mr. Hayato TOBISAWA	General marketing manager	12/12
Mr. Junichi HITOMI	Head of marketing department	11/12
Mr. Shota MIYANO	Head of marketing department	12/12
Mr. Seiji OTOFUJI	General affairs and human resources department manager	12/12
Mr. Masayuki SAKATA	Procurement department manager	11/12
Mr. Fumihiko TANAKA (passed away on 9 September 2019)	Head of internal audit office	12/12
Mr. Shuntaro HONDA	Internal audit consultant	12/12

For details on the internal control and risk management systems of the Company, please refer to the paragraph headed "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 Renumeration Committee comprised Mr. Takamasa KAWASAKI (resigned on 19 October 2018), Mr. Mitsuru ISHII, Mr. Yuji MATSUZAKI, Mr. Katsuya YAMAMOTO, Mr. Yutaka KAGAWA and Mr. Kazuyuki YOSHIDA (appointed on 19 October 2018), and was chaired by Mr. Takamasa KAWASAKI prior to his resignation as an independent non-executive Director. Following Mr. Takamasa KAWASAKI's resignation on 19 October 2018, Mr. Kazuyuki YOSHIDA was appointed as chairman on the same day. The primary 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 reviewed and recommended to the Board for consideration (i) the adjustment on the director's fee of all our Directors with effect from 1 July 2018, and (ii) the bonus payment to the executive Directors for FY2018. The attendance of individual members is set out in the following table.

The attendance of individual members is set out in the following table:

Name of committee members	Meeting attended/eligible to attend
Mr. Takamasa KAWASAKI (resigned on 19 October 2018)	1/1
Mr. Kazuyuki YOSHIDA (appointed on 19 October 2018)	1/1
Mr. Mitsuru ISHII	2/2
Mr. Yuji MATSUZAKI	2/2
Mr. Katsuya YAMAMOTO	2/2
Mr. Yutaka KAGAWA	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, Mr. Takamasa KAWASAKI (resigned on 19 October 2018), Mr. Mitsuru ISHII, Mr. Yuji MATSUZAKI, Mr. Yutaka KAGAWA and Mr. Kazuyuki YOSHIDA (appointed on 19 October 2018), and is chaired by Mr. Katsuya YAMAMOTO. The primary 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, two Nomination Committee meetings were 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 all the retiring Directors at the annual general meeting held on 20 November 2018; (iii) reviewed the structure, size and composition 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	Meeting attended/eligible to attend
Mr. Katsuya YAMAMOTO	2/2
Mr. Takamasa KAWASAKI (resigned on 19 October 2018)	1/1
Mr. Mitsuru ISHII	2/2
Mr. Yuji MATSUZAKI	2/2
Mr. Yutaka KAGAWA	2/2
Mr. Kazuyuki YOSHIDA (appointed on 19 October 2018)	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.

Board Diversity Policy

With a view to achieve a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of our strategic objectives and sustainable development. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard to the benefits of diversity to the Board.

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the Code Provision D.3.1 of the CG Code. The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, compliance with the Model Code and written employee guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

EXTERNAL AUDITOR'S REMUNERATION

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

For the Year, the fees paid to PricewaterhouseCoopers for the audit of the annual consolidated financial statements of the Group amounted to ¥43 million. The fees charged by PricewaterhouseCoopers in respect of the non-auditing services for the Year were approximately ¥22 million. The remuneration paid to PricewaterhouseCoopers and its affiliated firm for services rendered for the Year is listed as follows:

	2019 **¥ million**
Types of services	
Audit services	**43**
Non-audit services (Note)	**22**
Total	**65**

Note:

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

ACCOUNTABILITY AND AUDIT

Our Directors acknowledge that they have the responsibility to oversee the preparation of the consolidated financial statements in order to give a true and fair view of the state of affairs of the Group, the results of operations and cash flow during the Year. In preparing the consolidated financial statements 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.

RISK MANAGEMENT, INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

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

The Company is also well equipped with internal audit functions which exercise adequate oversight of key aspects relating to the prevention of money laundering with respect to the pachinko operations. This includes (i) an inspection of each pachinko hall at least once every two months, (ii) periodic reviews of the Company's compliance framework and effectiveness of its anti-money laundering measures, and (iii) the reporting of any findings to the Company's Audit Committee. Our Audit Committee is 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. We established 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.

Our Directors are of the view that we have taken all reasonable steps to establish adequate internal control and risk management procedures (the "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. These Internal Control Systems enable our management to identify, categorise, analyse, mitigate and monitor various potential risks. The Internal Control Systems has also set forth the relevant reporting hierarchy of risks identified in our operations. The Board is responsible for overseeing the overall Internal Control Systems in order to safeguard the Group's assets and Shareholders' interests so as to ensure that the Internal Control Systems in place are adequate and in compliance with applicable laws, rules and regulations.

During the Year, the Board has reviewed, through the Risk Management Committee, the Group's risk management and internal control system as well as the adequacy of resources, qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. The risk management and internal control systems are reviewed once every financial year. The Board has reviewed the effectiveness of the risk management and internal control systems and considers them effective and adequate. The Board is not aware of any significant issues that would have had an adverse impact on the effectiveness and adequacy of the risk management and internal control system 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.

INVESTOR RELATIONS AND SHAREHOLDER RIGHTS

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 make the most informed investment decisions. The goal of our communication activities is to provide a true and fair view of the Company.

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. 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.

Code Provision E.1.3 of the CG Code stipulates that our issuer should arrange for the notice to Shareholders to be sent in the case of the annual general meeting at least 20 clear business days before the meeting and in the case of all other general meetings, at least 10 clear business days before the meeting. The Company has been in compliance with such code provision.

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.

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.

Procedures for Putting Forward Proposals at General Meeting

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

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

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

The relevant written requisition must:

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

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

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

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

Procedures for Putting Enquiries to the Company and our Contact Details

Shareholders may, at any time, direct questions or 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, or by email to info@okura-holdings.com.

CONSTITUTIONAL DOCUMENTS

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

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

Directors have access to the services of the company secretary to ensure that the Board procedures are followed. The company secretary of the Company is Mr. MAN Yun Wah. He is the principal and head of corporate advisory division of Dominic K.F. Chan & Co., and a director of RHT Corporate Advisory (HK) Limited. In compliance with Rule 3.29 of the Listing Rules, Mr. MAN Yun Wah has undertaken no less than 15 hours of relevant professional training during the Year. The primary corporate contact person at the Company is Mr. Yutaka KAGAWA, head of Corporate Planning Department.

ABOUT THIS REPORT

This Environmental, Social and Governance ("ESG") Report contains disclosures made by the Group with reference to the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules, focusing on the pachinko business operated by the Group in Japan.

CORPORATE SOCIAL RESPONSIBILITY ("CSR") GOVERNANCE

Our Directors are responsible for our CSR strategy, which includes identifying and evaluating CSR risks, implementing appropriate and effective risk management strategies and establishing internal control systems where necessary.

STAKEHOLDER ENGAGEMENT

The Group engages our stakeholders on an ongoing basis to identify CSR-related tasks. Based on the results obtained by the Group, the Group will hold discussions among our management and employees of different departments to assess the importance of these tasks 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 CSR-related tasks that were identified during such discussions and which we considered important.

A. ENVIRONMENT

A.1 Our View on the Environment

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

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, emissions of hazardous and non-hazardous waste, consumption of resources, use of packaging materials and use of water, to be immaterial. In addition, we do not conduct business activities that will have a serious impact on the environment and natural resources.

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

Notwithstanding the above, in order to continuously reduce the burden on the global environment and promote environmental protection, we have been implementing the following initiatives with the objective of reducing waste and greenhouse gas emissions:

A.2 Use of Resources and Reduction of Greenhouse Gas Emission

At present, the emissions generated by the Group mainly consist of greenhouse gases such as carbon dioxide emitted from the consumption of electricity. The greenhouse gas emissions at our halls for the Year and FY2018 are set out below:

	FY2019	FY2018[2]
Carbon dioxide emissions (1,000Kwh)	**8,850.9**	10,256.3
Intensity (t-Co2/per pachinko and pachislot machine)	**0.96**	1.06
Average number of machines in fiscal year[1]	**9,215**	9,652

Note:

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

2 During the Year, the Group began to adopt a modified approach to calculate its greenhouse gas emissions. The data for FY2018 presented above is calculated by such modified approach for comparison with data of FY2019

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

1. Installation of Energy-saving Air Conditioners

The Group has been gradually replacing existing air conditioners with new air conditioners of lower power consumption. As at 30 June 2019, we have completed installation of such air conditioners at five halls in Kyushu out of our 17 halls in Japan. We are planning to further install such air conditioners in our halls in Kanto and Kansai.

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

The Group has been gradually replacing the lighting in our halls with LED lighting that consumes less power. In FY2019, we installed LED lighting in 2 halls and completed the installation of LED lighting in six halls out of 17 halls. We are planning to replace lightings at the remaining halls into LED lightning.

3. Other Measures to Reduce Power Consumption

We have also installed devices such as solar power systems at our halls to minimise power consumption.

The power consumption and greenhouse gas emissions for the Year are shown below.

	FY2019	FY2018
Power consumption (1,000Kwh)	**18,426.4**	20,584
Intensity (1,000Kwh/per pachinko and pachislot machine)	**2.00**	2.13
Average number of machines in fiscal year	**9,215**	9,652

During the Year, our power consumption decreased as compared to FY2018, as a result of an overall decrease in the number of pachinko and pachislot machines.

A.3 Reduction of Waste

To provide better service to our customers, we often purchase new pachinko and pachislot machines. Therefore, pachislot machines that are no longer used are discarded. To avoid causing excessive harm to the environment by producing hazardous and non-hazardous waste, the Group temporarily stores these pachinko and pachislot machines in our warehouse. We then sell such obsolete machines to trade-in dealers (who usually resell these machines to other companies) or recyclers (who dismantle these machines for reusage of parts) in line with regulations relating to second-hand pachinko and pachislot machines and market trends.

To reduce waste, the Group has 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.

- Promoting the use of recycled paper in our operation since April 2018

B. OUR PEOPLE

B.1 Our View

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.

B.2 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 order to improve the work environment for female employees, we support a good work-life balance, for example, assisting them in balancing between children care and work duty. In addition, in July 2018, under The Act on Promotion of Women's Participation and Advancement in the Workplace, we have been certified by the Minister of Health, Labour and Welfare as a company with excellent conditions concerning the promotion of women's success (commonly known as "Eruboshi").

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 employees in Japan by gender, employment type and age group. As for part-time job workers, employment conditions such as working hours vary, so they are not included in the statistics below.

Employment type	**FY2019** Number of male employees	**FY2019** Number of female employees	FY2018 Number of male employees	FY2018 Number of female employees
Regular employees	**127**	**38**	130	30
Semi-regular employees and contract employees	**5**	**5**	7	14
Total number of employees	**132**	**43**	137	44

Age	**FY2019** Number of male employees	**FY2019** Number of female employees	FY2018 Number of male employees	FY2018 Number of female employees
Below 20 years old	**2**	**1**	3	2
20–29 years old	**24**	**9**	25	10
30–39 years old	**58**	**11**	67	13
40–49 years old	**36**	**14**	30	12
50–59 years old	**8**	**4**	8	4
60–69 years old	**4**	**4**	4	3
Total number of employees	**132**	**43**	137	44

The following table shows the retention rate of our employees:

	FY2019 %	FY2018 %
Retention rate (Employees)[1]	**86.6**	88.7

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

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.

B.3 Our Labour Safety and Health

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

- Provision of mental health care (mental stress check, consultations with supervisor) to our employees
- Provision of periodic health checks to our employees
- 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

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.

B.4 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 are as follows:

	FY2019[1] **Hour**	FY2018 Hour
Training hours per full-time employee	**8.8**	7.8

Note:

1 We began to record training hours since October 2017. Therefore, the training hours conducted for the period from July 2017 to September 2017 are not included. In the previous fiscal year, the training time per employee was divided into "fresh graduates" and others, but since the ratio of new graduates in the total number of employees is small, we disclose it without classification from this fiscal year.

Our main training curriculum includes:

- 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)

B.5 Labour Standards

During the Year, the Group was in compliance with the Labour Standard Law and laws pertinent to proper labour relations, and the Group did not employ or advocate the employment of children or of people who are forced to work. All workers were employed on a voluntary basis under agreed terms and were not forced or coerced into working for the Group. Our Directors are not aware of any non-compliance or breach that has a significant impact on the Group in relation to such laws and regulations.

C. HEALTHY BUSINESS PRACTICE AND PREVENTION OF DISHONESTY

C.1 Relationship with Business Partners

The major suppliers of the Group are the suppliers of pachinko and pachislot machines, G-prize wholesalers and general prize wholesalers. With the Amusement Business Law and its ancillary prefectural local regulations in mind, when the Group engages or enters into business with new or existing business partners, we constantly perform comprehensive compliance checks from the aspects of various risks, and obtain a written confirmation from such business partners that they are not engaged in or associated with any anti-social force. Our compliance department will continue to monitor the status of these engagements after signing contracts with our business partners.

In terms of contract value, we have been working to acquire appropriate prices through fair tendering by our internal procurement team.

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.

C.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
- Measures against abandoning child inside the car (our pachinko hall staff patrols around vehicles every 2 hours, etc.)
- Evacuation guidance training and drill exercise to our employees

We accept customer complaints on the company's website or by telephone. Such complaints are reported to management as appropriate and proper actions are taken against them.

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.

In addition, posters are installed in our pachinko halls for the prevention of indulgence in gambling, a social problem which remains visible in recent years. A self-assessment program has been introduced in most of our halls.

Advertising matters 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 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.

C.3 Anti-corruption and anti-money laundering

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

- Installation of CCTVs
- Regular patrols or data checks for the detection of cheating or abnormal matters at an early stage
- Regulation on high-value prize exchange
- Introduction and maintenance of a whistleblowing hotline
- Prevention and/or detection measures against money laundering transactions are evaluated and verified by the Risk Management Committee

During the Year, our Directors are 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.

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

D. CONTRIBUTION TO THE LOCAL COMMUNITY

The Group considers providing services to our customers via our main pachinko business, continuous employment and proper tax payment as the most significant contributions to our local community. We have also stayed involved in the local community through participation in local events, such as sponsoring a regional revitalisation campaign organised by a local newspaper publishing company in the Year.

In addition, we are striving to raise our employees' awareness of CSR and contribution to the community through company-wide activities such as fund-raising. During the Year, money raised from such activities has been used for the reconstruction of areas damaged by natural disasters such as heavy rain and earthquakes, as well as domestic forest maintenance such as tree planting and thinning.

Moreover, we started to store the emergency supplies such as non-perishable foods, bottled water, and blanket at all of our halls, which are to be provided with the local people as well as our customers and employees in future emergency situations such as natural disasters.

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

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") set out on pages 63 to 133, which comprise:

- the consolidated statement of financial position as at 30 June 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with both Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment assessment of property, plant and equipment Refer to Note 4 (Critical accounting estimates and judgements) and Note 13 (Property, plant and equipment) to the consolidated financial statements for the related disclosures. As at 30 June 2019, the Group had property, plant and equipment ("PP&E") of ¥10,376 million related to the cash-generating units ("CGUs") of each individual pachinko and pachislot hall. The performance of the Group's pachinko and pachislot hall operations was influenced by the competitive business condition and new regulations. Management performs impairment assessment whenever events indicate that the related asset values may not be recoverable. In the view that two of the CGUs had resulted in loss in two consecutive years and had performed below management's expectation, management considered there were impairment indicators for these CGUs. Management performed impairment assessment to assess the recoverable amounts of these CGUs, which were determined as the fair value less cost to sell or value-in-use, whichever was higher. Fair value less cost to sell calculation was obtained from third party valuers (the 'valuers') for one of these CGUs in order to support management's estimate. The value-in-use calculations were based on future cash flow forecasts of these CGUs. We focused on this area due to the significant judgements and estimates involved in the determination of the recoverable amount. The valuation of fair less cost to sell is dependent upon the replacement cost and depreciation rate. The valuations of value-in-use are also dependent on certain key assumptions including revenue growth rate and discount rate.	With regard to the impairment assessment of PP&E of the Group: We evaluated the appropriateness of management's grouping of these PP&E with the relevant CGUs. We reviewed and assessed management's expert's methodologies and key assumptions in fair value less cost to sell calculation on PP&E of the relevant CGU by: • Evaluating the valuers' competence, capabilities and objectivity; • Attending meetings with the valuers to discuss the valuations and key assumptions used; • Reviewing the external valuation reports to assess the appropriateness of methodologies used; and • Evaluating the sensitivity analysis performed by valuers around the replacement cost and depreciation rate to ascertain the extent and likelihood of such changes have been appropriately considered. We challenged management's key assumptions in value-in-use calculations by: • Assessing management's assumption of revenue growth rate by comparing the rate to industry trends, historical performance and operational developments; and • Comparing the current year actual results with the prior year forecasts to consider the reasonableness of management's forecasts. We assessed the mathematical accuracy of management's expert's fair value less cost to sell calculation and management's value-in-use calculations. Based on the procedures performed, we found the judgements and estimates made by management in relation to the fair value less cost to sell and value-in-use calculations were supportable by available evidence.

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment assessment of goodwill Refer to Note 4 (Critical accounting estimates and judgements) and Note 15 (Intangible assets) to the consolidated financial statements for the related disclosures. As at 30 June 2019, the Group had goodwill of ¥740 million arising from the acquisition of a subsidiary in previous years which is engaged in the pachinko and pachislot business. The goodwill is subject to an annual impairment assessment performed by management. Management performed an impairment assessment in respect of the goodwill to determine the recoverable amount using the value-in-use method which involved significant judgements in determining the assumptions used in the calculations. The key assumptions include the revenue growth rate and discount rate. We focused on this area due to the significant judgements and estimates involved in the determination of the value-in-use, including revenue growth rate and discount rate.	Our procedures in relation to management's value-in-use calculations include: • Assessed management's assumption of revenue growth rate by comparing the rate to industry trends, historical performance and operational developments; • Assessed the mathematical accuracy of management's value-in-use calculations; • Compared the current year actual results with the prior year forecasts to consider the reasonableness of management's forecasts; • Involving our internal valuation experts to review the valuation methodology and discount rate applied by management, and benchmarking the discount rates applied to other comparable companies in the same industry; and • Evaluated the sensitivity analysis performed by management around the revenue growth rate and discount rate to ascertain the extent and likelihood of such changes have been appropriately considered. Based on the procedures performed, we found the judgements and estimates made by management in relation to the value-in-use calculations were supportable by available evidence.

OTHER INFORMATION

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

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS issued by the HKICPA and with IFRS issued by the IASB 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, related safeguards.

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 Ng Ka Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 September 2019

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	2019 ¥million	2018 ¥million
Revenue	5	**8,157**	8,719
Other income	6	**603**	852
Other losses, net	6	**(7)**	(25)
Hall operating expenses	7	**(6,798)**	(8,414)
Administrative and other operating expenses	7	**(902)**	(140)
Operating profit		**1,053**	992
Finance income		**54**	14
Finance costs		**(118)**	(149)
Finance costs, net	9	**(64)**	(135)
Profit before income tax		**989**	857
Income tax expense	10	**(388)**	(114)
Profit for the year attributable to shareholders of the Company		**601**	743
Earnings per share attributable to shareholders of the Company for the year (expressed in ¥ per share)			
Basic	11	**1.20**	1.49
Diluted	11	**1.20**	1.49

The notes on pages 70 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	2019 ¥million	2018 ¥million
Profit for the year		**601**	743
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss			
Reversal of remeasurement of long term benefit obligations		—	(149)
Change in fair value of equity investments at fair value through other comprehensive income		**(13)**	4
Deferred income tax arising from fair value change		**4**	(1)
		(9)	(146)
Total comprehensive income for the year attributable to shareholders of the Company		**592**	597

The notes on pages 70 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 ¥million	2018 ¥million
Assets			
Non-current assets			
Property, plant and equipment	13	**10,376**	10,671
Investment properties	14	**2,279**	2,296
Intangible assets	15	**768**	786
Prepayments, deposits and other receivables	20	**810**	751
Financial assets held at amortised cost	18	**500**	—
Financial assets at fair value through other comprehensive income	17(b)	**33**	47
Financial assets at fair value through profit or loss	17(a)	**62**	82
Deferred income tax assets	28	**430**	621
		15,258	15,254
Current assets			
Inventories	19	**71**	137
Prepayments, deposits and other receivables	20	**700**	1,326
Financial assets held at amortised cost	18	**500**	—
Financial assets at fair value through profit or loss	17(a)	**514**	238
Income tax recoverable		**9**	32
Short-term bank deposits	21	**100**	100
Cash and cash equivalents	21	**2,565**	2,904
		4,459	4,737
Total assets		**19,717**	19,991
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	22	**20,349**	20,349
Reserves	22	**(8,932)**	(9,524)
Total equity		**11,417**	10,825

The notes on pages 70 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 ¥million	2018 ¥million
Liabilities			
Non-current liabilities			
Borrowings	26	**3,802**	4,557
Obligations under finance leases	27	**924**	1,220
Accruals, provisions and other payables	24	**352**	348
Financial liabilities at fair value through profit or loss		**4**	—
Employee benefit obligations	25	**116**	81
Deferred income tax liabilities	28	**485**	455
		5,683	6,661
Current liabilities			
Borrowings	26	**730**	821
Trade payables	23	**26**	21
Accruals, provisions and other payables	24	**1,191**	1,343
Amount due to a related party	32(b)	**213**	—
Obligations under finance leases	27	**303**	314
Current income tax liabilities		**154**	6
		2,617	2,505
Total liabilities		**8,300**	9,166
Total equity and liabilities		**19,717**	19,991

The consolidated financial statements on pages 63 to 133 were approved by the Company's Board of Directors on 25 September 2019 and were signed on its behalf.

Katsuya Yamamoto
Director

Yutaka Kagawa
Director

The notes on pages 70 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Share capital (Note 22) ¥million	Capital reserve (Note 22(a)) ¥million	Legal reserve (Note 22(b)) ¥million	Investment revaluation reserve (Note 22(c)) ¥million	Retained earnings ¥million	Total ¥million
Balance at 1 July 2017	20,349	(12,837)	40	16	2,660	10,228
Profit for the year	—	—	—	—	743	743
Other comprehensive (loss)/income						
Reversal of remeasurement of long term benefit obligations	—	—	—	—	(149)	(149)
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	3	—	3
Total comprehensive income and transactions with shareholders in their capacity as shareholders	—	—	—	3	594	597
Balance at 30 June 2018	20,349	(12,837)	40	19	3,254	10,825

The notes on pages 70 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Share capital (Note 22) ¥million	Capital reserve (Note 22(a)) ¥million	Legal reserve (Note 22(b)) ¥million	Investment revaluation reserve (Note 22(c)) ¥million	Retained earnings ¥million	Total ¥million
Balance at 1 July 2018	**20,349**	**(12,837)**	**40**	**19**	**3,254**	**10,825**
Profit for the year	**—**	**—**	**—**	**—**	**601**	**601**
Other comprehensive loss						
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	**—**	**—**	**—**	**(9)**	**—**	**(9)**
Total comprehensive (loss)/income and transactions with shareholders in their capacity as shareholders	**—**	**—**	**—**	**(9)**	**601**	**592**
Balance at 30 June 2019	**20,349**	**(12,837)**	**40**	**10**	**3,855**	**11,417**

The notes on pages 70 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 ¥million	2018 ¥million
Cash flows from operating activities			
Cash generated from operations	29	**2,272**	1,280
Income tax refunded		**9**	49
Interest received		**54**	14
Interest paid		**(116)**	(146)
Net cash generated from operating activities		**2,219**	1,197
Cash flows from investing activities			
Proceeds from disposal of financial assets at fair value through profit or loss		**30**	50
Purchase of financial assets at amortised cost		**(1,000)**	—
Purchase of financial assets at fair value through profit or loss		**(314)**	(151)
Purchase of property, plant and equipment		**(106)**	(2,315)
Purchase of investment properties		**(1)**	—
Proceeds from disposal of property, plant and equipment	29	**11**	265
Purchase of intangible assets		**(2)**	(1)
Net cash used in investing activities		**(1,382)**	(2,152)
Cash flows from financing activities			
Proceeds from borrowings		**260**	1,400
Repayment of borrowings		**(1,106)**	(1,242)
Proceeds from sale-and-leaseback arrangement		**—**	696
Repayment of obligations under finance leases		**(307)**	(244)
Net cash (used in)/generated from financing activities		**(1,153)**	610
Net decrease in cash and cash equivalents		**(316)**	(345)
Cash and cash equivalents at beginning of the year		**2,904**	3,272
Effects of exchange rate changes on cash and cash equivalents		**(23)**	(23)
Cash and cash equivalents at end of the year		**2,565**	2,904

The notes on pages 70 to 133 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(i) Compliance with IFRS and HKFRS and Hong Kong Companies Ordinance

The consolidated financial statements have been prepared in accordance with IFRS and HKFRS and requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) which are carried at fair values.

(iii) New standards and amendments to existing standards adopted by the Group

The following new standards and amendments to existing standards have been issued and are effective for annual periods beginning on 1 July 2018:

IAS 28 (Amendments)	Investments in associates and joint ventures
IAS 40 (Amendment)	Transfers of investment property
IFRS 1 (Amendment)	First-time adoption of IFRS
IFRS 2 (Amendment)	Classification and measurement of share-based payment transactions
IFRS 4 (Amendment)	Applying IFRS 9 Financial Instrument with IFRS 4 Insurance Contract
IFRS 15	Revenue from contracts with customers
IFRS 15 (Amendment)	Clarification to IFRS 15
IFRIC 22	Foreign currency transactions and advance consideration

The impact of the adoption of IFRS 15 is disclosed below. The other new or amended standards did not have any material impact on the Group's accounting policies.

Adoption of IFRS 15, "Revenue from contracts with customers"

The Group has adopted IFRS 15 from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in IFRS 15, the Group has adopted the modified retrospective approach and comparative figures have not been restated.

The accounting policies were changed to comply with IFRS 15. IFRS 15 replaces the provision of IAS 18 "Revenue" and IAS 11 "Construction Contracts" that relate to the recognition, classification and measurement of revenue and costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iii) New standards and amendments to existing standards adopted by the Group (continued)

Adoption of IFRS 15, "Revenue from contracts with customers" (continued)

The effect of the adoption of IFRS 15 is related to presentation of contract liabilities within "Accruals, provisions and other payables" recognised in the consolidated statement of financial position as at 1 July 2018 to be consistent with the terminology used under IFRS 15:

— Contract liabilities recognised for unutilised balls and tokens was previously presented within "Accruals, provisions and other payables".

The adoption of IFRS 15 has no material impact to the Group's net assets as at 30 June 2018 and the consolidated results, earnings per share (basic and diluted) and consolidated statement of cash flows for the year ended 30 June 2019.

(iv) New standards and amendments to existing standards not yet adopted by the Group

The following are new standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 July 2019 or later periods, but have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for accounting periods beginning on or after
Annual Improvements to IFRS	Annual improvements 2015–2017 Cycle	1 January 2019
IAS 19 (Amendments)	Employee Benefits	1 January 2019
IAS 28 (Amendments)	Long-term interests in associates and joint ventures	1 January 2019
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IFRS 17	Insurance contracts	1 January 2021
IFRS 10 and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The impact of the adoption of IFRS 16 is disclosed below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) New standards and amendments to existing standards not yet adopted by the Group (continued)

Adoption of IFRS 16 "Leases"

IFRS 16 provides new provision for the accounting treatment of leases and will result in almost all leases being recognised on the consolidated statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, a right-of-use ("ROU") asset (for the rights to use the leased item) and a financial liability (for the payment obligations) will be recognised. The only exceptions are short-term and low-value leases.

The new standard will therefore result in an increase in ROU and an increase in lease liability in the consolidated statement of financial position. In the combined statement of comprehensive income, lease will be recognised as depreciation over the terms of the leases and will no longer be recorded as rental expenses. Interest expense on the lease liability will be presented separately from depreciation under finance cots. The combination of a straight-line depreciation of the ROU and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial year of the leases, and decreasing expenses during the later part of the lease terms on a lease-by-lease basis. Operating cash flows will increase and financing cash flows will decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows used in financing activities.

Nevertheless, it is expected that there will be no material impact on the total expenses to be recognised over the entire lease period and the Group's total net profit over the lease period is not expected to be materially affected. As at the reporting date, the Group has non-cancellable operating lease commitments of ¥902 million (Note 31(b)). Based on a preliminary assessment, the total assets and total liabilities are expected to be increased with no material impact on the net assets.

The Group has set up a project team to review the Group's leasing arrangements in light of the new standard and will continue to assess the full impact of the adoption of IFRS 16.

The Group will apply the standard from its mandatory adoption date of 1 July 2019. The Group intends to elect the modified retrospective approach where the cumulative effects of initially applying IFRS 16 will be recognised as an adjustment to the opening balance of retained profits without restating the comparative figures.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

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

2.2.2 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.

2.3 Segment reporting

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

The board of the Company has appointed a strategic steering committee which assesses the financial performance and position of the Group, and makes strategic decisions. The 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 Company that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 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 prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

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

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

2.5 Property, plant and equipment

Land and buildings comprise mainly pachinko and pachislot halls and offices. All property, plant and equipment is 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.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

Depreciation 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	8 years

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

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

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

2.6 Investment properties

Investment properties, principally comprising land and buildings, are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. The Group adopts the alternative treatment by using the cost model provided under the IAS 40 "Investment Property". Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of investment properties, except for the freehold land which is not subject to depreciation, is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 15 to 47 years.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 15. 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.

2.8 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories according to IFRS 9 "Financial Instruments": financial assets at amortised costs and financial assets at fair value. Management determines the classification of its financial assets at initial recognition. This classification depends on whether the financial asset is a debt or equity instrument.

Debt instruments

Financial assets at amortised costs are debt instruments that meet the Group's business model for holding the investments to collect contractual cash flows and the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The nature of any derivatives embedded in the debt instrument are considered in determining whether the cash flows of the instrument are solely payment of principal and interest on the principal outstanding and are not accounted for separately. Other debt instruments are held-for-trading and classified as financial assets at fair value through profit or loss.

Equity instruments

All the Group's equity instruments are measured at fair value. Equity instruments that are held for trading are measured at fair value through profit or loss. For all other equity instruments, the Group has made an irrevocable election at initial recognition to recognise changes in their fair values through other comprehensive income.

Financial assets are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

(b) Recognition, derecognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(b) Recognition, derecognition and measurement (continued)

Debt instruments that fulfil both the business model and the cash flow characteristic conditions are measured at amortised cost using the effective interest method. Other debt instruments are held-for-trading and measured at fair value through profit or loss.

Equity instruments are measured at fair value through profit or loss, except where the equity instruments are not held for trading and are irrevocably elected to measure at fair value through other comprehensive income at initial recognition, in which case, those financial assets are measured at fair value through other comprehensive income and there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as long as they represent a return on investments.

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

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in consolidated statement of comprehensive income within 'Other losses, net' in the period in which they arise. Changes in the fair value of financial assets through other comprehensive income are recognised in other comprehensive income except for the impairment loss (if any) on debt instruments which are accounted for in profit or loss.

Gain or loss (if any) on derecognition or impairment (if any) of debt instruments at amortised cost is recognised in profit or loss.

Interest income from debt instruments at fair value through profit or loss are recognised in the profit or loss. Dividend income from equity instruments included in financial assets at fair value and fair value through other comprehensive income are recognised in the consolidated statement of comprehensive income when the Group's right to receive payments is established.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Arrangements entered by the Company that do not meet the criteria for offsetting are still allowed for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets

Impairment charges on the Group's investment in debt instruments at amortised cost are calculated based on an expected credit loss model. The Group considers these debt instruments as trade and other receivables in nature and do not have a significant financing component. Therefore, the Group elected to recognise lifetime expected credit losses of these debt instruments as provision for impairment allowance at the end of each reporting period. The Group applies a provision matrix, which is prepared by using historical loss experience on its trade and other receivables and adjusted for information about current conditions and reasonable and supportable forecasts of future economic conditions, to estimate the lifetime expected credit losses. Impairment charge/reversal is recognised in the profit or loss.

2.12 Inventories

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

2.13 Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.9(b) for further information about the Group's accounting for financial assets and Note 2.11 for a description of the Group's impairment policies.

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

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with original maturity of three months or less, other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Trade payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.17 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

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

2.18 Current and deferred income tax

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

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (continued)

(ii) Deferred income tax

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

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

(a) Pension obligations

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

The liability recognised in the consolidated 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 consolidated 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 consolidated statement of comprehensive income.

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

(b) Bonus plans

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

(c) Employee leave entitlements

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

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

2.20 Provisions

Provisions for environmental restoration, restructuring costs 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 has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

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

2.21 Revenue recognition

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (continued)

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

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

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

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

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

(ii) Vending machine income is recognised on a straight-line basis over the accounting periods covered by the terms and conditions as stipulated in the agreement. Vending machine income is recognised in the accounting period in which they are earned.

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

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

(v) Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the statement of consolidated statement of comprehensive income as part of "finance income". Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (continued)

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

(vii) 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.

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

2.22 Leases

(a) As lessee

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the 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. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (continued)

(b) As lessor

When the Group leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to the nature of the assets. Revenue arising from assets leased out under operating leases is recognised over the term of the lease on a straight-line basis.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments for speculative purposes.

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

(a) Market risk

(i) Foreign exchange risk

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

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

As at 30 June 2019, if USD had weakened/strengthened by 5% against Japanese Yen with all other variables held constant, post-tax profit for the year would have been approximately ¥21 million (2018: ¥63 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated cash and cash equivalents and financial assets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's cash flow interest rate risk arises from bank balances and borrowings which are carried at variable rates, which expose the Group to cash flow interest rate risk. As at 30 June 2019, if interest rates were increased or decreased by 50 basis points and all other variables were held constant, the Group's post-tax profit would decrease or increase by approximately ¥5 million (2018: ¥10 million) respectively as a result of increase or decrease in net interest expense.

The Group's fair value interest rate risk arises from bank balances and borrowings which are carried at fixed rates, which expose the Group to fair value interest rate risk. As at 30 June 2019, if interest rates were increased or decreased by 50 basis points and all other variables were held constant, the Group's post-tax profit would decrease or increase by approximately ¥2 million (2018: increase or decrease by approximately ¥1 million) as a result of increase or decrease in net interest expense.

(iii) Price risk

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

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

	2019 **¥million**	2018 ¥million
Impact on other components of equity		
Share prices:		
— increase by 5%	**2**	2
— decrease by 5%	**(2)**	(2)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

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

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

Approximately 99% of the Group's revenue is received in cash. The Group's credit risk mainly arises from 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. Management makes periodic assessment on the recoverability of other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group's historical experience in collection of other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated financial statements.

(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 assets.

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

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets and receivables; and long-term financing including long-term borrowings. The Group aims to maintain flexibility in funding by keeping sufficient bank balances 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.

The Group	Within 1 year ¥million	Between 1 and 2 years ¥million	Between 2 and 5 years ¥million	Over 5 years ¥million	Total ¥million
As at 30 June 2019					
Trade payables	**26**	**—**	**—**	**—**	**26**
Other payables	**363**	**1**	**15**	**41**	**420**
Borrowings	**777**	**753**	**1,765**	**1,412**	**4,707**
Amount due to related parties	**213**	**—**	**—**	**—**	**213**
Obligations under finance leases	**350**	**184**	**225**	**1,017**	**1,776**
	1,729	**938**	**2,005**	**2,470**	**7,142**
As at 30 June 2018					
Trade payables	21	—	—	—	21
Other payables	430	1	19	41	491
Borrowings	881	796	2,066	1,876	5,619
Obligations under finance leases	365	350	338	1,082	2,135
	1,697	1,147	2,423	2,999	8,266

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (include bank borrowings and obligations under finance leases) less cash and cash equivalents. Total capital is calculated as "Equity" as shown in the consolidated statement of financial position, plus net debt, where applicable.

	2019 **¥million**	2018 ¥million
Borrowings (Note 26)	**4,532**	5,378
Obligations under finance leases (Note 27)	**1,227**	1,534
Less: cash and cash equivalents (Note 21)	**(2,565)**	(2,904)
Net debt	**3,194**	4,008
Total equity	**11,417**	10,825
Total capital	**14,611**	14,833
Gearing ratio	**21.9%**	27.0%

The decrease in the gearing ratio as at 30 June 2019 resulted from the increase in total equity due to increase in retained earnings from comprehensive income earned and debt repayment during the year.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

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

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

	Level 1 ¥million	Level 2 ¥million	Level 3 ¥million	Total ¥million
As at 30 June 2019				
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	**—**	**575**	**1**	**576**
Financial assets at fair value through other comprehensive income				
— Listed securities	**30**	**—**	**—**	**30**
— Unlisted securities	**—**	**—**	**3**	**3**
	30	**575**	**4**	**609**
Liabilities				
Financial liabilities at fair value through profit or loss				
— Foreign currency swap	**—**	**(4)**	**—**	**(4)**
As at 30 June 2018				
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	—	319	1	320
Financial assets at fair value through other comprehensive income				
— Listed securities	43	—	—	43
— Unlisted securities	—	—	4	4
	43	319	5	367

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(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 2019 and 2018, 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.

(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 2019 and 2018, instruments included in level 2 comprise bonds, trust funds and foreign currency swap issued by financial institutions in Japan which were classified as financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss.

(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 2019 and 2018, financial assets at fair value through profit or loss mainly comprise investment in a venture capital fund.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The following table presents the changes in level 3 instruments for the years ended 30 June 2019 and 2018:

	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 2017	4	1	5
Fair value loss on valuation	—	—	—
Balance at 30 June 2018	4	1	5
Balance at 1 July 2018	4	1	5
Fair value loss on valuation	(1)	—	(1)
Balance at 30 June 2019	**3**	**1**	**4**

There were no transfers between levels 1, 2 and 3 during the years ended 30 June 2019 and 2018.

3.4 Offsetting financial assets and financial liabilities

As at 30 June 2019 and 2018, there were no financial assets or financial liabilities which were subject to offsetting, enforceable master netting or similar agreements.

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(a) Current and deferred income taxes

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

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

(b) Impairment assessment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) Impairment assessment of property, plant and equipment

The Group has substantial investments in property, plant and equipment. Judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable: (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and value in use, which is the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions used to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(d) Classification of leases

The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in Note 2.22. Classification as a finance lease or an operating lease determines whether the leased asset is capitalised and recognised in the consolidated statement of financial position or the lease payment is charged to the consolidated statement of comprehensive income. Determining whether a lease transaction is a finance lease or an operating lease is a complex issue and requires substantial judgement as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from the Group. Careful and considered judgement is required on various complex aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2019	2018
	¥million	¥million
Revenue		
Gross pay-ins	**35,567**	36,368
Less: gross pay-outs	**(27,815)**	(28,112)
Revenue from pachinko and pachislot hall business	**7,752**	8,256
Vending machine income	**130**	135
Property rental	**274**	328
Revenue from other operations	**1**	—
	8,157	8,719

Except for pachinko and pachislot hall business, all of the Group's revenues are recognized over-time as the services are performed.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used for making strategic decisions. The chief operating decision maker is identified as the executive directors of the Group. The executive directors consider the business from a service perspective and assess the performance of the operating segments based on a measure of profit 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 management has identified two reportable segments based on the types of services, namely (i) pachinko and pachislot hall operation and (ii) property rental.

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

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

The segment information provided to the executive directors for the years ended 30 June 2019 and 2018 are as follows:

	Year ended 30 June 2019			
	Pachinko and pachislot hall operation ¥million	Property rental ¥million	All other segments ¥million	Total ¥million
Segment revenue from external customers	**7,882**	**274**	**1**	**8,157**
Segment results	**847**	**142**	**—**	**989**
Profit before income tax				**989**
Income tax expense				**(388)**
Profit for the year				**601**
Other segment items				
Depreciation and amortisation	**(602)**	**(49)**	**—**	**(651)**
Finance income	**52**	**2**	**—**	**54**
Finance costs	**(74)**	**(44)**	**—**	**(118)**
Capital expenditures	**(321)**	**(1)**	**—**	**(322)**

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

	Year ended 30 June 2018			
	Pachinko and pachislot hall operation ¥million	Property rental ¥million	All other segments ¥million	Total ¥million
Segment revenue from external customers	8,391	328	—	8,719
Segment results	716	141	—	857
Profit before income tax				857
Income tax expense				(114)
Profit for the year				743
Other segment items				
Depreciation and amortisation	(698)	(52)	—	(750)
Finance income	13	1	—	14
Finance costs	(104)	(45)	—	(149)
Capital expenditures	(2,316)	—	—	(2,316)

The segment assets as at 30 June 2019 and 2018 are as follows:

	Pachinko and pachislot hall operation ¥million	**Property rental ¥million**	**All other segments ¥million**	**Total ¥million**
As at 30 June 2019				
Segment assets	**11,908**	**2,401**	**215**	**14,524**
Unallocated assets				**3,154**
Financial assets held at amortised cost				**1,000**
Financial assets at fair value through profit or loss				**576**
Financial assets at fair value through other comprehensive income				**33**
Deferred income tax assets				**430**
Total assets				**19,717**

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

	Pachinko and pachislot hall operation ¥million	Property rental ¥million	All other segments ¥million	Total ¥million
As at 30 June 2018				
Segment assets	13,536	2,433	—	15,969
Unallocated assets				3,034
Financial assets at fair value through profit or loss				320
Financial assets at fair value through other comprehensive income				47
Deferred income tax assets				621
Total assets				19,991

There is no single external customer contributed more than 10% revenue to the Group's revenue for the years ended 30 June 2019 and 2018.

The Group is domiciled in Japan and majority of the non-current assets of the Group as at 30 June 2019 and 2018 are located in Japan.

6 OTHER INCOME AND OTHER LOSSES, NET

	2019 ¥million	2018 ¥million
Other income		
Income from scrap sales of used pachinko machines	**557**	783
Rental income from staff quarters	**1**	1
Dividend income	**1**	1
Income from expired IC card	**8**	9
Income from forfeited unutilised ball	**10**	34
Others	**26**	24
	603	852
Other losses, net		
Reversal for impairment loss of investment properties	**52**	—
Compensation for early termination of operating lease	**—**	(98)
Exchange losses, net	**(20)**	(9)
(Losses)/gains on disposals of property, plant and equipment	**(1)**	8
Losses on write-off of property, plant and equipment	**(18)**	(473)
Write-off of investment properties (Note 14)	**(22)**	—
Losses on fair value change on financial assets at fair value through profit or loss	**(17)**	(5)
Gain on disposal of assets held under finance lease	**—**	531
Recovery from insurance companies	**20**	15
Others	**(1)**	6
	(7)	(25)

7 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2019 ¥million	2018 ¥million
Pachinko and pachislot machines expenses (Note)	**2,388**	3,724
Auditor's remuneration		
— Audit services	**43**	54
— Non-audit services	**22**	7
Employee benefits expenses (Note 8)		
— Hall operating expenses	**1,076**	1,059
— Administrative and other operating expenses	**428**	(440)
Operating lease rental expense in respect of land and buildings	**945**	1,169
Depreciation and amortisation (Notes 13, 14 and 15)	**651**	750
Advertising and promotion expenses	**438**	491
Equipment and consumables costs	**126**	155
Impairment loss/(reversal of impairment loss) of property, plant and equipment	**1**	(169)
Provision for onerous lease	**15**	—
Provision for unrecoverable prepayments	**18**	—
Reversal of provision for reinstatement	**—**	(37)
Repairs and maintenance	**115**	189
Other taxes and duties	**137**	152
Outsourcing service expenses	**196**	240
Utilities expenses	**374**	389
G-prize procurement expenses to wholesalers	**202**	226
Legal and professional fees	**99**	159
Travel expenses	**44**	48
Insurance fee	**15**	18
Others	**367**	370
	7,700	8,554

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

	2019 ¥million	2018 ¥million
Salaries, bonuses and allowances	**1,301**	1,386
Other employee benefits	**203**	(767)
	1,504	619

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 30 June 2019 include one (2018: one) director whose emolument is reflected in the analysis shown in Note 34. The emoluments payable to the remaining four (2018: four) individuals during the year are as follows:

	2019 ¥million	2018 ¥million
Salaries, allowances and other benefits	**102**	104

The emoluments fell within the following bands:

	Number of individuals 2019	2018
Nil to HK$1,000,000 (equivalent to Nil to approximately ¥14,175,000)	**1**	—
HK$1,000,001 to HK$1,500,000 (equivalent to approximately ¥14,175,001 to ¥21,263,000)	**1**	2
HK$1,500,001 to HK$2,000,000 (equivalent to approximately ¥21,263,001 to ¥28,350,000)	**—**	—
HK$2,000,001 to HK$2,500,000 (equivalent to approximately ¥28,350,001 to ¥35,438,000)	**1**	1
HK$2,500,001 to HK$3,000,000 (equivalent to approximately ¥35,438,001 to ¥42,525,000)	**—**	1
HK$3,000,001 to HK$15,000,000 (equivalent to ¥42,525,001 to ¥212,625,000)	**1**	—
	4	4

No inducement for joining the Group or compensation for loss of office was paid or payable to any five highest paid individuals during the year (2018: Nil).

9 FINANCE COSTS, NET

	2019 ¥million	2018 ¥million
Finance income		
Interest income	**8**	7
Interest from debt securities	**46**	7
	54	14
Finance costs		
Obligations under finance leases	**(51)**	(64)
Bank borrowings interest expenses	**(63)**	(77)
Bond interest expenses	**(1)**	(1)
Others	**(3)**	(7)
	(118)	(149)
Finance costs, net	**(64)**	(135)

10 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 30 June 2019 and 2018.

Japan corporate income tax has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in Japan in which the Group operates.

	2019 ¥million	2018 ¥million
Current income tax		
— Japan corporate income tax	**162**	8
Deferred income tax (Note 28)	**226**	106
	388	114

10 INCOME TAX EXPENSE (CONTINUED)

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:

	2019 ¥million	2018 ¥million
Profit before income tax	**989**	857
Tax calculated at applicable Japan corporate income tax rate	**339**	295
Expenses not deductible for tax purpose	**5**	10
Tax effect of deductible temporary differences not recognised	**19**	—
Utilisation of previously unrecognised deductible temporary differences	**(5)**	(479)
Recognition of previously unrecognised deductible temporary differences	**(4)**	(1)
Tax losses not recognised	**34**	247
Utilisation of previously unrecognised tax losses	**(4)**	—
Effect of changes in tax rates	**(22)**	2
Taxable temporary differences relating to investments in subsidiaries	**30**	33
Others	**(4)**	7
Income tax expense	**388**	114

For the year ended 30 June 2019, deferred income tax liabilities arising from withholding income tax which result in an increase in income tax of ¥30 million (2018: ¥33 million). The dividend distributed to the Company is subject to 5% of withholding income tax based on Japan tax law as the dividend recipient was incorporated outside Japan. The income tax of ¥30 million (2018: ¥33 million) was calculated at 5% of the distributable reserve of the Group's subsidiaries as at 30 June 2019 (2018: 5%).

The Group is subject to national corporate income tax, inhabitants tax, and enterprise tax in Japan, which, in aggregate, resulted in effective statutory income tax rates 34.2% (2018: 34.5%) for the year ended 30 June 2019. The effective tax rate was approximately 39.2% (2018: 13.3%) for the year. The Group's effective tax rate was higher than the applicable statutory tax rate due to movements in deferred income tax arising from changes in the Group's various subsidiaries' abilities to generate future taxable profits to utilise the deductible temporary differences that the relevant subsidiaries have recorded.

As a result of the 2017 Tax Reform passed on 29 March 2016, the applicable effective tax rate is changed to 34.2% for the year ended 30 June 2019 and the years afterward (2018: 34.5%). As at 30 June 2019, the relevant deferred income tax assets and liabilities have been remeasured at tax rate that is expected to apply to the periods when the related assets and liabilities are realised or settled.

11 EARNINGS PER SHARE

Basic earnings per share for the years ended 30 June 2019 and 2018 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 2019 and 2018.

	2019	2018
Profit attributable to shareholders of the Company (¥million)	**601**	743
Weighted average number of ordinary shares in issue (million) (Note)	**500**	500
Basic and diluted earnings per share (¥)	**1.20**	1.49

Note:

No diluted earnings per share is presented as there was no potential dilutive share during the years ended 30 June 2019 and 2018. 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 2019 (2018: Nil).

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land ¥million	Buildings ¥million	Leasehold improvements ¥million	Equipment and tools ¥million	Motor vehicles ¥million	Competition horses ¥million	Total ¥million
At 1 July 2017							
Cost	5,446	7,451	3,605	3,211	43	—	19,756
Accumulated depreciation and provision for impairment	(112)	(3,548)	(2,217)	(2,536)	(23)	—	(8,436)
Net book amount	5,334	3,903	1,388	675	20	—	11,320
Year ended 30 June 2018							
Opening net book amount	5,334	3,903	1,388	675	20	—	11,320
Additions	451	1,123	175	566	—	—	2,315
Disposals	(203)	(1,752)	(20)	(4)	—	—	(1,979)
Written-off	—	(39)	(379)	(55)	—	—	(473)
Depreciation (Note 7)	—	(194)	(163)	(317)	(7)	—	(681)
Reversal of impairment loss	56	113	—	—	—	—	169
Closing net book amount	5,638	3,154	1,001	865	13	—	10,671

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 2018							
Cost	5,694	4,982	3,239	3,383	43	—	17,341
Accumulated depreciation and provision for impairment	(56)	(1,828)	(2,238)	(2,518)	(30)	—	(6,670)
Net book amount	5,638	3,154	1,001	865	13	—	10,671
Year ended 30 June 2019							
Opening net book amount	5,638	3,154	1,001	865	13	—	10,671
Additions	—	—	44	49	13	213	319
Disposals	—	—	—	—	(12)	—	(12)
Written-off	—	—	(17)	(1)	—	—	(18)
Impairment loss	—	—	—	(1)	—	—	(1)
Depreciation (Note 7)	—	(177)	(124)	(273)	(7)	(2)	(583)
Closing net book amount	5,638	2,977	904	639	7	211	10,376
At 30 June 2019							
Cost	5,694	4,979	3,186	3,325	36	213	17,433
Accumulated depreciation and provision for impairment	(56)	(2,002)	(2,282)	(2,686)	(29)	(2)	(7,057)
Net book amount	5,638	2,977	904	639	7	211	10,376

Depreciation of ¥563 million (2018: ¥656 million) have been charged in "Hall operating expenses" and ¥20 million (2018: ¥25 million) have been charged in "Administrative and other operating expenses" for the year ended 30 June 2019.

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 2019 and 2018 has been disclosed in Note 26.

During the year ended 30 June 2019, the net book amounts of disposed and written off property, plant and equipment amount to approximately ¥30 million (2018: ¥2,452 million), of which nil (2018: ¥1,553 million) was related to property, plant and equipment held under finance lease.

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's property, plant and equipment held under finance leases included in the total amount of equipment and tools and motor vehicles were as follows:

	2019 ¥million	2018 ¥million
Equipment and tools		
Cost — capitalised finance leases	**803**	803
Accumulated depreciation	**(235)**	(122)
	568	681
Motor vehicles		
Cost — capitalised finance leases	**—**	12
Accumulated depreciation	**—**	(4)
	—	8

The Group carried out reviews of the recoverable amount of each CGU, which is determined as each individual pachinko and pachislot hall.

For the year ended 30 June 2019, in view that two of the CGUs (2018: one) had resulted in loss in two consecutive years and had performed below management's expectation, the management has reviewed the recoverability of the relevant carrying amount of this loss-making CGU.

The recoverable amount of a CGU is determined based on the fair value less cost to sell or value-in-use of calculation, whichever is higher. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The key assumptions used in the value-in-use calculation for the year ended 30 June 2019.

	2019 ¥million	2018 ¥million
Revenue growth rate:		
— In the first year	**−6.3%**	17.3%
— In the second to fifth years	**0%**	2.0%
Discount rate	**9.8%**	9.8%

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

For the year ended 30 June 2018, as a result of the impairment review, impairment loss of approximately ¥1 million (2018: Nil) has been recognised.

The directors of the Group believe that any reasonably possible change in the key assumption on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

14 INVESTMENT PROPERTIES

	2019 ¥million	2018 ¥million
At cost		
At beginning of year	**2,296**	2,345
Additions	**1**	—
Written-off	**(22)**	—
Depreciation (Note 7)	**(48)**	(49)
Reversal of impairment loss	**52**	—
At end of year	**2,279**	2,296
At end of year		
Cost	**3,356**	3,661
Accumulated depreciation	**(737)**	(972)
Accumulated provision for impairment	**(340)**	(393)
	2,279	2,296

The investment properties that have been pledged to secure general facilities granted to the Group are disclosed in Note 26. The Group had no unprovided contractual obligations for future repairs and maintenance as at 30 June 2019 and 2018.

14 INVESTMENT PROPERTIES (CONTINUED)

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

	2019 **¥million**	2018 ¥million
Rental income	**258**	264
Direct operating expenses from the properties that generated rental income	**(71)**	(73)
	187	191

The Group's investment properties were valued as at 30 June 2019 and 2018 by an independent professionally qualified valuer, Cushman & Wakefield K.K. ("C&W"), who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. The valuation was determined using the investment approach, which largely used observable and unobservable inputs, including market rent, capitalisation rate and estimation in vacancy rate after expiry of current lease, or the direct comparison approach, which largely used comparables occurred in the real estate market.

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

At each financial year end the finance department:

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

Where the valuation results indicate that the carrying amount of the investment properties exceed its recoverable amount, impairment loss will be recognised by the Group. The fair value of the investment properties at 30 June 2019 is ¥2,968 million (2018: ¥2,742 million). No impairment loss was recognised.

15 INTANGIBLE ASSETS

	Goodwill ¥million	Computer software ¥million	Club membership ¥million	Total ¥million
At 1 July 2017				
Cost	740	109	5	854
Accumulated amortisation	—	(49)	—	(49)
Net book amount	740	60	5	805
Year ended 30 June 2018				
Opening net book amount	740	60	5	805
Additions	—	1	—	1
Amortisation (Note 7)	—	(20)	—	(20)
Closing net book amount	740	41	5	786
At 30 June 2018				
Cost	740	110	5	855
Accumulated amortisation	—	(69)	—	(69)
Net book amount	740	41	5	786
Year ended 30 June 2019				
Opening net book amount	**740**	**41**	**5**	**786**
Additions	**—**	**2**	**—**	**2**
Amortisation (Note 7)	**—**	**(20)**	**—**	**(20)**
Closing net book amount	**740**	**23**	**5**	**768**
At 30 June 2019				
Cost	**740**	**112**	**5**	**857**
Accumulated amortisation	**—**	**(89)**	**—**	**(89)**
Net book amount	**740**	**23**	**5**	**768**

Intangible assets represent computer software, club membership and goodwill arising from purchase of a pachinko and pachislot hall from certain third parties during the year ended 30 June 2013. Amortisation expenses relating to computer software of ¥2 million (2018: ¥2 million) have been charged in "Hall operating expenses" and ¥18 million (2018: ¥18 million) have been charged in "Administrative and other operating expenses" for the year ended 30 June 2019.

15 INTANGIBLE ASSETS (CONTINUED)

Goodwill arising from acquisition is allocated to the relevant CGU expected to benefit from the business combination. A CGU is determined as each individual pachinko and pachislot hall. Management reviews annually whether the carrying amount of a CGU is higher than the recoverable amount which results in impairment of goodwill. The recoverable amount of a CGU is determined based on value-in-use calculation. The calculation uses pre-tax cash flow projections based on financial budget approved by executive directors. Cash flows beyond the five-year period are extrapolation using the estimated growth rates. The key assumptions used for the value-in-use calculation are as follows:

	2019	2018
Five-year revenue growth rates	**−0.7%**	3%
Long term growth rate	**0%**	0%
Discount rate	**9.8%**	9.8%

As a result of the impairment review, the recoverable amounts of the CGUs in which goodwill has been allocated are higher than their carrying amounts as at 30 June 2019. As a result, no impairment loss was charged during the year ended 30 June 2019 (2018: Nil).

The recoverable amount calculated based on the value in use calculation exceeded carrying amount by ¥1,190 million as at 30 June 2019 (2018: ¥3,932 million). In the event that the Group's business continues to experience a general decline, the headroom will be reduced to nil if the five-year revenue growth rate is adjusted to −4.4% (2018: −2.1%). A rise in discount rate to 20.0% (2018: 19.6%) would also remove the remaining headroom.

16 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 **¥million**	2018 ¥million
Financial assets		
Financial assets at fair value		
Financial assets at fair value through profit or loss	**576**	320
Financial assets at fair value through other comprehensive income	**33**	47
	609	367
Financial assets at amortised cost		
Deposits and other receivables	**1,208**	1,665
Bonds	**1,000**	—
Short-term bank deposits	**100**	100
Cash and cash equivalents	**2,565**	2,904
	4,873	4,669
	5,482	5,036

16 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	2019 ¥million	2018 ¥million
Financial liabilities		
Financial liabilities at fair value		
Financial liabilities at fair value through profit or loss	**4**	—
	4	—
Financial liabilities at amortised cost		
Trade payables	**26**	21
Other payables	**420**	694
Amount due to related parties	**213**	—
Borrowings	**4,532**	5,378
Obligations under finance leases	**1,227**	1,534
	6,418	7,627
	6,422	7,627

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	2019 ¥million	2018 ¥million
Unlisted securities		
— Debt securities	**576**	320
Less: non-current portion	**(62)**	(82)
Current portion	**514**	238

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

The fair values of certain debt securities are within levels 2 and 3 of fair value hierarchy (Note 3.3).

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

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

	2019 **¥million**	2018 ¥million
Listed securities		
— Equity securities	**30**	43
Unlisted securities		
— Equity securities	**3**	4
	33	47

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 26).

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

	2019 **¥million**	2018 ¥million
¥	**440**	198
USD	**169**	169
	609	367

18 FINANCIAL ASSETS HELD AT AMORTISED COST

	2019 **¥million**	2018 ¥million
Bonds	**1,000**	—
Less: non-current portion	**(500)**	—
Current portion	**500**	—

The carrying amounts of financial assets held at amortised cost are denominated in Japanese Yen and approximate their fair values as at 30 June 2019.

19 INVENTORIES

	2019 **¥million**	2018 ¥million
Uninstalled pachinko and pachislot machines	**71**	137

The cost of inventories recognised as expense and included in "Hall operating expenses" amounted to ¥2,388 million (2018: ¥3,724 million) for the year ended 30 June 2019.

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 **¥million**	2018 ¥million
Non-current portion		
Rental and other deposits	**767**	691
Prepaid expenses	**43**	60
	810	751
Current portion		
Prepayment for prizes in operation for pachinko and pachislot halls	**121**	147
Prepaid expenses	**138**	143
Other receivables	**85**	183
Rental and other deposits	**356**	853
	700	1,326

The carrying amounts of prepayments, deposits and other receivables of the Group approximate their fair values as at 30 June 2019 and 2018 and are denominated in Japanese Yen.

21 CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK DEPOSITS

	2019 ¥million	2018 ¥million
Bank deposits with maturity of more than three months	**100**	100
Cash on hand	**352**	352
Cash at banks	**2,213**	2,552
Cash and cash equivalents	**2,565**	2,904
Total cash and bank balances	**2,665**	3,004

The carrying amounts of cash and bank balances are denominated in the following currencies:

	2019 ¥million	2018 ¥million
¥	**2,165**	1,243
USD	**490**	1,752
Others	**10**	9
	2,665	3,004

22 SHARE CAPITAL AND RESERVE

	Number of shares million	**Share capital** ¥million
At 30 June 2018 and 30 June 2019	500	20,349

(a) Capital reserve

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

22 SHARE CAPITAL AND RESERVE (CONTINUED)

(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 may be used to reduce a deficit or transfer to share capital upon approval of the general meeting of shareholders.

(c) Investment revaluation reserve

Investment revaluation reserve represents the cumulative net change in the fair value of financial assets through other comprehensive income held as at 30 June 2019 and 2018.

23 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice dates as at 30 June 2019 and 2018 were as follows:

	2019 **¥million**	2018 ¥million
Less than 30 days	**26**	21

The carrying amounts of trade payables approximate their fair values as at 30 June 2019 and 2018 and are denominated in Japanese Yen.

24 ACCRUALS, PROVISIONS AND OTHER PAYABLES

	2019 ¥million	2018 ¥million
Non-current portion		
Provision for reinstatement costs	**292**	290
Rental deposits	**60**	58
	352	348
Current portion		
Payable for pachinko and pachislot machines	**126**	400
Accrued staff costs	**177**	198
Accrued advertising expenses	**37**	38
Accrued bonuses	**21**	66
Accrued outsourcing fee	**29**	4
Accrued audit fee	**42**	43
Other taxes payables	**263**	162
Rental deposits	**1**	5
Unearned revenue	**11**	20
Unutilised balls and tokens (Note)	**330**	258
Consumables payable	**19**	22
Utilities payable	**44**	53
Other payables	**62**	74
Provision for onerous contracts	**15**	—
Provision for loyalty income	**14**	—
	1,191	1,343

Note:

Revenue recognised during the year ended 30 June 2019 that was included in the unutilised balls and tokens at the beginning of the year amounted to Yen 258 million (2018: Yen 227 million). The Company expects to deliver the services to satisfy the remaining performance obligations of these contract liabilities within five year or less.

24 ACCRUALS, PROVISIONS AND OTHER PAYABLES (CONTINUED)

The carrying amounts of accruals, provisions and other payables approximate their fair values as at 30 June 2019 and 2018 are denominated in the following currencies:

	2019 ¥million	2018 ¥million
¥	**1,501**	1,648
USD	**42**	43
	1,543	1,691

25 EMPLOYEE BENEFIT OBLIGATIONS

	2019 ¥million	2018 ¥million
Long term benefit obligations for Yamamoto Family (Note)	**81**	46
Retirement benefit obligations for employees	**35**	35
	116	81

Note:

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

On 30 June 2018, Katsuya Yamamoto has agreed to cancel all of his long term benefit obligation for the benefit of the Group.

The long term benefit obligation for Yamamoto Family as at 30 June 2019 represents the provision on the lump-sum payment made to two (2018: one) Yamamoto Family members (2018: member) as a recognition of their (2018: his) contribution to the Group. A particular amount of provision is made for each particular member mainly according to their ranks and years of service in the Group, using projected unit credit method. The defined benefit retirement plans of the Group are measured at present value which are determined with reference to the valuation performed by IIC Partners Co., LTD, an independent qualified professional valuer. The valuation was carried out by projected unit credit method.

25 EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

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

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

	2019 ¥million	2018 ¥million
At beginning of year	**46**	844
Reversal of provision during the year	**—**	(947)
Remeasurement of long term benefit obligations	**35**	149
At end of year	**81**	46

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

	2019 ¥million	2018 ¥million
At beginning of year	**35**	34
Current service cost	**3**	3
Benefit paid	**(3)**	(2)
At end of year	**35**	35

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

	2019 ¥million	2018 ¥million
Current service cost	**3**	3

(d) The principal actuarial assumptions adopted as at 30 June 2019 and 2018 are as follows:

	2019	2018
Discount rate	**0.41%**	0.66%

26 BORROWINGS

	2019 ¥million	2018 ¥million
Non-current portion		
Bank loans	**3,643**	4,557
Bonds	**159**	—
	3,802	4,557
Current portion		
Bank loans	**665**	791
Bonds	**65**	30
	730	821
Total borrowings	**4,532**	5,378

As at 30 June 2019 and 2018, the Group's borrowings were repayable as follows:

	2019 ¥million	2018 ¥million
Within 1 year	**730**	821
Between 1 and 2 years	**715**	746
Between 2 and 5 years	**1,694**	1,971
Over 5 years	**1,393**	1,840
	4,532	5,378

The average effective interest rates (per annum) at 30 June 2019 and 2018 were set out as follows:

	2019	2018
Bank loans	**1.28%**	1.31%
Bonds	**0.13%**	1.10%

26 BORROWINGS (CONTINUED)

As at 30 June 2019 and 2018, the total borrowings are pledged by certain assets and their carrying values are shown as below:

	2019 **¥million**	2018 ¥million
Property, plant and equipment	**6,831**	7,342
Investment properties	**588**	712
Financial assets at fair value through other comprehensive income		
— listed equity securities	**29**	41
	7,448	8,095

No borrowings were guaranteed by the directors as at 30 June 2019 and 2018.

The carrying amounts of borrowings of the Group approximate their fair values as at 30 June 2019 and 2018 and are denominated in Japanese Yen.

During the years ended 30 June 2019 and 2018, details of bonds issued by the Group are as follows:

Issue date	**Principal amount**	**Outstanding balance**		**Interest rate**	**Due date**
		2019	2018		
	¥million	**¥million**	¥million		
31 July 2013	300	**—**	30	6 months TIBOR	31 July 2018
13 March 2019	260	**224**	—	6 months TIBOR	13 November 2022

27 OBLIGATIONS UNDER FINANCE LEASES

	2019 **¥million**	2018 ¥million
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	**350**	365
Later than 1 year and no later than 2 years	**184**	350
Later than 2 years and no later than 5 years	**225**	338
Later than 5 years	**1,017**	1,082
	1,776	2,135
Future finance charges on finance leases	**(549)**	(601)
Present values of finance lease liabilities	**1,227**	1,534

27 OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

The present value of finance lease liabilities is as follows:

	2019 ¥million	2018 ¥million
No later than 1 year	**303**	314
Later than 1 year and no later than 2 years	**141**	304
Later than 2 years and no later than 5 years	**108**	216
Later than 5 years	**675**	700
Total finance lease liabilities	**1,227**	1,534
Less: Amount included in current liabilities	**(303)**	(314)
Non-current portion	**924**	1,220

Assets arranged under finance leases represent buildings and equipment for pachinko and pachislot halls and investment properties. The average lease term is 6 years (2018: 6 years) with effective interest rate of 4.05% (2018: 3.55%) per annum as at 30 June 2019.

As at 30 June 2019, the finance lease under sales and leaseback arrangements with third party lessors amounted to ¥438 million (2018: ¥725 million). These sales and leaseback arrangements included sell of certain leasehold improvements and equipment and tools at an aggregate consideration of ¥952 million and lease-back to the Group for a total lease payment of ¥957 million covering periods from 36 months to 60 months.

28 DEFERRED INCOME TAX

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

	2019 ¥million	2018 ¥million
At beginning of year	**166**	273
Credited/(charged) to other comprehensive income	**5**	(1)
Charged to profit or loss (Note 10)	**(226)**	(106)
At end of year	**(55)**	166

28 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets

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

	2019 ¥million	2018 ¥million
Property, plant and equipment	**478**	595
Pachinko and pachislot machines	**378**	467
Financial assets at fair value through other comprehensive income	**13**	9
Retirement benefit plans	**12**	12
Losses carried forward	**250**	278
Other provisions	**119**	105
Total deferred income tax assets	**1,250**	1,466
Set-off of deferred income tax liabilities pursuant to set-off provisions	**(820)**	(845)
Net deferred income tax assets	**430**	621

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

Deferred income tax assets

	Property, plant and equipment ¥million	Pachinko and pachislot machines ¥million	Financial assets at fair value through profit or loss ¥million	Financial assets at through other comprehensive income ¥million	Retirement benefit plans ¥million	Losses carried forward ¥million	Other provisions ¥million	Total ¥million
Balances at 1 July 2017	1,365	452	1	10	12	151	90	2,081
Charged to other comprehensive income	—	—	—	(1)	—	—	—	(1)
(Charged)/credited to profit or loss	(770)	15	(1)	—	—	127	15	(614)
Balances at 30 June 2018	595	467	—	9	12	278	105	1,466
Charged to other comprehensive income	—	—	—	4	—	—	—	4
(Charged)/credited to profit or loss	(117)	(89)	—	—	—	(28)	14	(220)
Balances at 30 June 2019	**478**	**378**	**—**	**13**	**12**	**250**	**119**	**1,250**

28 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities

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

	2019 **¥million**	2018 ¥million
Property, plant and equipment	**(798)**	(820)
Provision for reinstatement costs	**(12)**	(10)
Financial assets at fair value through profit or loss	**(1)**	(6)
Taxable temporary differences relating to investments in subsidiaries	**(485)**	(455)
Others	**(9)**	(9)
Total deferred income tax liabilities	**(1,305)**	(1,300)
Set-off of deferred income tax assets pursuant to set-off provisions	**820**	845
Net deferred income tax liabilities	**(485)**	(455)

	Property, plant and equipment ¥million	**Provision for reinstatement costs ¥million**	**Financial assets at fair value through profit or loss ¥million**	**Taxable temporary differences relating to investments in subsidiaries ¥million**	**Others ¥million**	**Total ¥million**
Balances at 1 July 2017	(1,342)	(23)	(9)	(424)	(10)	(1,808)
Credited/(charged) to profit or loss	522	13	3	(31)	1	508
Balances at 30 June 2018	(820)	(10)	(6)	(455)	(9)	(1,300)
Credited/(charged) to profit or loss	22	(2)	5	(30)	—	(5)
Balances at 30 June 2019	**(798)**	**(12)**	**(1)**	**(485)**	**(9)**	**(1,305)**

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.

28 DEFERRED INCOME TAX (CONTINUED)

As a result of the assessment of the recoverability of deferred income tax assets, the Group does not recognise deferred income tax assets for a portion of deductible temporary differences or tax losses carried forward. The amounts of deductible temporary differences and tax losses carried forward for which deferred income tax assets that are not recognised as of 30 June 2019 and 2018 are as follows:

	2019 **¥million**	2018 ¥million
Deductible temporary differences	**1,154**	1,125
Losses carried forward	**786**	762
Total	**1,940**	1,887

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

	2019 **¥million**	2018 ¥million
1st year	**—**	—
2nd year	**—**	—
3rd year	**—**	—
4th year	**—**	—
5th year and thereafter	**786**	762
Total	**786**	762

29 CASH GENERATED FROM OPERATIONS

	2019 ¥million	2018 ¥million
Profit before income tax	**989**	857
Adjustments for:		
Depreciation of property, plant and equipment and investment properties	**631**	730
Losses/(gains) on disposal of property, plant and equipment	**1**	(8)
Losses on write-off of property, plant and equipment	**18**	473
Write-off of investment properties	**22**	—
Impairment loss of property, plant and equipment	**1**	—
Amortisation of intangible assets	**20**	20
Other employment benefits	**35**	(946)
Finance income	**(54)**	(14)
Finance costs	**118**	149
Reversal of provision for reinstatement	**—**	(37)
Reversal of impairment of investment properties	**(52)**	—
Gain on disposal of assets held under finance lease	**—**	(531)
Loss on disposal of financial assets at fair value through profit or loss	**11**	2
Losses on fair value change on financial assets at fair value through profit or loss	**17**	5
Losses on fair value change on financial liabilities at fair value through profit or loss	**4**	—
Unrealised exchange loss	**23**	23
Changes in working capital:		
Inventories	**66**	56
Prepayments, deposits and other receivables	**567**	431
Trade payables	**5**	(2)
Accruals, provisions and other payables	**(150)**	72
Cash generated from operations	**2,272**	1,280

29 CASH GENERATED FROM OPERATIONS (CONTINUED)

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

	2019 **¥million**	2018 ¥million
Net book amount	**12**	1,979
Reversal of impairment loss	**—**	(169)
Losses/(gains) on disposal of property, plant and equipment (Note 6)	**(1)**	8
Termination of finance lease	**—**	(1,553)
Proceeds from disposal of property, plant and equipment	**11**	265

Net debt reconciliation:

This section sets out an analysis of net debt and the movement in net debt for the year ended 30 June 2019 and 2018 presented.

	2019 **¥million**	2018 ¥million
Cash and cash equivalents	**2,565**	2,904
Borrowings	**(4,532)**	(5,378)
Finance lease obligation	**(1,227)**	(1,534)
Net debt	**(3,194)**	(4,008)
Cash and cash equivalents	**2,565**	2,904
Gross debt — fixed interest rates	**(2,370)**	(2,817)
Gross debt — variable interest rates	**(3,389)**	(4,095)
Net debt	**(3,194)**	(4,008)

29 CASH GENERATED FROM OPERATIONS (CONTINUED)

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents ¥million	**Borrowings ¥million**	**Finance lease obligation ¥million**	**Total ¥million**
Net debt as at 30 June 2018	**2,904**	**(5,378)**	**(1,534)**	**(4,008)**
Cash flows	**(316)**	**846**	**307**	**837**
Non-cash movement	**(23)**	**—**	**—**	**(23)**
Net debt as at 30 June 2019	**2,565**	**(4,532)**	**(1,227)**	**(3,194)**

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents ¥million	Borrowings ¥million	Finance lease obligation ¥million	Total ¥million
Net debt as at 30 June 2017	3,272	(5,220)	(3,143)	(5,091)
Cash flows	(345)	(158)	(452)	(955)
Non-cash movement	(23)	—	2,061	2,038
Net debt as at 30 June 2018	2,904	(5,378)	(1,534)	(4,008)

30 CONTINGENCIES

As at 30 June 2019 and 2018, the Group did not have any significant contingent liabilities.

31 COMMITMENTS

(a) Capital commitments

The outstanding capital commitments of the Group not provided for in the consolidated financial statements are as follows:

	2019 ¥million	2018 ¥million
Property, plant and equipment		
— Capital expenditure contracted for but not yet incurred	**50**	3

31 COMMITMENTS (CONTINUED)

(b) Operating lease commitments

(i) As a lessee

As at 30 June 2019 and 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and pachinko and pachislot halls as follows:

	2019 **¥million**	2018 ¥million
No later than one year	**860**	932
Later than one year and no later than five years	**17**	17
Over five years	**25**	34
	902	983

(ii) As a lessor

As at 30 June 2019 and 2018, the Group's future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	2019 **¥million**	2018 ¥million
No later than one year	**50**	66

32 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 and companies were related parties that had transactions or balances with the Group during the years ended 30 June 2019 and 2018:

Name of related parties	**Relationship with the Company/Group**
Katsuya Yamamoto	Executive Director of the Company, and the Chairman
Katsumitsu Yamamoto	Close family member of the Chairman and key management personnel
Satoshi Maeda	Key management personnel
Ichikura Limited	Entity controlled by the Chairman

32 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 2019 and 2018:

(a) Transactions with related parties

The following transactions were undertaken by the Group with related parties during the years ended 30 June 2019 and 2018 and all of them are discontinued transactions:

	2019 **¥million**	2018 ¥million
Rental income received from:		
— Katsumitsu Yamamoto	**1**	1
Purchase of competition horses from:		
— Ichikura Limited	**213**	—

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

(b) Outstanding balances arising from transactions with a related party

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

	2019 **¥million**	2018 ¥million
Current liabilities:		
— Ichikura Limited	**213**	—

(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:

	2019 **¥million**	2018 ¥million
Salaries and other short-term employee benefits	**211**	213

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	**2019 ¥million**	2018 ¥million
Assets			
Non-current assets			
Financial assets held at amortised cost		**500**	—
Investments in subsidiaries		**11,968**	11,968
		12,468	11,968
Current assets			
Financial assets held at amortised cost		**500**	—
Prepayments and other receivables		**67**	120
Amount due from a subsidiary		**871**	542
Cash and cash equivalents		**300**	1,523
		1,738	2,185
Total assets		**14,206**	14,153
Liabilities			
Total liabilities		**—**	—
Net assets		**14,206**	14,153
Equity			
Share capital		**20,423**	20,423
Reserves	(b)	**(6,217)**	(6,270)
Total equity		**14,206**	14,153

The statement of financial position of the Company was approved by the Company's Board of Directors on 25 September 2019 and was signed on its behalf.

Katsuya Yamamoto
Director

Yutaka Kagawa
Director

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

(b) Reserve movement of the Company

	Retained earnings ¥million	Capital reserve ¥million	Total ¥million
At 1 July 2017	31	(6,407)	(6,376)
Profit for the year	106	—	106
At 30 June 2018	137	(6,407)	(6,270)
At 1 July 2018	137	(6,407)	(6,270)
Profit for the year	53	—	53
At 30 June 2019	**190**	**(6,407)**	**(6,217)**

34 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 and the chief executive is set out below:

For the year ended 30 June 2019

	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)*	102	—	—	—	—	—	102
Fumihide Hamada	—	8	—	—	—	—	8
Yutaka Kagawa	—	10	—	—	—	—	10
Toshiro Oe	—	9	—	—	—	—	9
Independent non-executive directors:							
Mitsuru Ishi	—	—	—	—	—	—	—
Yuji Matsuzaki	—	—	—	—	—	—	—
Takamasa Kawasaki	1	—	—	—	—	—	1
Kazuyuki Yoshida (Note (i))	—	—	—	—	—	—	—
	103	27	—	—	—	—	130

34 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 2018

	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)*	102	—	—	—	—	—	102
Fumihide Hamada	—	8	—	—	—	—	8
Yutaka Kagawa	—	10	—	—	—	—	10
Toshiro Oe	—	8	—	—	—	—	8
Independent non-executive directors:							
Mitsuru Ishi	—	—	—	—	—	—	—
Yuji Matsuzaki	—	—	—	—	—	—	—
Takamasa Kawasaki	4	—	—	—	—	—	4
	106	26	—	—	—	—	132

Notes:

(i) Mr. Kazuyuki Yoshida was appointed as independent non-executive director effective from 19 October 2018.

(ii) The remuneration shown above included remuneration received from the Group by the directors in their capacity as employees of the subsidiaries during the year ended 30 June 2019 (2018: Same).

(iii) No remunerations were paid or receivable in respect of accepting office as directors during the year ended 30 June 2019 (2018: Nil).

(iv) No directors waived any emoluments during the year ended 30 June 2019 (2018: Nil).

(a) Directors' retirement benefits

The retirement benefits receivable by Mr. Katsuya Yamamoto and Mr. Katsumitsu Yamamoto during the year ended 30 June 2019 by a defined benefit pension plan operated by the Group in respect of their services as directors of the Company and its subsidiaries is ¥32 million (2018: nil) and ¥49 million (2018: ¥46 million) respectively. No other retirement benefits were paid to or receivable by Mr. Katsuya Yamamoto and Mr. Katsumitsu Yamamoto in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2018: same).

34 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)

(b) Directors' termination benefits

During the year ended 30 June 2019, there was no board resolution to early terminate of the directors' appointment in office (2018: 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 2019 (2018: 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 2019, there was no arrangement in relation to loans, quasi-loans and other dealings between the Group and the directors (2018: 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 (2018: Nil).

35 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2019 and 2018:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital and debt securities	Proportion of ordinary shares directly held by the Company	
				2019	2018
Directly held:					
K's Holdings Co., Ltd (Note a)	Japan	Investment holding company in Japan	¥8 million	—	100%
Okura Co., Ltd (Note a)	Japan	Pachinko and Pachislot hall operation in Japan	¥50 million	**100%**	—
Indirectly held:					
Okura Co., Ltd (Note a)	Japan	Pachinko and Pachislot hall operation in Japan	¥50 million	—	100%
K's Property Co., Ltd	Japan	Real estate investment in Japan	¥10 million	**100%**	100%
Okura Nishinihon Co., Ltd	Japan	Pachinko and Pachislot hall operation in Japan	¥10 million	**100%**	100%
Aratoru Co., Ltd	Japan	Business consulting in Japan	¥5 million	**100%**	100%
Adward Co., Ltd (Note b)	Japan	Printing services in Japan	¥5 million	—	100%

Note (a): On 1 January 2019, K's Holdings Co., Ltd was merged with Okura Co., Ltd, and Okura Co., Ltd survives and remains a directly held wholly-owned subsidiary of the Company while K's Holdings Co., Ltd was absorbed and dissolved upon completion of the merge.

Note (b): On 1 January 2019, Adward Co., Ltd was merged with Aratoru Co., Ltd, and Aratoru Co., Ltd survives and remains an indirectly held wholly-owned subsidiary of the Company while Adward Co., Ltd was absorbed and dissolved upon completion of the merge.

Financial Summary

The following table summarises the results of the Group for each of the five years ended 30 June 2015, 2016, 2017, 2018 and 2019.

The summary of the results of the Group of each of the two years ended 30 June 2015 and 2016 have been extracted from the Prospectus.

	As at 30 June				
	2019	2018	2017	2016	2015
	¥ million	¥ million	¥ million	¥ million	¥ million
Gross pay-ins	**35,567**	36,368	37,740	42,988	51,001
Gross pay-outs	**(27,815)**	(28,112)	(28,967)	(33,311)	(40,209)
Revenue from pachinko and pachislot business	**7,752**	8,256	8,773	9,677	10,792
Other revenue	**405**	463	465	421	453
Revenue	**8,157**	8,719	9,238	10,098	11,245
Hall operating expenses	**(6,798)**	(8,451)	(8,278)	(8,129)	(9,486)
Administrative and other operating expenses	**(902)**	(140)	(1,371)	(1,405)	(1,385)
Profit before income tax	**989**	857	437	1,028	1,563
Profit attributable to the shareholders of the Company	**601**	743	269	604	562
Current assets	**4,459**	4,737	5,001	2,740	7,845
Current liabilities	**2,617**	2,505	2,357	2,423	3,642
Net current assets	**1,842**	2,232	2,644	317	4,203
Total assets	**19,717**	19,991	21,637	16,854	22,957
Total assets less current liabilities	**17,100**	17,486	19,280	14,431	19,315

Particulars of Investment Properties

Location	Existing use	Tenure	Attributable interest of the Group
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%
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	100%
Apple Park Sumiyoshi, 1525, Sumiyoshimachi, Nagasaki-shi, Nagasaki-ken, Japan アップルパーク住吉 長崎県長崎市 住吉町1525番	Parking	Freehold	100%
Higashi Nagasaki 1.2, 1027–45 and another tract, Tanakamachi, Nagasaki-shi, Nagasaki-ken, Japan 東長崎1.2 長崎県長崎市田中町1027–45外	Retail and parking lot	Freehold	100%

Particulars of Investment Properties

Location	Existing use	Tenure	Attributable interest of the Group
#603 Sun Park Sumiyoshi, 54–1 and other tracts, Chitosemachi, Nagasaki-shi, Nagasaki-ken, Japan サンパーク住吉603 長崎県長崎市千歳町54–1外	Residence	Freehold	100%
K's Building I, 30, Ohashimachi, Nagasaki-shi, Nagasaki-ken, Japan ケイズビル 長崎県長崎市大橋町30	Residence	Freehold	100%
K's Building II, 31, Ohashimachi, Nagasaki-shi, Nagasaki-ken, Japan ケイズⅡビル 長崎県長崎市大橋町31	Residence	Freehold	100%
Hachikoku, 3798 and another tract, Aza-Shinkai, Hinamigo, Togitsucho, Nishisonogi-gun, Nagasaki-ken, Japan 八工区 長崎県西彼杵郡時津町 日並郷字新開3798外	Storage	Freehold	100%
Hilltop, 740–33, Sumiyoshidaimachi, Nagasaki-shi, Nagasaki-ken, Japan ヒルトツプ 長崎県長崎市住吉台町740–33	Residence	Freehold	100%
Apple Park Shimanjicho, 80–3 and other tracts, Shimanjicho, Sasebo-shi, Nagasaki-ken, Japan アツプルパーク島地町 長崎県佐世保市 島地町80–3外	Parking	Freehold	100%