Okura Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01655)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- Gross pay-ins increased by approximately 18.6% to approximately ¥29,871 million for FY2023 (FY2022: approximately ¥25,177 million).
- Revenue increased by approximately 13.0% to approximately ¥6,284 million for FY2023 (FY2022: approximately ¥5,562 million).
- Operating profit was approximately ¥3,310 million for FY2023 as compared with the operating loss of approximately ¥1,028 million for FY2022.
- Profit before income tax was approximately ¥3,146 million for FY2023 as compared with the loss before income tax of approximately ¥1,205 million for FY2022.
- Profit for the year attributable to the shareholders of the Company was approximately ¥3,220 million for FY2023 as compared with the loss for the year attributable to the shareholders of the Company of approximately ¥1,321 million for FY2022.
- Basic and diluted earnings per share amounted to approximately ¥6.22 for FY2023 (FY2022: basic and diluted loss per share amounted to approximately ¥2.64).
- The Board does not recommend the payment of a final dividend for FY2023 (FY2022: Nil).

Note: The above % increases refer to the changes in respect of the Japanese Yen ("¥") amounts.

The board (the "**Board**") of directors (the "**Directors**") of Okura Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (together the "**Group**") for the year ended 30 June 2023 (the "**Year**" or "**FY2023**"), together with the comparative figures for the year ended 30 June 2022 ("**FY2022**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Note	**2023** **¥ million**	2022 ¥ million
Revenue	4	**6,284**	5,562
Other income	5	**442**	373
Other gains/(losses), net	5	**2,766**	(180)
Hall operating expenses	6	**(5,507)**	(5,976)
Administrative and other operating expenses	6	**(675)**	(807)
Operating profit/(loss)		**3,310**	(1,028)
Finance income		**55**	66
Finance costs		**(219)**	(243)
Finance costs, net	7	**(164)**	(177)
Profit/(loss) before income tax		**3,146**	(1,205)
Income tax credit/(expense)	8	**74**	(116)
Profit/(loss) for the year attributable to shareholders of the Company		**3,220**	(1,321)
Earnings/(loss) per share attributable to shareholders of the Company for the year (expressed in ¥ per share)			
Basic and diluted	9	**6.22**	(2.64)

	Note	**2023**	2022
		¥ million	*¥ million*
Profit/(loss) for the year		**3,220**	(1,321)
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of employee benefit obligations		**8**	(1)
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		**35**	5
		43	4
Total comprehensive income/(loss) for the year attributable to shareholders of the Company		**3,263**	(1,317)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	**2023** **¥ million**	2022 ¥ million
Assets			
Non-current assets			
Property, plant and equipment		**7,653**	7,402
Right-of-use assets		**1,855**	2,820
Investment properties		**2,978**	2,982
Intangible assets		**130**	122
Prepayments and deposits		**665**	851
Financial assets at amortised cost		**500**	—
Financial assets at fair value through other comprehensive income		**88**	32
Deferred income tax assets		**515**	175
		14,384	14,384
Current assets			
Inventories		**137**	83
Trade receivables		**10**	12
Prepayments, deposits and other receivables		**288**	340
Financial assets at amortised cost		**500**	1,000
Financial assets at fair value through profit or loss		**424**	343
Short-term bank deposits		**100**	100
Cash and cash equivalents		**2,423**	2,340
		3,882	4,218
Total assets		**18,266**	18,602
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital		**20,644**	20,349
Reserves		**(14,926)**	(18,189)
Total equity		**5,718**	2,160

	Note	**2023**	2022
		¥ million	*¥ million*
Liabilities			
Non-current liabilities			
Borrowings	12	**4,098**	4,665
Lease liabilities		**4,604**	8,434
Accruals, provisions and other payables		**365**	403
Employee benefit obligations		**183**	162
Deferred income tax liabilities		**216**	23
		9,466	13,687
Current liabilities			
Borrowings	12	**785**	739
Financial liabilities at fair value through profit or loss		**151**	134
Lease liabilities		**550**	663
Trade payables	13	**14**	11
Accruals, provisions and other payables		**1,537**	1,182
Amount due to directors		**3**	3
Current income tax liabilities		**42**	23
		3,082	2,755
Total liabilities		**12,548**	16,442
Total equity and liabilities		**18,266**	18,602

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3 BASIS OF PREPARATION

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

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

(a) Historical cost convention

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

(b) Amendments to standards, annual improvements and accounting guideline adopted by the Group

The Group has applied the following amendments, annual improvements and accounting guideline for the first time for their annual reporting period commencing 1 July 2022:

Amendments under IFRS

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvement to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

Amendments under HKFRS

Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

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

(c) New and amended standards and interpretation (collectively, the "Amendments") which have been issued but are not yet effective and have not been early adopted by the Group

Certain Amendments have been published that are mandatory for financial year beginning on or after 1 January 2023 have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments under IFRS		
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules	1 January 2023
IFRS 17 and Amendments to IFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2024
Amendments under HKFRS		
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2023 ***¥ million***	2022 *¥ million*
Revenue		
Gross pay-ins	**29,871**	25,177
Less: gross pay-outs	**(24,049)**	(20,099)
Revenue from pachinko and pachislot hall business	**5,822**	5,078
Vending machine income	**94**	88
Property rental	**359**	355
Revenue from other operations	**9**	41
	6,284	5,562

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

During the year ended 30 June 2023, revenue recognised that was included in the contract liabilities balances of unutilised balls and tokens at the beginning of the year amounted to ¥387 million (2022: ¥326 million). Unutilised balls and tokens have an expiry term of 5 years but the Company expects to deliver the services to satisfy the remaining performance obligations of these contract liabilities during the next reporting period.

As at 30 June 2023, the amount of transaction price allocated to the contract liabilities in relation to unutilised balls and tokens that are unfulfilled were ¥523 million (2022: ¥387 million), of which all are expected to be recognised as revenue during the next reporting period.

(b) Segment information

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

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

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

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

The segment information provided to the executive directors for the years ended 30 June 2023 and 2022 are as follows:

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

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

The segment assets as at 30 June 2023 and 2022 are as follows:

	Pachinko and pachislot hall operation *¥ million*	Property rental *¥ million*	Other segments *¥ million*	Total *¥ million*
As at 30 June 2023				
Segment assets	**10,577**	**3,306**	**4**	**13,887**
Unallocated assets				**2,352**
Financial assets held at amortised cost				**1,000**
Financial assets at fair value through profit or loss				**424**
Financial assets at fair value through other comprehensive income				**88**
Deferred income tax assets				**515**
Total assets				**18,266**
Additions to non-current assets other than financial instruments and deferred tax assets	**486**	**155**	**35**	**676**
As at 30 June 2022				
Segment assets	10,857	3,470	49	14,376
Unallocated assets				2,676
Financial assets held at amortised cost				1,000
Financial assets at fair value through profit or loss				343
Financial assets at fair value through other comprehensive income				32
Deferred income tax assets				175
Total assets				18,602
Additions to non-current assets other than financial instruments and deferred tax assets	(956)	(4)	(46)	(1,006)

There is no single external customer contributed more than 10% revenue to the Group's revenue for the years ended 30 June 2023 and 2022.

The Group is domiciled in Japan and majority of the non-current assets of the Group as at 30 June 2023 and 2022 are located in Japan.

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

	2023	2022
	¥ million	*¥ million*
Other income		
Income from scrap sales of used pachinko machines	**386**	310
Dividend income	**2**	6
Income from expired IC card	**6**	5
Income from forfeited unutilised balls	**15**	17
Government subsidies	**20**	7
Others	**13**	28
	442	373

	2023	2022
	¥ million	*¥ million*
Other gains/(losses), net		
Gain on release of lease liabilities (Note)	**2,691**	460
Provision for impairment loss of investment properties	**(33)**	(160)
Provision for impairment loss of property, plant and equipment	**—**	(76)
(Provision for)/reversal of provision for impairment loss of intangible assets	**(3)**	3
Exchange gains, net	**77**	82
Losses on write-off of property, plant and equipment	**(23)**	(9)
Fair value changes on financial assets and financial liabilities at fair value through profit or loss	**36**	(483)
Others	**21**	3
	2,766	(180)

Note: Gain on release of lease liabilities during the years ended 30 June 2023 and 2022 mainly represents the gain from early termination of lease in relation to closure of one pachinko and pachislot hall (2022: two pachinko and pachislot halls) in Japan.

6 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2023	2022
	¥ million	*¥ million*
Pachinko and pachislot machines expenses (Note)	**2,651**	1,849
Auditor's remuneration		
— Audit and audit-related services	**40**	80
— Non-audit services	**2**	6
Employee benefits expenses		
— Hall operating expenses	**823**	855
— Administrative and other operating expenses	**238**	281
Operating lease rental expense in respect of land and buildings	**17**	18
Depreciation and amortisation	**628**	881
Advertising and promotion expenses	**220**	177
Equipment and consumables costs	**85**	79
Provision for impairment loss of property, plant and equipment	**68**	133
Provision for impairment loss of right-of-use assets	**23**	937
Provision for impairment loss of intangible assets	**—**	241
Repairs and maintenance	**153**	93
Other taxes and duties	**133**	132
Outsourcing service expenses	**110**	129
Utilities expenses	**347**	262
G-prize procurement expenses to wholesalers	**164**	169
Legal and professional fees	**83**	59
Travel expenses	**27**	27
Insurance fee	**21**	21
Others	**349**	354
	6,182	6,783

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.

7 FINANCE COSTS, NET

	2023	2022
	¥ million	*¥ million*
Finance income		
Interest income	**12**	2
Interest from debt securities	**43**	64
	55	66
Finance costs		
Interest for lease liabilities	**(155)**	(175)
Bank borrowings interest expenses	**(62)**	(65)
Bond interest expenses	**—***	(1)
Others	**(2)**	(2)
	(219)	(243)
Finance costs, net	**(164)**	(177)

* The amount represents less than ¥1 million.

8 INCOME TAX (CREDIT)/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 2023 and 2022.

Japan corporate income tax include national corporate income tax, inhabitants tax, and enterprise tax, and has been calculated on the estimated assessable profit for the year. During the year ended 30 June 2023, the aggregated rates of national corporate income tax, inhabitants tax, and enterprise tax resulted in statutory income tax rates of 34.26% (2022: 34.26%).

	2023	2022
	¥ million	*¥ million*
Current income tax		
— Japan	**92**	25
Deferred income tax (Note 29)		
— Japan	**(166)**	91
	(74)	116

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

	2023	2022
	¥ million	*¥ million*
Profit/(loss) before income tax	**3,146**	(1,205)
Tax calculated at applicable Japan corporate income tax rate	**1,078**	(413)
Expenses not deductible for tax purposes	**3**	86
Income not subject to tax purpose	**(25)**	(16)
Temporary differences for which no deferred tax assets were recognised	**74**	573
Utilisation of previously unrecognised deductible temporary differences	**(1,245)**	(137)
Recognition of previously unrecognised deductible temporary differences	**(166)**	(83)
Tax losses not recognised	**43**	165
Withholding tax on undistributed earnings of subsidiaries (Note)	**164**	(59)
Income tax expense	**(74)**	116

9 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share for the years ended 30 June 2023 and 2022 are calculated by dividing the profit/(loss) attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the years ended 30 June 2023 and 2022.

	2023	2022
Profit/(loss) attributable to shareholders of the Company (¥ million)	**3,220**	(1,321)
Weighted average number of ordinary shares in issue (million) (Note)	**518**	500
Basic and diluted earnings/(loss) per share (¥)	**6.22**	(2.64)

Note: No diluted earnings/(loss) per share is presented as there was no potential dilutive share during the years ended 30 June 2023 and 2022. Diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share.

10 DIVIDENDS

The board of directors did not recommend the payment of dividend for the year ended 30 June 2023 (2022: Nil).

11 TRADE RECEIVABLES

	2023	2022
	¥ million	*¥ million*
Trade receivables	**10**	12

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

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

	2023	2022
	¥ million	*¥ million*
Less than 30 days	**10**	12

The carrying amounts of the trade receivables approximate their fair values as at 30 June 2023 and 2022 and are denominated in ¥.

12 BORROWINGS

	2023	2022
	¥ million	*¥ million*
Non-current portion		
Bank loans	**2,828**	3,301
Loans from a governmental financial institution	**1,270**	1,364
	4,098	4,665
Current portion		
Bank loans	**691**	621
Loans from a governmental financial institution	**94**	86
Bonds	**—**	32
	785	739
Total borrowings	**4,883**	5,404

As at 30 June 2023 and 2022, the Group's borrowings were repayable as follows:

	Bank loans		Loans from a governmental financial institution		Bonds	
	2023	2022	**2023**	2022	**2023**	2022
	¥ million	*¥ million*	***¥ million***	*¥ million*	***¥ million***	*¥ million*
Within 1 year	**691**	621	**94**	86	**—**	32
Between 1 and 2 years	**611**	568	**93**	93	**—**	—
Between 2 and 5 years	**1,359**	1,720	**281**	281	**—**	—
Over 5 years	**858**	1,013	**896**	990	**—**	—
	3,519	3,922	**1,364**	1,450	**—**	32

The average effective interest rates (per annum) at 30 June 2023 and 2022 were set out as follows:

	2023	2022
Bank loans	**1.35%**	1.36%
Loans from a governmental financial institution	**0.59%**	0.50%
Bonds	**—**	0.30%

As at 30 June 2023 and 2022, the total borrowings are pledged by certain assets and their carrying values are shown as below:

	2023	2022
	¥ million	*¥ million*
Property, plant and equipment	**4,954**	5,092
Investment properties	**1,651**	1,674
Financial assets at fair value through other comprehensive income — listed equity securities	**84**	28
	6,689	6,794

The carrying amounts of borrowings of the Group approximate their fair values as at 30 June 2023 and 2022 and are denominated in ¥.

13 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice dates as at 30 June 2023 and 2022 is as follows:

	2023	2022
	¥ million	*¥ million*
Less than 30 days	**14**	11

The carrying amounts of trade payables approximate their fair values as at 30 June 2023 and 2022 and are denominated in ¥.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry and business review

We are a pachinko hall operator in Japan, operating mainly pachinko and pachislot machines. We currently operate 11 pachinko halls in the Kyushu, Kanto, Kansai and Chugoku regions in Japan under the trading names "Big Apple." and "K's Plaza".

During FY2023, the Japanese government have gradually eased certain Coronavirus Disease 2019 ("**COVID-19**") restricted measures in order to restore and stimulate social and economic activities in Japan, showing a shift in their policies from "the need to suppress the spread of COVID-19" to "living with the virus". Nevertheless, the Group has continued to implement infection prevention measures based on the "Guidelines for Preventing the Spread of New Coronavirus Infections in Pachinko and Pachislot Hall Operation" issued by the 21st Century Pachinko and Pachislot Industry Association on 21 May 2020, in its business operations such as requiring all of the Group's employees to wear face masks at all times and applying disinfectant to pachinko and pachislot machines from time to time to control the spread of the COVID-19 pandemic in the Group's pachinko halls and provide a safe working/pachinko hall environment for its employees and customers. On 8 May 2023, the Japanese government downgraded the legal status of COVID-19 from the second-highest category that is classified along with diseases such as tuberculosis and severe acute respiratory syndrome, or SARS, to category five that is the same category as seasonal influenza.

Despite the recent global instability which discouraged consumers from spending money on entertainment activities, the Group observed a recovery of customer traffic at most of its pachinko halls in FY2023 following the ease of certain COVID-19 restricted measures in Japan as mentioned above, and the introduction of a newer version of pachislot machines in June 2022 which contains more gambling elements as compared with the former version, a new model pachislot machines (the "**Smart Slot Machines**") in November 2022 and a new model pachinko machines (the "**Smart Pachinko Machines**") in April 2023, which attracted more customers and contributed to the improvement in revenue in FY2023 as compared with that in FY2022.

Further, the Group has recorded a profit before income tax of approximately ¥3,146 million for FY2023, as compared with a loss-making performance in FY2022, which recorded a loss before income tax of approximately ¥1,205 million. The profit before income tax for FY2023 as compared with the loss before income tax for FY2022 was mainly attributable to (i) the increase in revenue of approximately ¥722 million, (ii) the increase in other income of approximately ¥69 million, (iii) the other net gains of approximately ¥2,766 million in FY2023 as compared with the other net losses of approximately ¥180 million in FY2022, (iv) the decrease in hall operating expenses of approximately ¥469 million, and (v) the decrease in administrative and other operating expenses of approximately ¥132 million, which will be further elaborated below.

The Group had closed down a pachinko hall, Big Apple. Ofuna hall* (ビッグアップル.大船) ("**Big Apple. Ofuna hall**") located at 1–23–1, Ofuna, Kamakura-shi, Kanagawa Prefecture, Japan on 7 May 2023. The management considered that the closure of the aforementioned pachinko hall will be more beneficial for the Group to focus its resources on its other more promising pachinko halls by enhancing customer experience there and minimise further losses from business operations by closing down pachinko halls with weaker performance. For further details, please refer to the announcement of the Company dated 2 May 2023.

While certain COVID-19 restricted measures have been lifted in FY2023, the business outlook of the pachinko industry remains uncertain given the prolonged decline in the pachinko business coupled with the rising operation costs due to global price increase and the decline in purchasing power of consumers which impeded the pace of business recovery. In this regard, the Group will continue to explore new measures and opportunities to improve the Group's operational performance and diversity its income sources.

Coping with obstacles and uncertainties from regulatory measures

As disclosed in the previous interim reports and annual reports of the Company, the "Regulations to Partially Amend Regulations on the Entertainment and Amusement Trades Rationalising Act and Regulations on Certifying Machines and Conducting Type Test on Machines" issued by the National Public Safety Commission of Japan on 1 February 2018 and revised in May 2020 and May 2021 (the "**2018 Regulations**") has continued to have an adverse impact on the pachinko and pachislot industry in Japan by reducing the attractiveness of the game and contributing to the continuous decline of pachinko and pachislot players, as pachinko and pachislot machines with a higher gaming element were required to gradually phase out of the pachinko industry in batches. The phasing out and replacement of all pachinko and pachislot machines with a higher gaming element was completed by the Group by the end of January 2022.

In response to the 2018 Regulations, the Group's management has been striving to source the most attractive machines available in the market to provide a favourable mix of machines in the Group's pachinko halls to increase customer traffic. The Group introduced the Smart Slot Machines and the Smart Pachinko Machines in November 2022 and April 2023, respectively in hopes of attracting more customers and improving the Group's revenue. The Smart Slot Machines and Smart Pachinko Machines serve to eliminate and replace the need to insert physical tokens or pachinko balls directly into the machines to play and instead the number of tokens or pachinko balls a customer has is transferred onto an electronic card. As of 30 June 2023, the ratio of Smart Slot Machines and Smart Pachinko Machines to our total installed machines was 17.04% and 3.09%, respectively. The Directors has observed that the Smart Slot Machines and Smart Pachinko Machines have gained popularity among certain customers who are interested in new models and customers who care about hygiene as they need not touch physical tokens or pachinko balls which have been handled by other customers. It is therefore expected that the Smart Slot Machines and Smart Pachinko Machines will continue to attract more players. Moving forward, the Company will closely monitor the performance of the Smart Slot Machines and Smart Pachinko Machines at its pachinko halls and implement suitable marketing and promotion schemes as and when necessary to boost up revenue from the Smart Slot Machines and Smart Pachinko Machines.

Continuing to diversify the Group's income stream

As disclosed in previous interim reports and annual reports of the Company, the management has continuously been striving to establish alternative streams of income and diversify the Group's operations into different business segments. For FY2023, the Group derived revenue from its pachinko hall business, its vending machines, its rental properties including but not limited to premises of commercial facilities and residential units, and its other operations such as the provision of horse management services.

On 26 July 2018, the Company entered into two agreements pursuant to which the Company subscribed for two series of bonds issued by Sinwa Co., Ltd.* (株式会社しんわ) (the "**Bond Issuer**") in an aggregate amount of ¥1,000 million (the "**Bonds**"). On 25 January 2019, 24 January 2020, 25 January 2021, 25 January 2022 and 27 January 2023, 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) ("**Everglory Capital**") entered into amendment agreements to, among others, extend the maturity/redemption date of the second series of the Bonds (the "**2nd Series Bond**"), increase its interest rate and include Everglory Capital as a guarantor to guarantee the obligations of the Bond Issuer of its obligations under the 2nd Series Bond. On 30 July 2021, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to, among others, extend the maturity/redemption date of the first series of the Bonds (the "**1st Series Bond**"), increase its interest rate for the extended period, and include Everglory Capital as a guarantor to guarantee the obligations of the Bond Issuer of its obligations under the 1st Series Bond. Such amendments enable the Group to extend its investment and generate more income from the Bonds, which constitutes a stable income stream for the Group. For details, please refer to the announcements of the Company dated 26 July 2018, 25 January 2019, 24 January 2020, 25 January 2021, 30 July 2021, 25 January 2022 and 27 January 2023 and the circular of the Company dated 29 October 2021.

Market threats and prospects

Although 2022 and 2023 have been the challenging years for Japan's pachinko industry overall, the Group's operational and financial performance for FY2023 has managed to recover as a result of the management's efforts in prioritising the Group's resources in the recovery of customer traffic, and voluntarily implementing safety measures to ensure the health and safety of customers at its pachinko halls. As the Group considers that many customers have become more concerned with personal hygiene following the outbreak of COVID-19, it has implemented various measures to assure the health and safety of its customers who come to their pachinko halls. For instance, the Company has launched a new prize-exchange system called "Self-POS System" at several of its pachinko halls which enables customers to exchange their prizes on their own without requiring the assistance of the Group's staff, thereby reducing the need for human interaction between the Group's staff and the customers. The launch of the Self-POS system has also improved work efficiency and reduced the number of manpower required at the Group's pachinko halls. The management will continue to adopt the above measures and consider releasing further new models of pachinko and pachislot machines in order to encourage customer traffic and speed up the recovery of the Group's operations, while exploring new opportunities to diversify into other business segments to expand the Group's sources of revenue.

FINANCIAL REVIEW

Revenue

The Group's total revenue is comprised of revenue from (i) pachinko and pachislot hall business, being gross pay-ins less gross pay-outs, (ii) vending machine income, (iii) property rental, and (iv) other operations relating to employment supporting services, horse sitting services, horse management services and motor vehicle rental services. During the Year, revenue from pachinko and pachislot hall business remained the majority source of income for the Group, accounting for approximately 92.6% of the Group's total revenue (FY2022: approximately 91.3%). The Group's total revenue increased by approximately ¥722 million, or 13.0%, from approximately ¥5,562 million in FY2022, to approximately ¥6,284 million in FY2023. This increase was mainly a result of the increase in approximately 14.7% in revenue generated from the Group's overall pachinko and pachislot business, from approximately ¥5,078 million in FY2022 to approximately ¥5,822 million in FY2023, primarily due to the recovery of customer traffic at the Group's pachinko halls for the reasons as explained above.

The Group derived income from vending machines installed at its halls provided by vending machine operators under service agreements. The vending machines sell drinks and food and the Group shares a certain portion of income generated by such vending machines. The Group's vending machine income remained generally stable at approximately ¥94 million in FY2023 as compared with approximately ¥88 million in FY2022.

The Group derived rental income from renting out (i) premises to G-prize wholesalers, (ii) car parks, (iii) commercial facilities, and (iv) residential units. Property rental income remained stable at approximately ¥359 million in FY2023 as compared with approximately ¥355 million in FY2022.

The Group derived income from other operations mainly relating to the provision of horse management services which commenced in February 2022. Such income decreased by approximately 78.0%, from approximately ¥41 million for FY2022 to approximately ¥9 million in FY2023, due to the discontinuation of the Group's employment support services in August 2021, the shift from providing horse sitting services to horse management services in February 2022 and the further shift from horse management services to motor vehicle rental services in April 2023 arising from the termination of the rental contract of a horse stable where the horses were being managed.

Gross pay-ins

The Group's gross pay-ins represents the gross amount received from customers for the rental of pachinko balls and pachislot tokens. Gross pay-ins are primarily affected by the level of customer spending at the Group's pachinko and pachislot halls. The Group's accounting policy recognises gross pay-ins net of consumption tax. The consumption tax rate in Japan was 10% during FY2023.

The Group's gross pay-ins recorded an increase of approximately ¥4,694 million, or approximately 18.6%, from approximately ¥25,177 million in FY2022 to approximately ¥29,871 million in FY2023, which was mainly due to the reasons mentioned in the paragraph headed "Revenue" above.

Gross pay-outs

The Group's gross pay-outs represent the aggregate cost of G-prizes and general prizes exchanged by the Group's customers, taking into consideration the G-prize mark-up and the value of any unutilised balls and tokens during the relevant period. The Group's gross pay-outs recorded an increase of approximately ¥3,950 million, or approximately 19.7%, from approximately ¥20,099 million in FY2022 to approximately ¥24,049 million in FY2023 as a result of the increase in gross pay-ins for the reasons mentioned above.

Revenue margin

Revenue margin for the Group's pachinko and pachislot business represented the Group's revenue from pachinko and pachislot hall business divided by gross pay-ins. The level of revenue margin is dependent on the combination of the payout ratio of the pachinko and pachislot machines, the G-prize mark-up imposed and the mix of pachinko and pachislot machines with different jackpot probability in the Group's halls, and as a result of the resultant changes in customer behavior (i.e., rounds of play and machine utilisation). The Group's revenue margin remained stable at approximately 19.5% in FY2023 as compared with approximately 20.2% in FY2022.

Other income

The Group's other income is mainly comprised of (i) income from scrap sales of used pachinko and pachislot machines to machines broker for reselling in the second-hand market, (ii) dividend income, (iii) income from expired prepaid IC and membership cards, (iv) income from forfeited pachinko balls and pachislot tokens, (v) government subsidies, and (vi) other income sources, which mainly included income from the sales of surplus solar energy generated from the solar power systems that were installed in the Group's halls, recharge from water bills and ATM handling fees.

Other income increased by approximately ¥69 million, or approximately 18.5%, from approximately ¥373 million in FY2022 to approximately ¥442 million in FY2023, mainly due to an increase in income from scrap sales of used pachinko and pachislot machines by approximately ¥76 million. This was because more used pachinko and pachislot machines were being sold in FY2023 as compared with that in FY2022, as most of the used pachinko and pachislot machines in FY2022 were with a higher gaming element, which were not able to be re-sold in the second-hand market due to their non-compliance with the 2018 Regulations, while those used machines in FY2023 were compliant with the 2018 Regulations and could therefore be re-sold.

Other net gains/losses

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

The Group recorded other net gains of approximately ¥2,766 million in FY2023 as opposed to other net losses of approximately ¥180 million in FY2022. The change from other net losses of approximately ¥180 million in FY2022 to other net gains of approximately ¥2,766 million in FY2023 was mainly attributable to (i) the increase in gain on release of lease liabilities by approximately ¥2,231 million, or 485%, from approximately ¥460 million in FY2022 to approximately ¥2,691 million in FY2023, mainly arising from an early termination of lease following the closure of a pachinko hall of the Group, Big Apple. Ofuna hall, in FY2023 which generates more gains, as compared with leases terminated in FY2022 which were with shorter remaining lease terms, (ii) the gains on fair value changes on financial assets and financial liabilities at fair value through profit or loss of approximately ¥36 million in FY2023 as compared with the losses on fair value changes on financial assets and financial liabilities at fair value through profit or loss of approximately ¥483 million in FY2022 due to fluctuations in the market prices of the underlying assets in the Company's investments, (iii) the provision for impairment loss of investment properties of approximately ¥33 million in FY2023 primarily due to the provision for impairment loss of two investment properties with carrying value being lower than the fair value less cost of disposal in FY2023, and (iv) the provision for impairment loss of property, plant and equipment of approximately ¥76 million in FY2022 as compared to none in FY2023 primarily due to the fact that the carrying amount of competition horses has been fully impaired in FY2022 and no further impairment was provided in FY2023.

Hall operating expenses and administrative and other operating expenses

Hall operating expenses decreased by approximately ¥469 million, or approximately 7.8%, from approximately ¥5,976 million in FY2022 to approximately ¥5,507 million in FY2023. This is primarily due to (i) no provision for impairment loss of intangible assets was recorded in FY2023 as compared with the recognition of impairment losses on the Group's intangible assets of approximately ¥241 million in FY2022, (ii) the decrease in impairment loss of approximately ¥914 million for right-of-use assets, (iii) the decrease in impairment loss of approximately ¥65 million for property, plant and equipment, and (iv) the decrease in depreciation and amortisation expenses by approximately ¥196 million in FY2023 as the carrying value of the relevant depreciable assets have been significantly decreased arising from the significant impairment loss made in FY2022, which resulted in lower depreciation expense being recorded in FY2023. The fact that no provision for impairment loss of intangible assets was recorded in FY2023 as set out in (i) above and the decrease in impairment loss for right-of-use assets and property, plant and equipment as set out in (ii) and (iii) above were mainly as a result of the recovering market conditions of the pachinko industry and the reduced impact of COVID-19 on the business performance of the Group's pachinko halls in FY2023 as compared with the then adverse market conditions of the pachinko industry and the continuing uncertainty in the business performance of the Group's pachinko halls caused by the prolonged impact of COVID-19 and its new variants in Japan in FY2022. This is partially offset by (i) the increase in pachinko and pachislot machine expenses by approximately ¥802 million in FY2023 due to the introduction of a newer version of pachislot machines with more gambling elements to attract customers in FY2023, and (ii) the increase in utilities expenses by approximately ¥84 million in FY2023 due to the increase in electricity rates.

Administrative and other operating expenses decreased by approximately ¥132 million, or approximately 16.4%, from approximately ¥807 million in FY2022 to approximately ¥675 million in FY2023, primarily due to (i) the decrease in employee benefit expenses by approximately ¥43 million due to the decrease in directors' fees and decrease in headcount of the Group's administrative departments, (ii) the decrease in auditor's remuneration in FY2023 by approximately ¥44 million, and (iii) the decrease in depreciation and amortisation expenses of approximately ¥57 million due to the carrying value of the competition horses has been significantly decreased arising from the impairment loss made in FY2022, which resulted in lower depreciation expenses being recorded in FY2023.

Impairment loss for cash-generating units

The International Accounting Standard 36 "Impairment of Assets" ("**IAS 36**") requires that assets be carried at no more than their recoverable amount. If an asset's carrying value exceeds the amount that could be received through use or selling the asset, then the asset is impaired and IAS 36 requires a company to make provision for the impairment loss. The Group's management carries out impairment assessment when there are events that indicate that the related asset values may not be recoverable, and when impairment indicators exist for the Group's cash-generating units ("**CGUs**").

In FY2022, the Group's management regarded operating loss for FY2022 or performing below management expectation, defined as not fulfilling the projected operating profit or loss for FY2022, as the impairment indicator. For FY2023, the Company continued to apply the aforementioned impairment indicator and the management identified 8 CGUs (FY2022: 8 CGUs) had resulted in operating loss or not fulfilling management's expectations for FY2023, and therefore the management considered there were impairment indicators for these CGUs. The management accordingly performed impairment assessment to assess the recoverable amounts of these CGUs.

For CGUs with significant self-owned properties, management assessed the performance of the CGU to determine if either value-in-use or fair value less cost of disposal would exceed the carrying amount of the CGU. If both value-in-use and fair value less cost of disposal are below the carrying amount, the recoverable amount of a CGU is determined as the value-in-use or fair value less cost of disposal, whichever is higher. Accordingly, the recoverable amounts of 5 CGUs were determined by their value-in-use, and the remaining 3 CGUs with significant self-owned properties were determined by their fair value less cost of disposal. As a result, for FY2023, the Group recorded provisions for impairment losses of approximately ¥68 million and ¥23 million on property, plant and equipment and right-of-use-assets, respectively.

Value-in-use approach

The value-in-use calculations use pre-tax cash flow projections over the CGUs useful life, which is based on financial budgets approved by management. The cash flow projections cover the remaining lease terms of the respective CGUs or a five-year period, whichever is shorter. Management's forecast for the first year takes into account the performance of each of the CGUs in current period and incorporates management's latest plans for each CGUs.

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

(i) The revenue growth of the Group ranges from 0% to 11% for the twelve months ending 30 June 2024 based on the business performance for each of the CGUs during FY2023, and 0% after 30 June 2024;

(ii) pre-tax discount rate is 8.88%; and

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

Save as disclosed above, there are no significant changes in the value of the inputs and assumptions from those previously adopted in FY2022.

Fair value less cost of disposal approach

The recoverable amounts of the 3 CGUs with significant self-owned properties were determined based on fair value less cost of disposal calculations performed by an independent professionally qualified valuer. It is considered that the cost approach, which focuses on cost by deducting depreciation from the replacement cost and uses observable and unobservable inputs such as unit price per square metre of sales comparable for land and replacement cost per square meter for buildings, is a more suitable calculation approach as the rental market for subject assets of similar characteristics is not active. Accordingly, the cost approach was adopted to determine the recoverable amounts of the aforesaid 3 CGUs.

Value of inputs and key assumptions

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

No subsequent changes to the valuation methods adopted

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

Profit/Loss before income tax

Profit before income tax amounted to approximately ¥3,146 million for FY2023, as compared with the loss before income tax of approximately ¥1,205 million for FY2022. This was mainly attributable to (i) the increase in revenue of approximately ¥722 million, (ii) the increase in other income of approximately ¥69 million, (iii) the other net gains of approximately ¥2,766 million in FY2023 as compared with the other net losses of approximately ¥180 million in FY2022, (iv) the decrease in hall operating expenses of approximately ¥469 million, and (v) the decrease in administrative and other operating expenses of approximately ¥132 million, as elaborated above.

Profit/Loss for the year attributable to shareholders of the Company

Profit for the year attributable to shareholders of the Company amounted to approximately ¥3,220 million for FY2023, as compared with the loss for the year attributable to shareholders of the Company of approximately ¥1,321 million for FY2022. This was mainly due to the reasons mentioned in the paragraph headed "Profit/ Loss before income tax" above.

ANALYSIS OF FINANCIAL POSITION

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2023, the Company had total borrowings of approximately ¥4,883 million (30 June 2022: approximately ¥5,404 million), of which approximately 72.1% represented bank borrowings and approximately 27.9% represented loans from a governmental financial institution. The Company's borrowings are all denominated in Japanese Yen.

Investment policy

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

(i) investments in low liquidity products being avoided;

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

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

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

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

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

Funding and treasury policy

The Group has adopted a prudent financial management approach towards its funding and treasury policy and thus maintained a healthy liquidity position for FY2023. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. For FY2023, the Group did not use any risk hedging instrument.

Cash and cash equivalents

As at 30 June 2023, the Company had cash and cash equivalents of approximately ¥2,423 million (30 June 2022: approximately ¥2,340 million), and short-term bank deposits of approximately ¥100 million (30 June 2022: approximately ¥100 million). The Company's cash and cash equivalents and short-term bank deposits are denominated in Japanese Yen, US Dollar and HK Dollar.

Capital structure

As at 30 June 2023, the capital structure of the Group comprised share capital and reserves. As at 30 June 2023, equity attributable to shareholders of the Company amounted to approximately ¥5,718 million (30 June 2022: approximately ¥2,160 million). As at 30 June 2023, total assets of the Group amounted to approximately ¥18,266 million (30 June 2022: approximately ¥18,602 million).

Borrowings

The following table illustrates the maturity profile of the Group's borrowings as at 30 June 2023 and 30 June 2022:

	As at 30 June 2023		As at 30 June 2022	
	¥ million	*%*	*¥ million*	*%*
Within 1 year	**785**	**16.1**	739	13.7
Between 1 year and 2 years	**704**	**14.4**	661	12.2
Between 2 years and 5 years	**1,640**	**33.6**	2,001	37.0
Over 5 years	**1,754**	**35.9**	2,003	37.1
	4,883	**100.0**	5,404	100.0

As illustrated above, the proportion of the Group's borrowings repayable within 1 year, and repayable in between 1 year and 2 years increased, while the borrowings repayable in between 2 years and 5 years, and repayable in over 5 years decreased. The change of maturity profile of the Group's borrowings was primarily due to the repayment of long-term borrowings in FY2023. As at 30 June 2023, the Group's borrowings of approximately ¥3,013 million were subject to a fixed interest rate.

Bonds

The Group issued its bonds on 13 March 2019 in the principal amount of ¥260 million which had been fully redeemed at ¥260 million on 30 November 2022 upon its expiry date (the value of the outstanding bond issued by the Group as at 30 June 2022: approximately ¥32 million). No new bond was issued during FY2023.

Pledged assets

As at 30 June 2023, the Group's pledged assets, including (i) property, plant and equipment, (ii) investment properties, and (iii) listed securities, in the sum of approximately ¥6,689 million (30 June 2022: approximately ¥6,794 million) to secure certain general banking facilities of the Group. The decrease in pledged assets was primarily attributable to the depreciation in the Group's fixed assets which lowered the carrying value of the pledged assets and partially offset by the increase in fair values of listed securities held by the Group.

Gearing ratio

The gearing ratio, being the aggregate of interest-bearing loans and lease liabilities less cash and cash equivalents divided by total equity of the Company, was approximately 56.6% as at 30 June 2023 (30 June 2022: approximately 84.9%). The decrease was mainly attributable to the decrease in borrowings and lease liabilities in FY2023 and the increase in share capital arising from the placing of new ordinary shares of the Company (the "**Shares**"), which is further elaborated below.

Interest rate and foreign exchange exposure

The Group is exposed to interest rate risk as its bank balances and some of its bank borrowings are carried at variable rates. The Group manages its interest rate exposure with a focus on reducing its overall cost of debt and exposure to changes in interest rates. During FY2023, the Group did not use any hedge instrument or interest rate swap to manage its interest rate exposure.

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

Contractual and capital commitments

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

	As a lessor	
	As at 30 June	
	2023	2022
	¥ million	*¥ million*
Not later than 1 year	**52**	50

As at 30 June 2023, the Group did not have capital commitments which were contracted but not provided for in respect of purchase of property, plant and equipment (30 June 2022: nil).

Capital expenditures

Our capital expenditures mainly consisted of expenditures on additions to property, plant and equipment, right-of-use assets, investment properties and intangible assets. The Group incurred capital expenditures of approximately ¥676 million for FY2023 (FY2022: approximately ¥1,006 million), a majority of which came from equipment and fixtures for its pachinko halls. The capital expenditures of approximately ¥676 million for FY2023 mainly comprised (i) the replacement of air conditioners at several of the Group's pachinko halls, (ii) the purchase of land and buildings adjacent to the Group's pachinko halls, and (iii) the renovation of the pachinko hall named "K's Plaza Ohashi" which took place in December 2022. These capital expenditures were financed by the Group's internal funds.

Contingent liabilities

As at 30 June 2023, the Company did not have any material contingent liabilities or guarantees.

SIGNIFICANT INVESTMENTS

As at 30 June 2023, the Group held investments primarily in (i) investment properties of approximately ¥2,978 million, which represented land and premises situated in Japan and rented out under operating leases, with each of their respective investment value being less than 5% of the Company's total assets as at 30 June 2023, (ii) financial assets of approximately ¥1,512 million, which represented the Bonds issued by the Bond Issuer, trust funds, and listed and unlisted securities, and (iii) financial liabilities of approximately ¥151 million, which represented the fair value of two put options issued by the Group in late 2021. As at 30 June 2023, save as the 1st Series Bond and the 2nd Series Bond which in aggregate constituted approximately 5.5% of the Company's total assets, the Group did not hold any other significant investment with a value of 5% or more of the Company's total assets.

Investment properties

The Group's investment properties comprise properties for office, residential and parking purposes which are rented out under operating leases and held by the Company for long-term rental yields. All of the Group's investment properties are stated at historical cost less accumulated depreciation and impairment losses. Impairment loss will be recognised by the Group where the valuation results indicate that the carrying amount of the investment properties exceed its recoverable amount. Impairment loss of approximately ¥33 million was recognised on the Group's investment properties for FY2023 (FY2022: approximately ¥160 million). The recoverable amounts for investment properties are stated at fair value less cost of disposal based on valuations performed by an independent professionally qualified valuer or management. The valuations were determined using the income approach or the sales comparison approach. The fair values of all investment properties are within level 3 of the fair value hierarchy.

The valuations of the Group's investment properties are dependent on various key assumptions and inputs, including but not limited to (i) the monthly rental per square meter of the investment property, (ii) a capitalisation rate of 5.2% to 10.1% based on that of similar properties, interviews with real estate investors and various published indices, (iii) a discount rate of 5.7% to 9.8% derived by adding risks premiums to the base rate and using the band of investment method, (iv) the vacancy rate after expiry of the lease terms of the investment property, and (v) the unit price per square meter of land based on sales comparables occurred in the property market.

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

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

Financial assets and financial liabilities

In relation to the Group's financial assets and financial liabilities, the Group recorded a gain of approximately ¥36 million for the fair value changes on financial assets and financial liabilities at fair value through profit or loss in FY2023 as opposed to a loss of approximately ¥483 million in FY2022, which was primarily attributable to fluctuations in the market prices of the underlying assets in the Company's investments. Although changes in market conditions will continue to result in fair value gains or losses from financial assets and financial liabilities, the Directors are of the view that the investment in financial assets and financial liabilities will help to increase the average yield earned from the excess funds from the Group's business overall. To the best of their knowledge and as at the date of this announcement, the Directors do not foresee any default or any impairment to be made to any financial assets held by the Group.

Furthermore, as disclosed in the previous interim reports and annual reports of the Company, on 26 July 2018, the Company entered into two agreements with the Bond Issuer, pursuant to which the Company subscribed for two series of Bonds at face value issued by the Bond Issuer, in an aggregate amount of ¥1,000 million. The Bond Issuer is a company incorporated under the laws of Japan and headquartered in Fukuoka, Japan, engaging in the business of commercial and consumer finance. Completion of the subscription of such Bonds took place on 27 July 2018. On 25 January 2019, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to, among others, extend the maturity/redemption date of the 2nd Series Bond and include Everglory Capital as a guarantor to guarantee the obligations of the Bond Issuer of its obligations under the 2nd Series Bond. Everglory Capital is a company incorporated under the laws of Japan and headquartered in Tokyo, Japan, principally engaged in investment and financial advisory businesses in Japan. On 24 January 2020, the Company, the Bond Issuer and Everglory Capital entered into an agreement to further extend the maturity/redemption date of the 2nd Series Bond and increase its interest rate for the extended period. On 25 January 2021, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to further extend the maturity/redemption date of the 2nd Series Bond. On 30 July 2021, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to, among others, extend the maturity/redemption date of the 1st Series Bond, increase its interest rate for the extended period, and include Everglory Capital as a guarantor to guarantee the obligations of the Bond Issuer of its obligations under the 1st Series Bond. On 25 January 2022, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to further extend the maturity/redemption date of the 2nd Series Bond. On 27 January 2023, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to further extend the maturity/redemption date of the 2nd Series Bond. For details, please refer to the announcements of the Company dated 26 July 2018, 25 January 2019, 24 January 2020, 25 January 2021, 30 July 2021, 25 January 2022 and 27 January 2023 and the circular of the Company dated 29 October 2021.

As at 30 June 2023, the fair value of each of the 1st Series Bond and the 2nd Series Bond is ¥500 million, which in aggregate constitutes approximately 5.5% of the Company's total assets. There is no change to the fair value of each of the 1st Series Bond and the 2nd Series Bond for FY2023 as they are calculated at amortised cost. For FY2023, the amount of interest earned by the Group under each of the 1st Series Bond and the 2nd Series Bond is approximately ¥20 million and ¥20 million, respectively.

The Company expects that the subscription of the Bonds will allow the Group to earn a higher yield. In light of the ongoing uncertainty in the business outlook of the pachinko industry, the Directors consider the additional amount of interest to be received by the Group pursuant to the extension of the maturity/redemption date and/or change of interest rate (as the case may be) of the 1st Series Bond and the 2nd Series Bond will continue to generate a stable source of cash flow and income for the Group, which is beneficial to the Group's financial position. Therefore, the Company will continue with this investment in a accordance with the terms of the Bonds.

Save as disclosed herein, the Group did not hold any significant investments as at 30 June 2023.

HUMAN RESOURCES

Employees and remuneration policies

As at 30 June 2023, the Group had 381 employees (30 June 2022: 367 employees), almost all of whom were based in Japan, and of whom 334 were stationed at the Group's pachinko halls. For newly recruited employees, the Group has 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 in Japan, each hall manager is required to attend the training course conducted by the Public Safety Commission.

The staff costs include all salaries and benefits payable to the Group's employees and staff, including the Directors. The total staff costs for FY2023 amounted to approximately ¥1,061 million (FY2022: approximately ¥1,136 million), which accounted for approximately 17.2% (FY2022: approximately 16.7%) of the Group's total operating expenses, including the remuneration of the Directors.

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

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

The Share Option Scheme

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

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and providing benefits in the form of share options of the Company to eligible participants ("**Eligible Participants**") and for such other purposes as the Board approves from time to time.

Eligible Participants includes, among others, any full-time or part-time employees, or potential employees, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries and suppliers.

As at 1 July 2022 and at 30 June 2023, the maximum number of Shares of the Company 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 of the Company as at the date of the Company's listing (i.e., 15 May 2017), being 50,000,000 Shares.

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

ISSUE FOR CASH OF EQUITY SECURITIES

Placing of new Shares under general mandate

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

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

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

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

As at 30 June 2023, the Group had applied the Placing Net Proceeds as follows:

Use of Placing Net Proceeds as disclosed in the Placing Announcements	**Amounts of planned use of Placing Net Proceeds as disclosed in the Placing Announcements** *(HK$)* *(Approximate)*	**Amounts of actual use of Placing Net Proceeds during FY2023** *(HK$)* *(Approximate)*	**Amounts of unutilised Placing Net Proceeds as at 30 June 2023** *(HK$)* *(Approximate)*	**Expected timeframe of the full utilisation of the unutilised Placing Net Proceeds**
Purchase of pachinko and pachislot machines	12.75 million	6.34 million	6.41 million	By the end of the year ending 30 June 2024
Renovation or enhancement of the Group's existing pachinko halls and marketing expenses	2.55 million	2.11 million	0.44 million	By the end of the year ending 30 June 2024
Other general working capital of the Group	1.70 million	Nil	1.70 million	By the end of the year ending 30 June 2024
Total:	**17.00 million**	**8.45 million**	**8.55 million**	

Save as disclosed above, the Company did not issue for cash any equity securities (including securities convertible into equity securities) during the Year.

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, ASSOCIATES AND JOINT VENTURES

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL INVESTMENTS

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

FINAL DIVIDEND

No final dividend for FY2023 has been recommended by the Board (FY2022: Nil).

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 June 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board, together with the Board and its external auditor, had reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for FY2023.

CORPORATE GOVERNANCE

The Directors consider that the Company has applied the principles of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and complied with the code provisions, where applicable, during the Year as set out in the CG Code, except for the following deviation:

Code Provision C.2.1

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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 and for formulating business strategies and policies for the Group's business management and operations since the Group was founded in 1984. The Company and the Directors (including the independent non-executive Directors) believes the combined roles of Mr. Katsuya YAMAMOTO provide for better leadership of the Board and management and allow for more focus on developing the Group's business strategies and implementation of policies and objectives, and therefore the present arrangements are beneficial to and in the interests of the Company and its shareholders as a whole.

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

REQUIREMENT IN CONNECTION WITH PUBLICATION OF "NON-STATUTORY ACCOUNTS" UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE CAP. 622

The financial information relating to the Year and the financial information relating to FY2022 included in this preliminary announcement of annual results of 2022/2023 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of FY2022, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) (the "**Companies Ordinance**") is as follows:

The financial statements for the Year have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course. The Company had delivered the financial statements for FY2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on these financial statements for FY2022. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the required standards for securities transactions by the Directors. Specific enquiries have been made to all the Directors and all Directors have confirmed that they had complied with the required standards, where applicable, set out in the Model Code for the year ended 30 June 2023.

ANNUAL GENERAL MEETING

The Company will hold its annual general meeting on Wednesday, 22 November 2023 (the "**2023 AGM**"), the notice of which will be published and despatched to the Company's shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the shareholders of the Company to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Friday, 17 November 2023 to Wednesday, 22 November 2023 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the 2023 AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 16 November 2023.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.okura-holdings.com. The annual report of the Company for the Year will be despatched to the Company's shareholders and published on the aforesaid websites in due course.

By Order of the Board
Okura Holdings Limited
Katsuya YAMAMOTO
Chief Executive Officer, Executive Director and Chairman of the Board

Hong Kong, 28 September 2023

As at the date of this announcement, the Board comprises six Directors, of which (i) three are executive Directors, namely Mr. Katsuya YAMAMOTO, Mr. Yutaka KAGAWA and Mr. Toshiro OE; and (ii) three are independent non-executive Directors, namely Mr. Kazuyuki YOSHIDA, Ms. Mariko YAMAMOTO and Mr. Masaaki AYRES (alias Gettefeld AYRES).

* *For identification purpose only*