



# OKURA HOLDINGS LIMITED

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

# Interim Report

## 2019-2020



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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

## COMPANY SECRETARY

Mr. Man Yun Wah ACIS, ACS, MCG

## AUDIT COMMITTEE

Mr. Kazuyuki Yoshida (Chairman)  
Mr. Mitsuru Ishii  
Mr. Yuji Matsuzaki

## REMUNERATION COMMITTEE

Mr. Kazuyuki Yoshida (Chairman)  
Mr. Mitsuru Ishii  
Mr. Yuji Matsuzaki  
Mr. Katsuya Yamamoto  
Mr. Yutaka Kagawa

## NOMINATION COMMITTEE

Mr. Katsuya Yamamoto (Chairman)  
Mr. Kazuyuki Yoshida  
Mr. Mitsuru Ishii  
Mr. Yuji Matsuzaki  
Mr. Yutaka Kagawa

## RISK MANAGEMENT COMMITTEE

Mr. 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 Otofujii  
Mr. Masayuki Sakata  
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

# Corporate Information

## 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 22, 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, 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](http://www.okura-holdings.com)

# Management Discussion and Analysis

## INDUSTRY AND BUSINESS REVIEW

We, Okura Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), are a pachinko hall operator in Japan, operating mainly pachinko and pachislot machines. As at 31 December 2019, we operated 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 the six months ended 31 December 2019 (“**6M2019**”). Our directors (the “**Directors**”) believe that the continuous decline in the number of pachinko and pachislot players is mainly due to the reduced attractiveness of the game as a result of the “Regulations to Partially Amend Regulations on the Entertainment and Amusement Trades Rationalising Act and Regulations on Certifying Machines and Conducting Type Test on Machines” issued by the National Public Safety Commission of Japan on 1 February 2018 (the “**2018 Regulations**”), which limited the gaming element of pachinko and pachislot machines, as disclosed in the Company’s annual report for the year ended 30 June 2019 (“**FY2019**”). In addition, in April 2019, the Japanese government has approved the “Basic Plan on Promotion of Counter Measures against Gambling Addiction” (ギャンブル等依存症対策推進基本計画) (the “**Promotion Regulations**”) which stipulates national guidelines and restrictions on marketing and promotion in the pachinko industry. In accordance with the Promotion Regulations, pachinko and pachislot associations in each prefecture published self-regulation notices to restrict certain forms of advertising by pachinko and pachislot operators. As a result of these factors, the pachinko industry is expected to shrink further and remain competitive, with stronger pachinko halls acquiring weaker pachinko halls in order to expand their market share to maintain their financial performance.

### Coping with government policies and regulations in the industry

Due to the 2018 Regulations requiring pachinko machines with higher gaming element to be gradually phased out in the pachinko industry by 2021, during 6M2019, we replaced our pachinko and pachislot machines with new machines of lower gaming element that comply with the 2018 Regulations more frequently. This resulted in the Group incurring an increased amount of pachinko and pachislot machine expenses from ¥1,418 million for the six months ended 31 December 2018 (“**6M2018**”) to ¥1,525 million for 6M2019. Although the more popular old machines that did not meet the standards under the 2018 Regulations had to be eliminated, we constantly strove to source the most attractive machines available in the market to provide a favourable mix of machines in its pachinko halls to increase customer flow.

However, the increasingly adverse and ever-changing regulatory environment poses new threats to the Group’s business and prospects. Pursuant to the Promotion Regulations, the Group has been subject to more stringent requirements on advertising and promoting its pachinko halls. Although the decrease of approximately ¥34 million in advertisement and promotion expenses during 6M2019 lowered the Group’s operating costs temporarily, our management has been seeking alternative ways to promote the Group’s brand name and business in a manner that complies with the Promotion Regulations in order to improve the customer flow in the long run.

## Management Discussion and Analysis

In addition, as disclosed in the Company's annual report for FY2019, consumption tax in Japan increased from 8% to 10% starting from 1 October 2019. Our management believes this may discourage customer spending at the Group's pachinko and pachislot halls but the actual effect of the consumption tax remains uncertain and our management will continue to monitor the Group's performance.

### EXPLORING NEW MEANS TO DIVERSIFY THE GROUP'S REVENUE STREAM

As disclosed in the Company's annual report for FY2019, faced with the tough regulating pressure and competitive landscape, the Group has been exploring alternative means to increase its cash flow and income. Following the agreements entered into on 26 July 2018 pursuant to which the Company subscribed to 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**") and an amendment agreement entered into on 25 January 2019 to, among others, extend the maturity date of the Bonds, the Company entered into another amendment agreement on 24 January 2020 to further extend the maturity date of the Bonds and increase the interest rate for the extended period. Our management believes 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, 25 January 2019 and 24 January 2020.

The Group is also exploring ways to diversify its business operations into different segments in light of the continued decline of the pachinko industry. During FY2019, the Group acquired two riding horses to expand and diversify our scope of business into competition horse training. For details, please refer to the Company's announcement dated 18 June 2019. In addition to serving as an icon and ambassador of the Group's new business in the horse training industry, during 6M2019, our management further decided that the horses shall be designated for advertising purpose and can help promote the Group through participating in international competitive and equestrian activities, including but not limited to the upcoming Tokyo Olympics. We also commenced our business in provision of horse sitting services by leasing stables from an independent third party and contracting another independent third party to care for the horses. In view of continuous interest in horse racing and increasing interest in other forms of equestrian activities in Japan, our 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. The Group will continue to seek for further opportunities in the competition horse training industry in the coming financial year.

### MARKET THREATS AND PROSPECTS

Since the outbreak of the Coronavirus Disease 2019 ("**COVID-19**") in Japan in January 2020, the Japanese government has been carrying out ongoing prevention and control measures in Japan. As at the date of this report, no material disruption or impact has been experienced by our pachinko halls and their customer traffic. Our management has formulated measures to minimise risks of an outbreak at our business operations and will continue to assess the overall impact of the COVID-19 on our financial position and operating results.

## Management Discussion and Analysis

The pachinko industry is faced with uncertainties on how the Japanese government and industry associations will further regulate the industry and how the COVID-19 outbreak will impact the overall landscape in Japan. Going forward, we will continue to prioritise managing our halls cost-effectively and preserving customer traffic by actively sourcing machines which are considered relatively more attractive to keep a favourable machine mix at pachinko halls and exploring acquisition opportunities to increase market share and operation efficiency. Our management will monitor developments in the pachinko industry closely while exploring new opportunities to diversify into other segments and broaden the Group's sources of revenue.

### FINANCIAL REVIEW

#### Revenue

Our total revenue comprised 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 horse sitting services. During 6M2019, revenue from pachinko and pachislot business remained the majority source of income for the Company, accounting for approximately 94.3% of the total revenue (6M2018: 95.2%). Our total revenue decreased by approximately 3.4%, from approximately ¥4,176 million for 6M2018, to approximately ¥4,032 million for 6M2019. This decrease was mainly a result of the decrease in approximately 4.4% in revenue generated from our overall pachinko and pachislot business, from approximately ¥3,974 million for 6M2018 to approximately ¥3,801 million for 6M2019, primarily due to the overall decline in customer traffic at our pachinko and pachislot halls as explained above.

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 approximately ¥65 million in 6M2018 and approximately ¥66 million in 6M2019, respectively.

We derived rental income from renting out (i) premises to G-prize wholesalers, (ii) car parks, (iii) offices and (iv) residential units. Property rental income remained stable at approximately ¥137 million in 6M2018 and approximately ¥139 million in 6M2019, respectively.

We derived income from the provision of horse sitting services which commenced in June 2019. Such income amounted to approximately ¥26 million for 6M2019.

#### Gross pay-ins

Our gross pay-ins represent 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. Our accounting policy recognises gross pay-ins net of consumption tax. Starting from 1 October 2019, the consumption tax rate in Japan increased from 8% to 10%.

Our gross pay-ins recorded a decrease of approximately ¥331 million, or approximately 1.9%, from approximately ¥17,714 million for 6M2018 to approximately ¥17,383 million for 6M2019, which was mainly due to the same reasons that resulted in the decrease in our revenue from pachinko and pachislot business as mentioned above.

# Management Discussion and Analysis

## 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 ¥158 million, or approximately 1.1%, from approximately ¥13,740 million in 6M2018 to approximately ¥13,582 million in 6M2019 as a result of the drop in gross pay-ins for the reasons mentioned 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 22.4% in 6M2018 to approximately 21.9% in 6M2019 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 and pachislot machines to machines broker for reselling in the second-hand market, (ii) income from expired IC card, and (iii) other income sources, which mainly included income from forfeited pachinko balls and pachislot tokens.

Other income increased by approximately ¥28 million, or approximately 11.0%, from approximately ¥255 million in 6M2018 to approximately ¥283 million in 6M2019, mainly due to an increase in income from scrap sales of used pachinko machines of approximately ¥33 million as a result of old pachinko and pachislot machines with higher gaming element that do not comply with the 2018 Regulations being replaced more frequently during 6M2019 in light of the 2018 Regulations.

## Hall operating expenses

Hall operating expenses decreased by approximately ¥96 million, or approximately 2.7%, from approximately ¥3,613 million in 6M2018 to approximately ¥3,517 million in 6M2019. This is primarily due to (i) the decrease in advertisement and promotion expenses of approximately ¥42 million, (ii) the decrease in employee benefit expenses, of approximately ¥15 million and (iii) the decrease in utilities expenses of approximately ¥19 million, partially offset by the increase in pachinko and pachislot machine expenses of approximately ¥107 million as a result of acquiring new pachinko and pachislot machines with lower gaming element that comply with the 2018 Regulations more frequently during 6M2019 to replace old pachinko and pachislot machines with higher gaming element.



# Management Discussion and Analysis

## Administrative and other operating expenses

Administrative and other operating expenses decreased by approximately ¥24 million, or approximately 5.5%, from approximately ¥437 million in 6M2018 to approximately ¥413 million in 6M2019. This is primarily due to the reversal in provision for long term benefit obligations for the Yamamoto Family during 6M2019 which amounted to approximately ¥17 million, as a result of the passing away of Mr. Katsumitsu Yamamoto, a former member of the senior management of the Company.

## Profit before income tax

Profit before income tax increased by approximately ¥5 million, or approximately 1.5%, from approximately ¥330 million in 6M2018 to approximately ¥335 million in 6M2019. This is mainly attributable to (i) the decrease in hall operating expenses of approximately ¥96 million and (ii) the decrease in administrative and other operating expenses of approximately ¥24 million, partially offset by the decrease in revenue of approximately ¥144 million during 6M2019.

## Profit for the period attributable to shareholders of the Company

Profit for the period attributable to shareholders of the Company increased by approximately ¥24 million, or approximately 12.0%, from approximately ¥200 million in 6M2018 to approximately ¥224 million in 6M2019. The increase in profit for the period attributable to shareholders of the Company for 6M2019 was mainly due to (i) the increase in profit before income tax of approximately ¥5 million for the abovementioned reasons and (ii) the decrease in income tax expense of approximately ¥19 million. Such decrease in income tax expense was partially due to the reversal in deferred income tax of approximately ¥21 million, offset by the increase in current income tax of approximately ¥17 million.

## 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;

## Management Discussion and Analysis

- 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 of Directors (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 31 December 2019, the Company had total borrowings of approximately ¥4,159 million (30 June 2019: approximately ¥4,532 million), of which approximately 95.4% represented bank borrowings and approximately 4.6% represented bonds.

### Cash and cash equivalents

As at 31 December 2019, the Company had cash and cash equivalents of approximately ¥2,291 million (30 June 2019: approximately ¥2,565 million).

### Borrowings

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

	As at 31 December 2019		As at 30 June 2019	
	¥ million	%	¥ million	%
Within 1 year	715	17.2%	730	16.1%
Between 1 year and 2 years	715	17.2%	715	15.8%
Between 2 years and 5 years	1,504	36.1%	1,694	37.4%
Over 5 years	1,225	29.5%	1,393	30.7%
	<b>4,159</b>	<b>100%</b>	4,532	100.0%



## Management Discussion and Analysis

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 due to the fact that there were no new borrowings during 6M2019, and that existing borrowings had been gradually repaid as scheduled. As at 31 December 2019, none of the Group's borrowings were subject to a fixed interest rate.

### Bonds

The value of outstanding bonds issued by the Group as at 31 December 2019 amounts to ¥192 million (30 June 2019: ¥224 million). No new bond was issued during 6M2019.

### Pledged assets

As at 31 December 2019, the Company pledged assets, including (i) property, plant and equipment, (ii) investment properties, and (iii) listed securities, in the sum of approximately ¥7,391 million (30 June 2019: approximately ¥7,448 million) to secure certain general banking facilities of the Group. The decrease in pledged assets was primarily attributable to the decrease in carrying amount of the underlying assets from depreciation.

### Gearing ratio

The gearing ratio, being the aggregate of interest-bearing loans and lease liabilities divided by total equity of the Company, was approximately 56.9% as at 31 December 2019 (30 June 2019: approximately 21.9%). The increase of approximately 35.2% was mainly attributable to the recognition of lease liabilities due to the adoption of IFRS 16 from 1 July 2019.

### 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 6M2019, 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 have entered into foreign exchange transactions to purchase United States Dollars using Japanese Yen since FY2019 and such arrangements were still in effect as at 31 December 2019. 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.

# Management Discussion and Analysis

## 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 a lessor	
	As at	As at	As at	As at
	31 December	30 June	31 December	30 June
	2019	2019	2019	2019
	¥ million	¥ million	¥ million	¥ million
No later than 1 year	11	860	48	50
Later than one year and no later than five years	—	17	—	—
Over five years	—	25	—	—

As at 31 December 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 approximately ¥3 million (30 June 2019: approximately ¥50 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 ¥90 million for 6M2019 (6M2018: approximately ¥75 million), majority of which came from leasehold improvements and equipment and tools for our pachinko halls of which none was settled under finance lease. These capital expenditures were financed by the net proceeds from the Share offer, details of which are described in the paragraph titled “Issue of Shares and Use of Proceeds” below.

## Contingent liabilities

As at 31 December 2019, the Company did not have any material contingent liabilities or guarantees.

## SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Group held significant investments primarily in investment properties of approximately ¥2,258 million, which represented buildings and carparks situated in Japan and rented out under operating lease, and financial assets of approximately ¥1,506 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 6M2019 and as at the date of this report, our Directors do not foresee further significant impairment loss to our investment properties in the near future.



## Management Discussion and Analysis

In relation to our financial assets, the Group recorded (i) a gain of approximately ¥18 million for the changes from financial assets at fair value through profit or loss and (ii) a gain of approximately ¥7 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 6M2019. 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 annual report for FY2019, 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. (株式会社エバークローリー・キャピタル) entered into an agreement to, among others, extend the maturity date of the Bonds. On 24 January 2020, the Company and the Bond Issuer entered into an agreement to further extend the maturity date of the Bonds and the increase the interest rate for the extended period. For details, please refer to the Company's announcements dated 26 July 2018, 25 January 2019 and 24 January 2020.

### HUMAN RESOURCES

#### Employees and remuneration policies

As at 31 December 2019, the Group had 509 employees, almost all of whom were based in Japan, and of whom 463 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 6M2019 amounted to approximately ¥704 million (6M2018: approximately ¥787 million), which accounted for approximately 17.9% (6M2018: approximately 19.4%) 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 (the "**Share Option Scheme**") adopted by the Company on 10 April 2017, by reference to their performance.

# Management Discussion and Analysis

## 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 “**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 (the “**Listing Date**”), our shares (the “**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 “**Share Offer**”). 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 Company’s announcement dated 12 May 2017 (the “**Allotment Result Announcement**”), (ii) the actual utilisation of such proceeds from the Listing Date to 31 December 2019 and (iii) the unutilised net proceeds as at 31 December 2019 and the expected timeline of utilising such net proceeds:

	Intended utilisation of net proceeds as disclosed in the Prospectus and Allotment Result Announcement		Actual utilisation of net proceeds from the Listing Date to 31 December 2019		Unutilised net proceeds as at 31 December 2019		Expected timeline
	Amount	% of net	Amount	% of net	Amount	% of net	
	(HK\$ million)	proceeds	(HK\$ million)	proceeds	(HK\$ million)	proceeds	
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	27.5	37.2	2.1	2.8	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	71.9	97.2	2.1	2.8	



## Management Discussion and Analysis

The remaining approximately 2.8% 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 utilise the net proceeds from the Share Offer in accordance with the related disclosure in the Prospectus and the Allotment Result Announcement.

### MATERIAL ACQUISITIONS AND/OR DISPOSALS OF SUBSIDIARIES

During 6M2019, the Group did not conduct any material acquisitions or disposals of subsidiaries, associates and joint ventures.

### EVENTS AFTER THE REPORTING PERIOD

On 24 January 2020, the Company and the Bond Issuer entered into an agreement to further amend certain terms and conditions of the subscription of bonds agreement dated 26 July 2018 (as amended by the amendment agreement dated 25 January 2019). For details, please refer to the Company's announcement dated 24 January 2020.

On 6 March 2020, K's Property Co., Ltd.\* (株式会社ケイズプロパティ) ("**K's Property**") and Nissei Build Kogyo Co., Ltd.\* (日成ビルド工業株式会社) ("**Nissei Build**") entered into an agreement, pursuant to which K's Property agreed to acquire and Nissei Build agreed to sell properties located in Nagasaki City, Japan, at a consideration of approximately ¥782.2 million (inclusive of consumption tax). For details, please refer to the Company's announcement dated 6 March 2020.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL INVESTMENTS

Save for those disclosed in this report 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.

## Other Information

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During 6M2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### 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 31 December 2019, the interests and short positions of the 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 and class of Shares	Approximate percentage of shareholding in the total issued share capital of the Company
Katsuya YAMAMOTO <sup>1,2</sup>	Beneficial interest	375,000,000	75%

Notes:

- (1) Mr. Yamamoto is an Executive Director, the Chief Executive Officer of the Company and the Chairman of our Board.
- (2) On 25 July 2018, Mr. 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. On 9 September 2019, such share charge was terminated and Mr. Yamamoto was released from his obligations thereunder.

Save as disclosed above, as at 31 December 2019, none of our Directors or our 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.

## Other Information

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

As at 31 December 2019, the 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.

### CORPORATE GOVERNANCE

Our Directors considered 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 6M2019 as set out in the CG Code, except for the following deviation:

#### Code provision A.2.1

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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 the Group 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 of the positions of chief executive officer and the chairman of our Board, and the present arrangements are beneficial to and in the interests of the Company and our shareholders as a whole.

### 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 our Directors. Specific enquiries have been made to all our Directors and all Directors have confirmed that they have complied with the required standards, where applicable, set out in the Model Code throughout 6M2019.



### AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENT

The Company established an audit committee in compliance with Rule 3.21 of the Listing Rules on 10 April 2017. The audit committee of the Company (the “**Audit Committee**”) comprises three members, namely Mr. Kazuyuki Yoshida, Mr. Mitsuru Ishii and Mr. Yuji Matsuzaki, while Mr. Kazuyuki Yoshida acts as the chairman. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information and the interim results for 6M2019 and discussed the financial related matters with the management. The unaudited condensed consolidated interim financial information of the Group for 6M2019 has been reviewed by the Company’s auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

### 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. The primary corporate contact person at the Company is Mr. Yutaka Kagawa, Head of Corporate Planning Division.

### INTERIM DIVIDEND

The Board does not recommend declaring any dividend for 6M2019.

# Report on Review of Interim Financial Information

## TO THE BOARD OF DIRECTORS OF OKURA HOLDINGS LIMITED

*(incorporated in Hong Kong with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 48, which comprises the interim condensed consolidated statement of financial position of Okura Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 December 2019 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants or International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” and International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Report on Review of Interim Financial Information

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” and International Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 27 February 2020



# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2019

		(Unaudited) Six months ended 31 December	
	Note	2019 ¥million	2018 ¥million
<b>Revenue</b>	6	<b>4,032</b>	4,176
Other income	7	<b>283</b>	255
Other gains/(losses), net	7	<b>32</b>	(7)
Hall operating expenses	8	<b>(3,517)</b>	(3,613)
Administrative and other operating expenses	8	<b>(413)</b>	(437)
<b>Operating profit</b>		<b>417</b>	374
Finance income		<b>55</b>	18
Finance costs		<b>(137)</b>	(62)
Finance costs, net	9	<b>(82)</b>	(44)
<b>Profit before income tax</b>		<b>335</b>	330
Income tax expense	10	<b>(111)</b>	(130)
<b>Profit for the period attributable to shareholders of the Company</b>		<b>224</b>	200
<b>Earnings per share attributable to shareholders of the Company for the period (expressed in ¥ per share)</b>			
Basic	11	<b>0.448</b>	0.400
Diluted	11	<b>0.448</b>	0.400
<b>Profit for the period</b>		<b>224</b>	200
<b>Other comprehensive income/(loss)</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Change in fair value of equity investments at fair value through other comprehensive income		<b>7</b>	(9)
Deferred income tax arising from fair value change		<b>(2)</b>	2
<b>Total comprehensive income for the period attributable to shareholders of the Company</b>		<b>229</b>	193

The notes on pages 26 to 48 are an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2019

	<i>Note</i>	<b>(Unaudited) 31 December 2019 ¥million</b>	(Audited) 30 June 2019 ¥million
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>10,128</b>	10,376
Right-of-use of assets	3	<b>10,189</b>	—
Investment properties	13	<b>2,257</b>	2,279
Intangible assets	13	<b>761</b>	768
Prepayments, deposits and other receivables		<b>1,067</b>	810
Financial assets at fair value through other comprehensive income		<b>40</b>	33
Financial assets at fair value through profit or loss		<b>167</b>	62
Financial assets at amortised cost		<b>500</b>	500
Deferred income tax assets		<b>459</b>	430
		<b>25,568</b>	15,258
<b>Current assets</b>			
Inventories		<b>108</b>	71
Prepayments, deposits and other receivables		<b>456</b>	700
Financial assets at fair value through profit or loss		<b>299</b>	514
Financial assets at amortised cost		<b>500</b>	500
Income tax recoverable		<b>42</b>	9
Short-term bank deposits		<b>100</b>	100
Cash and cash equivalents		<b>2,291</b>	2,565
		<b>3,796</b>	4,459
<b>Total assets</b>		<b>29,364</b>	19,717
<b>Equity and liabilities</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	14	<b>20,349</b>	20,349
Reserves	14	<b>(9,702)</b>	(8,932)
<b>Total equity</b>		<b>10,647</b>	11,417

The notes on pages 26 to 48 are an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2019

	<i>Note</i>	<b>(Unaudited) 31 December 2019 ¥million</b>	(Audited) 30 June 2019 ¥million
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	17	<b>3,444</b>	3,802
Financial liabilities at fair value through profit or loss		—	4
Obligations under finance leases	3	—	924
Lease liabilities	3	<b>11,267</b>	—
Accruals, provisions and other payables		<b>353</b>	352
Employee benefit obligations	16	<b>98</b>	116
Deferred income tax liabilities		<b>443</b>	485
		<b>15,605</b>	5,683
<b>Current liabilities</b>			
Borrowings	17	<b>715</b>	730
Trade payables	15	<b>25</b>	26
Accruals, provisions and other payables		<b>1,313</b>	1,191
Amount due to a related party		—	213
Obligations under finance leases	3	—	303
Lease liabilities	3	<b>941</b>	—
Current income tax liabilities		<b>118</b>	154
		<b>3,112</b>	2,617
<b>Total liabilities</b>		<b>18,717</b>	8,300
<b>Total equity and liabilities</b>		<b>29,364</b>	19,717

The condensed consolidated interim financial information on pages 20 to 48 were approved by the Company's Board of Directors on 27 February 2020 and were signed on its behalf.

**Katsuya Yamamoto**  
Director

**Yukata Kagawa**  
Director

The notes on pages 26 to 48 are an integral part of this interim condensed consolidated financial information.



# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

	Attributable to shareholders of the Company (Unaudited)					
	Share capital (Note 14) ¥million	Capital reserve (Note 14(a)) ¥million	Legal reserve (Note 14(b)) ¥million	Investment revaluation reserve (Note 14(c)) ¥million	Retained earnings ¥million	Total ¥million
<b>Balance at 1 July 2018</b>	20,349	(12,837)	40	19	3,254	10,825
Profit for the period	—	—	—	—	200	200
<b>Other comprehensive income</b>						
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	(7)	—	(7)
<b>Total comprehensive (loss)/income</b>	—	—	—	(7)	200	193
<b>Balance at 31 December 2018</b>	20,349	(12,837)	40	12	3,454	11,018

The notes on pages 26 to 48 are an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

	Attributable to shareholders of the Company (Unaudited)					
	Share capital (Note 14) ¥million	Capital reserve (Note 14(a)) ¥million	Legal reserve (Note 14(b)) ¥million	Investment revaluation reserve (Note 14(c)) ¥million	Retained earnings ¥million	Total ¥million
<b>Balance at 1 July 2019</b>	<b>20,349</b>	<b>(12,837)</b>	<b>40</b>	<b>10</b>	<b>3,855</b>	<b>11,417</b>
Adoption of accounting standard (Note 3(b))	—	—	—	—	(999)	(999)
<b>Restated total equity at 1 July 2019</b>	<b>20,349</b>	<b>(12,837)</b>	<b>40</b>	<b>10</b>	<b>2,856</b>	<b>10,418</b>
Profit for the period	—	—	—	—	224	224
<b>Other comprehensive loss</b>						
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	5	—	5
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5</b>	<b>224</b>	<b>229</b>
<b>Balance at 31 December 2019</b>	<b>20,349</b>	<b>(12,837)</b>	<b>40</b>	<b>15</b>	<b>3,080</b>	<b>10,647</b>

The notes on pages 26 to 48 are an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2019

		<b>(Unaudited)</b>	
		<b>Six months ended</b>	
		<b>31 December</b>	
	<i>Note</i>	<b>2019</b>	2018
		<b>¥million</b>	¥million
<b>Cash flows from operating activities</b>			
Cash generated from operations		<b>967</b>	1,244
Income tax (paid)/refunded		<b>(201)</b>	23
Interest received		<b>55</b>	17
Interest paid		<b>(137)</b>	(61)
Net cash generated from operating activities		<b>684</b>	1,223
<b>Cash flows from investing activities</b>			
Purchase of financial assets at amortised cost		<b>—</b>	(1,000)
Purchase of financial assets at fair value through profit or loss		<b>(315)</b>	(1)
Proceeds from sales of financial assets at fair value through profit or loss		<b>431</b>	—
Purchase of property, plant and equipment	13	<b>(81)</b>	(75)
Purchase of intangible assets	13	<b>(9)</b>	(1)
Proceeds from disposal of property, plant and equipment and intangible assets		<b>—</b>	6
Net cash generated from/(used in) investing activities		<b>26</b>	(1,071)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		<b>(373)</b>	(426)
Repayment of obligations under finance leases		<b>—</b>	(150)
Principle elements of lease payments		<b>(611)</b>	—
Net cash used in financing activities		<b>(984)</b>	(576)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the period		<b>2,565</b>	2,904
Cash and cash equivalents at end of the period		<b>2,291</b>	2,480

The notes on pages 26 to 48 are an integral part of this interim condensed consolidated financial information.

# Notes to the Condensed Consolidated Interim Financial Information

## 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 (the “Business”) in Japan.

The Company has its primary listing on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed consolidated interim financial information are presented in millions of Japanese Yen (“¥”), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue by the board of directors (the “Board”) of the Company on 27 February 2020.

This condensed consolidated interim financial information has not been audited.

The defined terms used in this condensed consolidated interim financial information have the same meaning as those set out in the Group’s annual report 2019 published on 16 October 2019 (the “Annual Report 2019”), unless otherwise stated.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 December 2019 has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim Financial Reporting’ issued by the International Accounting Standards Board (“IASB”) and Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Hong Kong Financial Reporting Standards (“HKFRS”) is substantially consistent with International Financial Reporting Standards (“IFRS”) and the accounting policy selections that the Group has made in preparing the condensed consolidated interim financial information are such that the Group is able to comply with both IFRS and HKFRS. Reference to IFRS, IAS and Interpretations developed by the IFRS Interpretations Committee (“IFRIC”) in the condensed consolidated interim financial information should be read as referring to the equivalent HKFRS, 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 condensed consolidated interim financial information.

The condensed consolidated interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2019, which have been prepared in accordance with IFRS and HKFRS. Income tax expenses in the interim periods are accrued using the tax rate that would be applicable to expected total annualised profit or loss.



# Notes to the Condensed Consolidated Interim Financial Information

## 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2019, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to the expected total annual earnings and the adoption of amendments to IFRSs effective for the financial year ending 30 June 2020.

### (a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2019:

IAS 19 (Amendment)	Employee Benefits
IAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
IFRS 9 (Amendment)	Prepayment features with Negative Compensation
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatment
Annual Improvements to IFRS	Annual Improvement 2015–2017 Cycle

The impact of the adoption of IFRS 16 is disclosed in Note 3(b) below. The adoption of other new or amendments to existing standards or interpretations did not have significant impacts on the Group's results and financial position.

### (b) Adoption of IFRS 16 "Leases"

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively from 1 July 2019 and recognised the cumulative effect of initially applying the new standard on 1 July 2019 as permitted under the specific transitional provisions in the standard.

#### (i) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.55%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease assets and lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

# Notes to the Condensed Consolidated Interim Financial Information

## 3 ACCOUNTING POLICIES (continued)

### (b) Adoption of IFRS 16 "Leases" (continued)

#### (i) Adjustments recognised on adoption of IFRS 16 (continued)

	2019 ¥million
Operating lease commitments disclosed as at 1 July 2019	902
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(91)
Add: Finance lease liabilities recognised as at 30 June 2019	1,227
Add: Adjustment as a result of different treatment of extension and termination options	10,794
(Less): Short-term leases recognised on a straight-line basis as expense	(13)
<b>Lease liabilities recognised as at 1 July 2019</b>	<b>12,819</b>
Of which are:	
Current lease liabilities	1,113
Non-current lease liabilities	11,706
	12,819

Right-of use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

The recognised right-of-use assets relate to the following types of assets:

	2019 ¥million
Land	924
Buildings	9,720
Leasehold improvements	299
Equipment and tools	334
Computer software	5
<b>Total right-of-use assets</b>	<b>11,282</b>

# Notes to the Condensed Consolidated Interim Financial Information

## 3 ACCOUNTING POLICIES *(continued)*

### (b) Adoption of IFRS 16 "Leases" *(continued)*

#### (i) Adjustments recognised on adoption of IFRS 16 *(continued)*

The following table shows the adjustment for the change in accounting policy recognised for each individual line item. Line items that were not affected by the changes have not been included.

Condensed Consolidated Statement of financial position (extracted)	As at 1 July 2019		
	As originally presented	Adjustment under IFRS 16	Restated
	¥million	¥million	¥million
<b>Current assets</b>			
Prepayments, deposits and other receivables	700	(77)	623
<b>Non-current assets</b>			
Property, plant and equipment	10,376	(665)	9,711
Investment properties	2,279	—	2,279
Right-of-use assets	—	11,282	11,282
<b>Non-current liabilities</b>			
Lease liabilities	—	11,706	11,706
Obligation under finance leases	924	(924)	—
Deferred income tax liabilities	485	(53)	432
<b>Current liabilities</b>			
Lease liabilities	—	1,113	1,113
Obligation under finance leases	303	(303)	—
<b>Equity</b>			
Retained earnings	3,855	(999)	2,856

# Notes to the Condensed Consolidated Interim Financial Information

## 3 ACCOUNTING POLICIES *(continued)*

### (b) Adoption of IFRS 16 "Leases" *(continued)*

#### (ii) Impact on segment disclosures and earnings per share

Segment EBITDA for the six months period ended 31 December 2019, segment assets as at 31 December 2019 changes as a result of change in accounting policy as follows:

	<b>As originally presented ¥million</b>	<b>Adjustment under IFRS 16 ¥million</b>	<b>Restated ¥million</b>
Pachinko and pachislot hall operation	<b>11,908</b>	<b>10,567</b>	<b>22,475</b>
Property rental	<b>2,401</b>	<b>—</b>	<b>2,401</b>
Others	<b>215</b>	<b>47</b>	<b>262</b>
Unallocated	<b>3,154</b>	<b>34</b>	<b>3,188</b>

There was no material impact on earnings per share for the six months ended 31 December 2019 as a result of the adoption of IFRS 16.

#### (iii) Practical expedient applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.



# Notes to the Condensed Consolidated Interim Financial Information

## 3 ACCOUNTING POLICIES *(continued)*

### (b) Adoption of IFRS 16 "Leases" *(continued)*

#### (iv) The Group's leasing activities and how these are accounted for

The Group leases various land, pachinko and pachislot halls, equipment and motor vehicles. Rental contracts are typically made for fixed periods of 3 to 25 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the financial year ended 30 June 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

# Notes to the Condensed Consolidated Interim Financial Information

## 3 ACCOUNTING POLICIES *(continued)*

### (b) Adoption of IFRS 16 "Leases" *(continued)*

#### (iv) The Group's leasing activities and how these are accounted for *(continued)*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer equipment and small items of office furniture.

#### (v) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended for (or not terminated).

# Notes to the Condensed Consolidated Interim Financial Information

## 4 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2019, with the exception of changes in estimates that are required in determining the provision for income taxes.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Annual Report 2019.

There have been no changes in the risk management policies since year end.

### 5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

### 5.3 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).

# Notes to the Condensed Consolidated Interim Financial Information

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

### 5.3 Fair value estimation *(continued)*

- 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
<b>As at 31 December 2019</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
— Debt securities	—	460	1	461
— Foreign currency swap	—	5	—	5
Financial assets at fair value through other comprehensive income				
— Listed securities	37	—	—	37
— Unlisted securities	—	—	3	3
	37	465	4	506
<b>As at 30 June 2019</b>				
<b>Assets</b>				
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
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
— Foreign currency swap	—	(4)	—	(4)



# Notes to the Condensed Consolidated Interim Financial Information

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

### 5.3 Fair value estimation *(continued)*

There were no transfers between levels 1, 2 and 3 during the six months ended 31 December 2019 and during the year ended 30 June 2019.

### 5.4 Fair value measurements using significant unobservable inputs (Level 3)

	Financial assets at fair value through other comprehensive income ¥million	Financial assets at fair value through profit or loss ¥million	Total ¥million
<b>Six months ended 31 December 2019</b>			
Balance at 30 June 2019 (Audited) and 31 December 2019 (Unaudited)	3	1	4
<b>Six months ended 31 December 2018</b>			
Balance at 1 July 2018 (Audited)	4	1	5
Fair value loss on valuation (Unaudited)	(1)	—	(1)
Balance at 31 December 2018 (Unaudited)	3	1	4

# Notes to the Condensed Consolidated Interim Financial Information

## 6 REVENUE AND SEGMENT INFORMATION

### (a) Revenue

	(Unaudited) Six months ended 31 December	
	2019 ¥million	2018 ¥million
<b>Revenue</b>		
Gross pay-ins	<b>17,383</b>	17,714
Less: gross pay-outs	<b>(13,582)</b>	(13,740)
Revenue from pachinko and pachislot hall business	<b>3,801</b>	3,974
Vending machine income	<b>66</b>	65
Property rental	<b>139</b>	137
Revenue from other operation	<b>26</b>	—
	<b>4,032</b>	4,176

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

### (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 condensed consolidated interim financial information.

The management has identified three reportable segments based on the types of services, namely (i) pachinko and pachislot hall operation; (ii) property rental; and (iii) others.

# Notes to the Condensed Consolidated Interim Financial Information

## 6 REVENUE AND SEGMENT INFORMATION *(continued)*

### (b) Segment information *(continued)*

Segment assets consist primarily of property, plant and equipment, investment properties, intangible assets, inventories, prepayments, deposits and other receivables, right-of-use assets, cash and cash equivalents, deferred income tax assets and assets used for corporate functions including financial assets at fair value through profit or loss, financial assets at amortised cost 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 and corporate expenses are not included in segment results.

The segment information provided to the executive directors for the six months ended 31 December 2019 and 2018 are as follows:

	Six months ended 31 December 2019 (Unaudited)			
	Pachinko and pachislot hall operation ¥million	Property rental ¥million	Others ¥million	Total ¥million
<b>Segment revenue from external customers</b>	<b>3,867</b>	<b>140</b>	<b>25</b>	<b>4,032</b>
<b>Segment results</b>	<b>476</b>	<b>83</b>	<b>2</b>	<b>561</b>
Unallocated amounts				(226)
Profit before income tax				335
Income tax expense				(111)
<b>Profit for the period</b>				<b>224</b>

# Notes to the Condensed Consolidated Interim Financial Information

## 6 REVENUE AND SEGMENT INFORMATION *(continued)*

### (b) Segment information *(continued)*

	Six months ended 31 December 2019 (Unaudited)				
	Pachinko and pachislot hall operation ¥million	Property rental ¥million	Others ¥million	Unallocated ¥million	Total ¥million
<b>Other segment items</b>					
Depreciation and amortisation	(650)	(22)	(8)	(38)	(718)
Finance income	—	—	—	55	55
Finance costs	(113)	(22)	—	(2)	(137)
Capital expenditures	(80)	(1)	(9)	—	(90)

	Six months ended 31 December 2018 (Unaudited)			
	Pachinko and pachislot hall operation ¥million	Property rental ¥million	Others ¥million	Total ¥million
<b>Segment revenue from external customers</b>	4,039	137	—	4,176
<b>Segment results</b>	601	77	—	678
Unallocated amounts				(348)
Profit before income tax				330
Income tax expense				(130)
<b>Profit for the period</b>				200

# Notes to the Condensed Consolidated Interim Financial Information

## 6 REVENUE AND SEGMENT INFORMATION *(continued)*

### (b) Segment information *(continued)*

Six months ended 31 December 2018 (Unaudited)					
	Pachinko and pachislot hall operation ¥million	Property rental ¥million	Others ¥million	Unallocated ¥million	Total ¥million
<b>Other segment items</b>					
Depreciation and amortisation	(294)	(25)	—	(9)	(328)
Finance income	—	—	—	18	18
Finance costs	(40)	(22)	—	—	(62)
Capital expenditures	(76)	—	—	—	(76)
	<b>Pachinko and pachislot hall operation ¥million</b>	<b>Property rental ¥million</b>	<b>Others ¥million</b>	<b>Total ¥million</b>	
<b>As at 31 December 2019 (Unaudited)</b>					
<b>Segment assets</b>	<b>22,403</b>	<b>2,391</b>	<b>61</b>	<b>24,855</b>	
Unallocated assets				<b>4,598</b>	
<b>Total assets</b>				<b>29,453</b>	
<b>As at 30 June 2019 (Audited)</b>					
<b>Segment assets</b>	11,908	2,401	4	14,313	
Unallocated assets				5,404	
<b>Total assets</b>				<b>19,717</b>	

No single external customer contributed more than 10% revenue to the Group's revenue for the six months ended 31 December 2019 and 2018.



# Notes to the Condensed Consolidated Interim Financial Information

## 6 REVENUE AND SEGMENT INFORMATION *(continued)*

### (b) Segment information *(continued)*

The Group is domiciled in Japan and majority of the non-current assets of the Group as at 31 December 2019 and 30 June 2019 are located in Japan.

## 7 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	(Unaudited)	
	Six months ended 31 December	
	2019 ¥million	2018 ¥million
<b>Other income</b>		
Income from scrap sales of used pachinko machines	265	232
Rental income from staff quarters	—	1
Income from expired IC card	4	4
Others	14	18
	<b>283</b>	255
<b>Other gains/(losses), net</b>		
Exchange gains, net	10	1
Losses on disposal of property, plant and equipment and intangible assets, net	(4)	(16)
Gains/(losses) on fair value change on financial assets at fair value through profit or loss	18	(7)
Others	8	15
	<b>32</b>	(7)

## Notes to the Condensed Consolidated Interim Financial Information

### 8 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	(Unaudited) Six months ended 31 December	
	2019 ¥million	2018 ¥million
Pachinko and pachislot machines expenses (Note)	1,525	1,418
Auditor's remuneration	14	15
Employee benefits expenses	704	787
Operating lease rental expense in respect of land and buildings	17	473
Depreciation and amortisation	718	328
(Reversal of provision)/provision for onerous lease	(4)	5
Provision for unrecoverable prepayments	—	18
Impairment loss property, plant and equipment	1	1

Note: Pachinko and pachislot machines are expensed off in the interim condensed consolidated statement of comprehensive income upon installation. The expected useful lives of these machines are less than one year.

### 9 FINANCE COSTS, NET

	(Unaudited) Six months ended 31 December	
	2019 ¥million	2018 ¥million
<b>Finance income</b>		
Interest income	4	4
Interest from debt securities	51	14
	55	18
<b>Finance costs</b>		
Interest expenses on obligations under finance leases	—	(34)
Interest expense on lease liabilities	(108)	—
Bank borrowings interest expenses	(27)	(27)
Bond interest expenses	(2)	(1)
	(137)	(62)
Finance costs, net	(82)	(44)

# Notes to the Condensed Consolidated Interim Financial Information

## 10 INCOME TAX EXPENSE

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

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 six months ended 31 December 2019 and 2018.

	<b>(Unaudited)</b> <b>Six months ended</b> <b>31 December</b>	
	<b>2019</b>	2018
	<b>¥million</b>	¥million
Current income tax		
— Japan corporate income tax	<b>132</b>	115
Deferred income tax	<b>(21)</b>	15
	<b>111</b>	130

## 11 EARNINGS PER SHARE

Basic earnings per share for the six months ended 31 December 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 period.

	<b>(Unaudited)</b> <b>Six months ended</b> <b>31 December</b>	
	<b>2019</b>	2018
Profit attributable to shareholders of the Company (¥million)	<b>224</b>	200
Weighted average number of ordinary shares in issue (million)	<b>500</b>	500
Basic and diluted earnings per share (¥)	<b>0.448</b>	0.400

No diluted earnings per share is presented as there was no potential dilutive share during the six months ended 31 December 2019 and 2018. Diluted earnings per share is equal to the basic earnings per share.

# Notes to the Condensed Consolidated Interim Financial Information

## 12 DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2019 (30 June 2019: Nil).

## 13 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

During the six months ended 31 December 2019, the Group incurred capital expenditures of approximately ¥81 million (six months ended 31 December 2018: ¥75 million) and ¥9 million (six months ended 31 December 2018: ¥1 million) for property, plant and equipment and intangible assets, respectively, and there was no capital expenditures incurred for investment properties (six months ended 31 December 2018: Nil).

During the six months ended 31 December 2019, the net book amounts of disposed property, plant and equipment amount to approximately ¥4 million (six months ended 31 December 2018: ¥22 million) and there was no disposal of investment properties and intangible asset (six months ended 31 December 2018: Nil).

# Notes to the Condensed Consolidated Interim Financial Information

## 14 SHARE CAPITAL AND RESERVE

	Number of shares million	Share capital ¥million
At 1 July 2018, 31 December 2018, 1 July 2019 and 31 December 2019	500	20,349

### (a) Capital reserve

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

### (b) Legal reserve

The Japan Companies Act provides that a 10% dividend paid during the year shall be appropriated as legal reserve (a component of either capital surplus or retained earnings) until an aggregate amount of legal capital reserve and legal retained earnings equals 25% of share capital. The legal reserve 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 31 December 2019 and 30 June 2019.



# Notes to the Condensed Consolidated Interim Financial Information

## 15 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice date as at 31 December 2019 and 30 June 2019 were as follows:

	<b>(Unaudited)</b> <b>31 December</b> <b>2019</b> <b>¥million</b>	(Audited) 30 June 2019 ¥million
Less than 30 days	<b>25</b>	26

The carrying amounts of trade payables approximate their fair values as at 31 December 2019 and 30 June 2019 and are denominated in Japanese Yen.

## 16 EMPLOYEE BENEFIT OBLIGATIONS

	<b>(Unaudited)</b> <b>31 December</b> <b>2019</b> <b>¥million</b>	(Audited) 30 June 2019 ¥million
Long term benefit obligations for Yamamoto Family (Note)	<b>63</b>	81
Retirement benefit obligations for employees	<b>35</b>	35
	<b>98</b>	116

Note:

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

As at 31 December 2019, long term benefit obligations for Yamamoto Family represents the provision on the lump-sum payment made to one (30 June 2019: two) Yamamoto Family members as a recognition of their 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 which were approved by the Board of Directors, 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.

# Notes to the Condensed Consolidated Interim Financial Information

## 17 BORROWINGS

	<b>(Unaudited)</b> <b>31 December</b> <b>2019</b> <b>¥million</b>	(Audited) 30 June 2019 ¥million
<b>Non-current portion</b>		
Bank loans	<b>3,317</b>	3,643
Bonds	<b>127</b>	159
	<b>3,444</b>	3,802
<b>Current portion</b>		
Bank loans	<b>650</b>	665
Bonds	<b>65</b>	65
	<b>715</b>	730
Total borrowings	<b>4,159</b>	4,532

## 18 COMMITMENTS

### (a) Capital commitments

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

	<b>(Unaudited)</b> <b>31 December</b> <b>2019</b> <b>¥million</b>	(Audited) 30 June 2019 ¥million
Property, plant and equipment		
— Capital expenditure contracted for but not yet incurred	<b>3</b>	50

# Notes to the Condensed Consolidated Interim Financial Information

## 18 COMMITMENTS *(continued)*

### (b) Operating lease commitments

#### (i) As a lessee

As at 31 December 2019 and 30 June 2019, 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:

	<b>(Unaudited)</b> <b>31 December</b> <b>2019</b> <b>¥million</b>	(Audited) 30 June 2019 ¥million
No later than one year	11	860
Later than one year and no later than five years	—	17
Over five years	—	25
	<b>11</b>	<b>902</b>

#### (ii) As a lessor

As at 31 December 2019 and 30 June 2019, the Group's future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	<b>(Unaudited)</b> <b>31 December</b> <b>2019</b> <b>¥million</b>	(Audited) 30 June 2019 ¥million
No later than one year	48	50

# Notes to the Condensed Consolidated Interim Financial Information

## 19 RELATED PARTY TRANSACTIONS

For the purposes of the condensed consolidated interim financial information, 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.

### (a) Transactions with related parties

The following transactions were undertaken by the Group with related parties during the six months ended 31 December 2019 and 2018:

	<b>(Unaudited)</b> <b>Six months ended</b> <b>31 December</b>	
	<b>2019</b>	2018
	<b>¥million</b>	¥million
Rental income received from:		
— Katsumitsu Yamamoto	—	1

The above transaction with related parties was conducted in the ordinary course of the business of the Group based on the terms mutually agreed between the relevant parties.

### (b) Key management compensation

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

	<b>(Unaudited)</b> <b>Six months ended</b> <b>31 December</b>	
	<b>2019</b>	2018
	<b>¥million</b>	¥million
Salaries and other short-term employee benefits	114	104