OKURA HOLDINGS LIMITED

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

2024-2025
INTERIM REPORT

This report is printed on environmentally friendly paper

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Katsuya YAMAMOTO (Chairman)
Mr. Yutaka KAGAWA

Independent Non-executive Directors

Mr. Kazuyuki YOSHIDA
Ms. Mariko YAMAMOTO
Mr. Masaaki AYRES (alias Gettefeld AYRES)

COMPANY SECRETARY

Mr. MAN Yun Wah

AUDIT COMMITTEE

Mr. Kazuyuki YOSHIDA (Chairman)
Ms. Mariko YAMAMOTO
Mr. Masaaki AYRES (alias Gettefeld AYRES)

REMUNERATION COMMITTEE

Mr. Kazuyuki YOSHIDA (Chairman)
Mr. Katsuya YAMAMOTO
Mr. Yutaka KAGAWA
Ms. Mariko YAMAMOTO
Mr. Masaaki AYRES (alias Gettefeld AYRES)

NOMINATION COMMITTEE

Mr. Katsuya YAMAMOTO (Chairman)
Mr. Yutaka KAGAWA
Mr. Kazuyuki YOSHIDA
Ms. Mariko YAMAMOTO
Mr. Masaaki AYRES (alias Gettefeld AYRES)

RISK MANAGEMENT COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Yutaka KAGAWA
Mr. MAN Yun Wah

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Nagasaki City, Nagasaki Prefecture
Japan 850–0853

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

HONG KONG LEGAL ADVISOR

Taylor Wessing
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Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

1655

COMPANY'S WEBSITE

www.okura-holdings.com

Management Discussion and Analysis

INDUSTRY AND BUSINESS REVIEW

Okura Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is a pachinko and pachislot hall operator in Japan. It currently operates 10 pachinko and pachislot halls in the Kyushu, Kanto, Kansai and Chugoku regions in Japan under the trading names "Big Apple.", "K's Plaza" and "SENKURA".

Despite the recent global instability which discouraged consumers from spending money on entertainment activities, the Group observed a recovery of customer traffic at most of its pachinko and pachislot halls in the six months ended 31 December 2024 ("**6M2025**") after the Japanese government had downgraded the legal status of the Coronavirus Disease 2019 ("**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 on 8 May 2023 as disclosed in previous interim reports and annual reports of the Company. Customer traffic in urban areas specifically has experienced a steady recovery during 6M2025. Further, the introduction of (i) a newer version of pachislot machines in June 2022 which contains more gambling elements as compared with the former version (the "**6.5 Model Pachislot Machines**"), (ii) a new model of pachislot machines (the "**Smart Slot Machines**") in November 2022, and (iii) a new model of pachinko machines (the "**Smart Pachinko Machines**") in April 2023 has also contributed to the recovery of customer traffic at the Group's pachinko and pachislot halls. Furthermore, new pachinko machines equipped with a function named "Lucky Trigger" (the "**Lucky Trigger Machines**") were also introduced in the Group's pachinko and pachislot halls in March 2024, these machines enable customers to expect higher payouts and are able to attract the younger generation, and as a result, have contributed to the increase in the overall utilisation rate of pachinko machines in the Group's halls. The Group expects the Lucky Trigger Machines to generate more revenue for its pachinko and pachislot halls in the future.

The Group's total revenue remained steady in 6M2025 and recorded a slight decrease of approximately ¥3 million, or approximately 0.1%, from approximately ¥3,191 million in 6M2024 to approximately ¥3,188 million in 6M2025.

Further, the Group has recorded a decrease in profit before income tax by approximately ¥482 million, or approximately 44.1%, from approximately ¥1,092 million in the six months ended 31 December 2023 ("**6M2024**") to approximately ¥610 million in 6M2025. This decrease was mainly attributable to the absence of gains on lease modification in 6M2025, while gains on lease modification of approximately ¥1,027 million was recorded in 6M2024 resulting from the early termination of the lease for the properties of one of the Group's pachinko and pachislot halls and parking lots (i.e., BA. Shunan Hall) at Azakaisakuminami, Oazakuriya, Shunan-Shi, Yamaguchi Prefecture, Japan due to the Group's acquisition of such properties in November 2023 for the continual operation of such pachinko and pachislot hall and car parking lots, as disclosed in the Company's announcement dated 9 November 2023. Such decrease in profit was partially offset by (i) the decrease in hall operating expenses by approximately ¥498 million, and (ii) the decrease in administrative and other operating expenses by approximately ¥75 million, in 6M2025 as compared with that in 6M2024. The Group will continue to explore new measures and opportunities to improve the Group's operational performance and diversity its income sources.

CONTINUING TO DIVERSIFY THE GROUP'S REVENUE STREAMS

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 6M2025, the Group derived revenue from its pachinko and pachislot hall business, its vending machines, its rental properties including but not limited to premises of commercial facilities and residential units, and its other operations such as the provision of motor vehicle rental services.

On 26 July 2018, the Company entered into two agreements pursuant to which the Company subscribed for two series of bonds issued by 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, 27 January 2023 and 25 January 2024, 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. On 30 July 2024, the Company, the Bond Issuer and Everglory Capital entered into another amendment agreement to further extend the maturity/redemption date of the 1st Series Bond. Such amendments enable the Group to extend its investment and generate more income from the Bonds, which constitutes a stable revenue stream for the Group. For details, please refer to the announcements of the Company dated 26 July 2018, 25 January 2019, 24 January 2020, 25 January 2021, 30 July 2021, 25 January 2022, 27 January 2023, 25 January 2024 and 30 July 2024 and the circulars of the Company dated 29 October 2021 and 30 September 2024.

The Group will continue exploring alternative streams of income to improve its financial performance.

COPING WITH OBSTACLES AND UNCERTAINTIES FROM REGULATORY MEASURES

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

In response to the 2018 Regulations, the Group's management has been striving to source the most attractive machines available in the market to provide a favourable mix of machines in the Group's pachinko and pachislot halls to increase customer traffic. The Group introduced the 6.5 Model Pachislot Machines, the Smart Slot Machines and the Smart Pachinko Machines in June 2022, November 2022 and April 2023, respectively with an aim of attracting more customers and improving the Group's revenue. For the 6.5 Model Pachislot Machines, the applicable voluntary regulations revised the upper limit on the number of games during advantageous section and the method of managing the upper limit on medal pay-out, which enable machines to be designed so that players always have a chance to win. The Smart Slot Machines and Smart Pachinko Machines serve to eliminate and replace the need to insert physical tokens or pachinko balls directly into the machines to play and instead the number of tokens or pachinko balls a customer has is transferred onto an electronic card. As of 31 December 2024, the ratio of Smart Slot Machines and Smart Pachinko Machines to the Group's total installed slot machines and pachinko machines were approximately 54.5% and 10.7%, respectively, accounting for approximately 31.7% of the Group's installed machines in total. The directors of the Company (the "**Directors**") have observed that the Smart Slot Machines and Smart Pachinko Machines have gained popularity among certain customers who are interested in new models and care about hygiene as they need not touch physical tokens or pachinko balls which have been handled by other customers. It is therefore expected that the Smart Slot Machines and Smart Pachinko Machines will continue to attract more players. Moving forward, the Company will closely monitor the performance of the Smart Slot Machines and Smart Pachinko Machines at its pachinko and pachislot halls and implement suitable marketing and promotion schemes.

In Japan, new banknotes were issued in July 2024. Pachinko hall operators nationwide have been taking steps to update their equipment for the new banknotes, which has imposed a significant financial burden due to the high expenses involved. However, the Group has taken early steps to address this issue and completed the purchase of the necessary equipment compatible with the new banknotes during the year ended 30 June 2024 ("**FY2024**") at its pachinko and pachislot halls. Although the impact of such is not immediately clear, the Group expects small pachinko hall operators, with more limited capital resources to be eliminated from the market due to the high expenses involved, thus allowing the Group to acquire more customers in the market.

MARKET THREATS AND PROSPECTS

Although the past financial years have been challenging for Japan's pachinko industry overall due to the outbreak of COVID-19 and the overall global macroeconomic environment, which has generally led to decreased number of customers and higher operating costs, the Group's operational and financial performance has remained steady for 6M2025 as a result of the management's efforts in prioritising the Group's resources in the recovery of customer traffic, and taking proactive steps to manage its operating costs. In order to diversify the Group's customer base, the Group also introduced new pachinko and pachislot machines with higher level of digitalisation, such as the Smart Slot Machines and Smart Pachinko Machines and adopted the use of social media and other digital marketing methods to enhance the attractiveness of its halls among younger generation. As the Group considers that many customers have become more concerned with personal hygiene following the outbreak of COVID-19, it has implemented various measures to assure the health and safety of its customers who come to their pachinko and pachislot halls. For instance, the Company has adopted a prize-exchange system called "Self-POS System" at several of its pachinko and pachislot halls which enables customers to exchange their prizes on their own without requiring the assistance of the Group's staff, thereby reducing the need for human interaction between the Group's staff and the customers. The implementation of the Self-POS system together with the introduction of the Smart Slot Machines and Smart Pachinko Machines have also greatly contributed to the improvement in work efficiency and reduced the number of manpower required at the Group's pachinko and pachislot halls.

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

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 motor vehicle rental services. During 6M2025, revenue from pachinko and pachislot hall business remained the majority source of income for the Group, accounting for approximately 92.0% of the Group's total revenue (6M2024: approximately 92.4%). The Group's total revenue decreased slightly by approximately ¥3 million, or approximately 0.1%, from approximately ¥3,191 million in 6M2024 to approximately ¥3,188 million in 6M2025. This decrease was mainly a result of the decrease in revenue generated from the pachinko and pachislot business and vending machine income of K's Plaza Ohato* (ケイズプラザ大波止) located at 10–5, Motofuna-machi, Nagasaki City, Nagasaki Prefecture, Japan ("**K's Plaza Ohato**") by approximately ¥150 million following its closure in January 2024 as disclosed in the Company's announcement dated 9 January 2024. Such decrease was offset by (i) the increase in revenue generated from the pachinko and pachislot business from the Group's other pachinko and pachislot halls amounting to approximately ¥136 million, which was mainly attributable to an increase in customer turnover for certain Smart Slot Machines and Smart Pachinko Machines during 6M2025, and (ii) the increase in rental income of approximately ¥14 million, which included an increase of approximately ¥3 million in property rental income as a result of securing a new tenant for one of the Group's investment properties in September 2024, and an increase of approximately ¥7 million in income from renting out car parks following the closure of K's Plaza Ohato in January 2024 which parking lot was previously used free of charge by its customers.

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 relatively stable, with a slight decrease of approximately ¥3 million, or approximately 6.0%, from approximately ¥50 million in 6M2024 to approximately ¥47 million in 6M2025.

The Group derived rental income from renting out (i) premises to G-prize wholesalers, (ii) car parks, (iii) commercial facilities, and (iv) residential units. Property rental income increased by approximately ¥14 million, or approximately 7.3%, from approximately ¥191 million in 6M2024 to approximately ¥205 million in 6M2025 mainly due to (i) an increase of approximately ¥3 million in property rental income as a result of securing a new tenant for one of the Group's investment properties in September 2024, and (ii) an increase of approximately ¥7 million in income from renting out car parks following the closure of K's Plaza Ohato in January 2024 which parking lot was previously used free of charge by its customers.

The Group derived income from other operations mainly relating to the provision of motor vehicle rental services. Such income from other operations remained stable in 6M2025.

Gross pay-ins

The Group's gross pay-ins represent the gross amount received from customers for the rental of pachinko balls and pachislot tokens. Gross pay-ins are primarily affected by the level of customer spending at the Group's pachinko and pachislot halls. The Group's accounting policy recognises gross pay-ins net of consumption tax. The consumption tax rate in Japan was 10% during 6M2025.

The Group's gross pay-ins recorded a decrease of approximately ¥348 million, or approximately 2.1%, from approximately ¥16,372 million in 6M2024 to approximately ¥16,024 million in 6M2025, 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 a decrease of approximately ¥334 million, or approximately 2.5%, from approximately ¥13,424 million in 6M2024 to approximately ¥13,090 million in 6M2025 as a result of the decrease 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 relatively stable at approximately 18.3% for 6M2025 as compared with approximately 18.0% for 6M2024.

Other income

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

Other income decreased by approximately ¥10 million, or approximately 5.7%, from approximately ¥176 million in 6M2024 to approximately ¥166 million in 6M2025, mainly due to a decline in scrap sales of used pachinko machines by approximately ¥11 million due to a reduction in the selling quantities of such used pachinko machines in 6M2025.

Other gains, net

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

Other net gains decreased by approximately ¥17 million, or approximately 73.9%, from approximately ¥23 million in 6M2024 to approximately ¥6 million in 6M2025 due to (i) an increase in expenses of approximately ¥18 million incurred for the demolition of the real property that was previously used by one of the Group's pachinko and pachislot halls, and (ii) a loss of approximately ¥1 million for the fair value changes on financial assets at fair value through profit or loss in 6M2025 as opposed to a gain of approximately ¥35 million in 6M2024, which was partially offset by an exchange gain of approximately ¥23 million in 6M2025 as opposed to an exchange loss of approximately ¥19 million in 6M2024.

Hall operating expenses and administrative and other operating expenses

Hall operating expenses decreased by approximately ¥498 million, or approximately 17.5%, from approximately ¥2,848 million in 6M2024 to approximately ¥2,350 million in 6M2025. This is primarily due to a decrease in pachinko and pachislot machines expenses by approximately ¥333 million, or approximately 21.7%, from approximately ¥1,536 million in 6M2024 to approximately ¥1,203 million in 6M2025. The Group incurred additional machine costs in 6M2024 due to the acquisition of more new machines in 6M2024 as compared with that in 6M2025.

Administrative and other operating expenses decreased by approximately ¥75 million, or approximately 17.4%, from approximately ¥430 million in 6M2024 to approximately ¥355 million in 6M2025, primarily due to the absence of consultancy services expenses of approximately ¥116 million recorded in 6M2024 in relation to a one-off business feasibility study for a potential web 3.0 business opportunity which was no longer pursued.

Impairment loss for cash-generating units

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

In the year ended 30 June 2023 ("**FY2023**"), the Group's management regarded operating loss for FY2023 or performing below management expectation, defined as not fulfilling the projected operating profit or loss for FY2023, as the impairment indicator. For 6M2025, the Company continued to apply the aforementioned impairment indicator and the management identified that two CGUs (FY2024: four CGUs) had resulted in operating loss or not fulfilling management's expectations for 6M2025, and therefore the management considered there were impairment indications for these CGUs. The management accordingly performed impairment assessment to assess the recoverable amounts of these CGUs.

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

Based on the above assessment and determination, the Group did not record any provisions for impairment losses on property, plant and equipment or right-of-use-assets for 6M2025.

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. For the pre-tax cash flow projections beyond the period of five years, management extrapolates the projections by assuming zero growth rate for subsequent years. Management's forecast for the first year takes into account the performance of each of the CGUs in current period and incorporates management's latest plans for each CGUs.

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

(i) the revenue growth of the Group is −1% for the twelve months ending 31 December 2025 based on the business performance for each of the CGUs during 6M2025, and 0% after 31 December 2025 until the end of the respective useful life for each of the CGUs;

(ii) pre-tax discount rate is 9.29%; 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 FY2024.

Fair value less cost of disposal approach

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

Value of inputs and key assumptions

In determining the fair value less cost of disposal of the aforementioned one CGU, monthly rental per square metre, discount rate, vacancy rate, were considered as the key assumptions.

Subsequent changes to the valuation methods adopted

As at 31 December 2024 and 30 June 2024, the management made reference to the valuation performed by an independent professionally qualified valuer and the recent transaction prices of the fixed assets belonging to the CGU.

Profit before income tax

Profit before income tax decreased by approximately ¥482 million, or approximately 44.1%, from approximately ¥1,092 million in 6M2024 to approximately ¥610 million in 6M2025. This was mainly attributable to the absence of gains on lease modification in 6M2025, while gains on lease modification of approximately ¥1,027 million was recorded in 6M2024. Such decrease in profit was partially offset by (i) the decrease in hall operating expenses by approximately ¥498 million, and (ii) the decrease in administrative and other operating expenses by approximately ¥75 million, in 6M2025.

Profit for the period attributable to shareholders of the Company

Profit for period attributable to shareholders of the Company decreased by approximately ¥611 million, or approximately 54.7%, from approximately ¥1,116 million for 6M2024 to approximately ¥505 million for 6M2025. This was mainly due to the reasons mentioned in the paragraph headed "Profit before income tax" above.

ANALYSIS OF FINANCIAL POSITION

Liquidity and financial resources

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

As at 31 December 2024, the Company had total borrowings of approximately ¥4,685 million (30 June 2024: approximately ¥4,987 million), of which approximately 73.7% represented bank borrowings and approximately 26.3% 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 of directors (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 6M2025. To manage the liquidity risk and to ensure that the Group is well placed to take advantage of future growth opportunities, the Board closely monitors the Group's liquidity position and actively reviews its capital structure 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 6M2025, the Group did not use any risk hedging instrument.

Cash and cash equivalents

As at 31 December 2024, the Company had cash and cash equivalents of approximately ¥2,956 million (30 June 2024: approximately ¥3,049 million), and short-term bank deposits of approximately ¥100 million (30 June 2024: 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 31 December 2024, the capital structure of the Group comprised share capital and reserves. As at 31 December 2024, equity attributable to shareholders of the Company amounted to approximately ¥8,271 million (30 June 2024: approximately ¥7,769 million). As at 31 December 2024, total assets of the Group amounted to approximately ¥18,210 million (30 June 2024: approximately ¥18,470 million).

Borrowings

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

	As at 31 December 2024		As at 30 June 2024	
	¥million	**%**	¥million	%
Within 1 year	**895**	**19.0**	940	18.9
Between 1 year and 2 years	**785**	**16.8**	785	15.7
Between 2 years and 5 years	**1,306**	**27.9**	1,383	27.7
Over 5 years	**1,699**	**36.3**	1,879	37.7
	4,685	**100**	4,987	100

As illustrated above, the proportion of the Group's borrowings repayable within 1 year, repayable between 1 year and 2 years, and repayable between 2 years and 5 years increased, while the proportion of the Group's borrowings repayable over 5 years decreased. The change of maturity profile of the Group's borrowings was primarily due to new loan borrowings made in July 2024 that led to an increase in the balance by approximately ¥102 million, which is then offset by a repayment of approximately ¥404 million during 6M2025. As at 31 December 2024, 36.2% of the Group's borrowings, amounted to approximately ¥1,694 million were subject to a fixed interest rate and 63.8% of the Group's borrowings, amounted to approximately ¥2,991 million were subject to a floating interest rate.

Bonds

No new bond was issued in 6M2025.

Pledged assets

As at 31 December 2024, the Company pledged assets, including (i) property, plant and equipment, (ii) investment properties, and (iii) listed securities, with a total carrying amount of approximately ¥7,522 million (30 June 2024: approximately ¥7,636 million) to secure certain general banking facilities of the Group. The decrease by approximately ¥114 million from approximately ¥7,636 million as at 30 June 2024 to approximately ¥7,522 million as at 31 December 2024 was due to (i) no additional pledged assets are required by the bank, and (ii) the decrease in the carrying amount of those pledged assets.

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 35.6% as at 31 December 2024 (30 June 2024: approximately 39.3%). The decrease was mainly attributable to the repayments of loans made during 6M2025.

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 6M2025, 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 Dollar 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 Dollar in recent years, the Group will continue to look for opportunities to manage its exposures in US Dollar 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 31 December 2024 ¥million	As at 30 June 2024 ¥million
Not later than 1 year	**56**	53

As at 31 December 2024, the Group did not have any capital commitments which were contracted but not provided for in respect of purchase of property, plant and equipment (30 June 2024: nil).

Capital expenditures

The Group's capital expenditures mainly consisted of expenditures on additions to property, plant and equipment, right-of-use assets, investment properties and intangible assets. The Group incurred capital expenditures of approximately ¥148 million for 6M2025 (6M2024: approximately ¥1,259 million), a majority of which came from equipment and fixtures for its pachinko and pachislot halls. These capital expenditures were financed by the Group's internal funds and borrowing from financial institutions.

Contingent liabilities

As at 31 December 2024, the Company did not have any material contingent liabilities or guarantees.

SIGNIFICANT INVESTMENTS

As at 31 December 2024, the Group held investments primarily in (i) investment properties of approximately ¥2,972 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 31 December 2024, and (ii) financial assets of approximately ¥1,104 million, which represented the Bonds issued by the Bond Issuer, trust funds, and listed and unlisted securities. As at 31 December 2024, save as the 1st Series Bond and the 2nd Series Bond which in aggregate constituted approximately 5.49% 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 Group 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. No impairment loss was recognised on the Group's investment properties for 6M2025 (6M2024: nil). 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 valuation of the Group's investment properties are dependent on various key assumptions and inputs, including but not limited to (i) the monthly rental per square meter of the investment property, (ii) a capitalisation rate of 5.2% to 10.1% based on that of similar properties, interviews with real estate investors and various published indices, (iii) a discount rate of 5.6% to 9.8% derived by adding risks premiums to the base rate and using the band of investment method, (iv) the vacancy rate after expiry of the lease terms of the investment property, and (v) the unit price per square meter of the investment property based on sales comparables occurred in the property market.

As at 31 December 2024 and the date of this report, the Company planned to continue to hold these investment properties for long-term rental yields.

Financial assets and financial liabilities

In relation to the Group's financial assets, the Group recorded a loss of approximately ¥1 million for the fair value changes on financial assets and financial liabilities at fair value through profit or loss in 6M2025 as opposed to a gain of approximately ¥35 million in 6M2024, 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 31 December 2024 and the date of this report, the Directors do not foresee any default or any impairment to be made to any financial assets held by the Group.

Furthermore, as disclosed in the previous interim reports and annual reports of the Company, on 26 July 2018, the Company entered into two agreements with the Bond Issuer, pursuant to which the Company subscribed for two series of Bonds at face value issued by the Bond Issuer, in an aggregate amount of ¥1,000 million. The Bond Issuer is a company incorporated under the laws of Japan and headquartered in Fukuoka, Japan, engaging in the business of commercial and consumer finance. Completion of the subscription of such Bonds took place on 27 July 2018. On 25 January 2019, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to, among others, extend the maturity/redemption date of the 2nd Series Bond and include Everglory Capital as a guarantor to guarantee the obligations of the Bond Issuer of its obligations under the 2nd Series Bond. Everglory Capital is a company incorporated under the laws of Japan and headquartered in Tokyo, Japan, principally engaged in investment and financial advisory businesses in Japan. On 24 January 2020, the Company, the Bond Issuer and Everglory Capital entered into an agreement to further extend the maturity/redemption date of the 2nd Series Bond and increase its interest rate for the extended period. On 25 January 2021, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to further extend the maturity/redemption date of the 2nd Series Bond. On 30 July 2021, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to, among others, extend the maturity/redemption date of the 1st Series Bond, increase its interest rate for the extended period, and include Everglory Capital as a guarantor to guarantee the obligations of the Bond Issuer of its obligations under the 1st Series Bond. On 25 January 2022, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to further extend the maturity/redemption date of the 2nd Series Bond. On 27 January 2023, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to further extend the maturity/redemption date of the 2nd Series Bond. On 25 January 2024, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to further extend the maturity/redemption date of the 2nd Series Bond. On 30 July 2024, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to further extend the maturity/redemption date of the 1st Series Bond. For details, please refer to the announcements of the Company dated 26 July 2018, 25 January 2019, 24 January 2020, 25 January 2021, 30 July 2021, 25 January 2022, 27 January 2023, 25 January 2024 and 30 July 2024 and the circulars of the Company dated 29 October 2021 and 30 September 2024.

As at 31 December 2024, the fair value of each of the 1st Series Bond and the 2nd Series Bond was ¥500 million, which in aggregate constituted approximately 5.49% 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 6M2025 as they are calculated at amortised cost. For 6M2025, the amount of interest earned by the Group under each of the 1st Series Bond and the 2nd Series Bond is approximately ¥10 million and ¥10 million, respectively.

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

Save as disclosed herein, the Group did not hold any significant investments as at 31 December 2024.

HUMAN RESOURCES

Employees and remuneration policies

As at 31 December 2024, the Group had 353 employees (31 December 2023: 381 employees), almost all of whom were based in Japan, and of whom 313 were stationed at the Group's pachinko and pachislot halls. For newly recruited employees, the Group has prepared a series of training sessions which mainly focuses on pachinko and pachislot hall operations and customer service. Upon appointment of every three years, as required by the Public Safety Commission, 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 6M2025 amounted to approximately ¥520 million (6M2024: approximately ¥550 million), which accounted for approximately 19.2% (6M2024: approximately 16.8%) of the total operating expenses, including the remuneration of the Directors.

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

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

The Share Option Scheme

On 10 April 2017, the Company adopted the Share Option Scheme. The principal terms of the Share Option Scheme were summarised in the paragraph headed "Statutory and General Information — F. Share Option Scheme" in Appendix VI to the prospectus of the Company dated 28 April 2017.

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

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

As at 1 July 2024 and at 31 December 2024, the maximum number of shares of the Company (the "**Shares**") in respect of which options under the Share Option Scheme and any other share option schemes of the Company may be granted is 10% of the total issued Shares as at the date of the Company's listing (i.e., 15 May 2017), being 50,000,000 Shares. Such 50,000,000 Shares represent approximately 8.3% of the total number of shares of the Company in issue as at 31 December 2024 and the date of this report.

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

ISSUE FOR CASH OF EQUITY SECURITIES

During 6M2025, the Company did not issue for cash any equity securities (including securities convertible into equity securities) or sell treasury shares for cash.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During 6M2025, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares).

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

During 6M2025, the Group did not conduct any material acquisitions or disposals of subsidiaries, associates and joint ventures.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL INVESTMENTS

Save for those disclosed in this report, the Group has no plan authorised by the Board for other material investments or additions of capital assets as at 31 December 2024 and the date of this report.

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 2024, 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 of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein (the "**Register**"); or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

Long positions in the Shares:

Name	Capacity/nature of interest	Number of ordinary Shares	Approximate percentage of shareholding in the total issued share capital of the Company
Mr. Katsuya YAMAMOTO[1]	Beneficial interest	303,000,000	50.50%
	Founder of a discretionary trust	72,000,000[2]	12.00%

Notes:

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

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

Save as disclosed above, as at 31 December 2024, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or recorded in the Register pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2024, so far as was known to the Directors, the following persons (not being the Directors or chief executives of the Company) had, or deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long positions in the Shares:

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

Notes:

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

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

Save as disclosed above, as at 31 December 2024, no person (not being the Directors or chief executives of the Company) had, or deemed to have, any interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

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

The Directors consider that the Company has applied the principles of the CG Code set out in Appendix C1 to the Listing Rules and complied with the code provisions, where applicable, during 6M2024 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) believe 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 fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions for the Group accordingly, and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategies and other key business, financial, and operational policies of 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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 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 had complied with the required standards, where applicable, set out in the Model Code throughout 6M2025.

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 Board (the "**Audit Committee**") comprises three members, namely Mr. Kazuyuki YOSHIDA, Ms. Mariko YAMAMOTO and Mr. Masaaki AYRES (alias Gettefeld AYRES), 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 6M2025, as well as this interim report, and discussed the financial related matters with our management. The unaudited condensed consolidated interim financial information of the Group for 6M2025 contained in this interim report has been reviewed by the Company's auditor, PricewaterhouseCoopers.

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

The Company is not aware of any changes in the Directors' information since the date of the Company's annual report for FY2024 pursuant to Rule 13.51B(1) of the Listing Rules.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

The Directors have access to the services of the company secretary to ensure that the Board procedures are followed. The company secretary of the Company is Mr. MAN Yun Wah. He is a director of In.Corp Corporate Services (HK) Limited. The primary corporate contact person at the Company is Mr. Yutaka KAGAWA, head of Corporate Planning Department.

INTERIM DIVIDEND

The Board does not recommend declaring any dividend for 6M2025.

Report on Review of Interim Financial Information

For the six months ended 31 December 2024

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 24 to 50, 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 2024 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 selected 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 and 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" issued by the Hong Kong Institute of Certified Public Accountants 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.

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, 28 February 2025

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2024

	Note	(Unaudited) Six months ended 31 December 2024 ¥million	2023 ¥million
Revenue	6	**3,188**	3,191
Other income	7	**166**	176
Gains on lease modification	7	**—**	1,027
Other gains, net	7	**6**	23
Hall operating expenses	8	**(2,350)**	(2,848)
Administrative and other operating expenses	8	**(355)**	(430)
Operating profit		**655**	1,139
Finance income		**25**	34
Finance costs		**(70)**	(81)
Finance costs, net	9	**(45)**	(47)
Profit before income tax		**610**	1,092
Income tax (expense)/credit	10	**(105)**	24
Profit for the period attributable to shareholders of the Company		**505**	1,116
Earnings per share attributable to shareholders of the Company for the period (expressed in ¥ per share)			
Basic		**0.84**	1.86
Diluted		**0.84**	1.86
Profit for the period		**505**	1,116
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of employee benefit obligations		**16**	3
Changes in fair value of financial assets at fair value through other comprehensive income		**(20)**	(10)
Deferred income tax arising from the above items		**1**	2
Total comprehensive income for the period attributable to shareholders of the Company		**502**	1,111

The notes on pages 30 to 50 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2024

	Note	(Unaudited) 31 December 2024 ¥million	(Audited) 30 June 2024 ¥million
Assets			
Non-current assets			
Property, plant and equipment	13	**8,404**	8,436
Right-of-use assets	14	**956**	1,054
Investment properties	13	**2,972**	3,020
Intangible assets	13	**125**	126
Prepayments and deposits		**544**	603
Financial assets at fair value through other comprehensive income		**73**	93
Financial assets at amortised cost		**1,000**	500
Deferred income tax assets		**676**	683
		14,750	14,515
Current assets			
Inventories		**120**	74
Trade receivables	15	**13**	11
Prepayments, deposits and other receivables		**240**	184
Financial assets at fair value through profit or loss		**31**	37
Financial assets at amortised cost		**—**	500
Short-term bank deposits		**100**	100
Cash and cash equivalents		**2,956**	3,049
		3,460	3,955
Total assets		**18,210**	18,470
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	16	**20,644**	20,644
Reserves		**(12,373)**	(12,875)
Total equity		**8,271**	7,769

The notes on pages 30 to 50 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2024

	Note	(Unaudited) 31 December 2024 ¥million	(Audited) 30 June 2024 ¥million
Liabilities			
Non-current liabilities			
Borrowings	19	**3,790**	4,047
Lease liabilities	14	**2,382**	2,625
Accruals, provisions and other payables		**317**	359
Employee benefit obligations	18	**222**	208
Deferred income tax liabilities		**221**	199
		6,932	7,438
Current liabilities			
Borrowings	19	**895**	940
Lease liabilities	14	**468**	468
Accruals, provisions and other payables		**1,548**	1,816
Trade payables	17	**17**	13
Amount due to directors	21	**3**	3
Current income tax liabilities		**76**	23
		3,007	3,263
Total liabilities		**9,939**	10,701
Total equity and liabilities		**18,210**	18,470

The condensed consolidated interim financial information on pages 24 to 50 were approved by the Company's Board of Directors on 28 February 2025 and were signed on its behalf.

Katsuya Yamamoto
Director

Yutaka Kagawa
Director

The notes on pages 30 to 50 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2024

	Attributable to shareholders of the Company (Unaudited)					
	Share capital (Note 16) ¥million	Capital reserve (Note 16(a)) ¥million	Legal reserve (Note 16(b)) ¥million	Other reserves (Note 16(c)) ¥million	Accumulated loss ¥million	Total ¥million
Balance at 1 July 2023	20,644	(12,837)	40	53	(2,182)	5,718
Profit for the period	—	—	—	—	1,116	1,116
Other comprehensive income						
Remeasurement of employee benefit obligations	—	—	—	3	—	3
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	(8)	—	(8)
Total comprehensive income	—	—	—	(5)	1,116	1,111
Balance at 31 December 2023	20,644	(12,837)	40	48	(1,066)	6,829

The notes on pages 30 to 50 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2024

	Attributable to shareholders of the Company (Unaudited)					
	Share capital (Note 16) ¥million	Capital reserve (Note 16(a)) ¥million	Legal reserve (Note 16(b)) ¥million	Other reserves (Note 16(c)) ¥million	Accumulated gain ¥million	Total ¥million
Balance at 1 July 2024	**20,644**	**(12,837)**	**40**	**60**	**(138)**	**7,769**
Profit for the period	—	—	—	—	505	505
Other comprehensive income						
Remeasurement of employee benefit obligations, net of tax	—	—	—	10	—	10
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	(13)	—	(13)
Total comprehensive income	—	—	—	(3)	505	502
Balance at 31 December 2024	**20,644**	**(12,837)**	**40**	**57**	**367**	**8,271**

The notes on pages 30 to 50 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2024

	(Unaudited) Six months ended 31 December	
	2024	2023
	¥million	¥million
Cash flows from operating activities		
Cash generated from operations	**638**	254
Income tax paid	**(22)**	(41)
Interest received	**25**	34
Interest paid	**(38)**	(34)
Net cash generated from operating activities	**603**	213
Cash flows from investing activities		
Purchase of financial assets at fair value through profit or loss	**—**	(8)
Proceeds from disposal of financial assets at fair value through profit or loss	**6**	471
Purchase of property, plant and equipment	**(148)**	(1,259)
Net cash used in investing activities	**(142)**	(796)
Cash flows from financing activities		
Repayment of borrowings	**(404)**	(372)
Proceeds from borrowings	**102**	873
Interest elements of lease payments	**(32)**	(47)
Principal elements of lease payments	**(243)**	(257)
Net cash (used in)/generated from financing activities	**(577)**	197
Net decrease in cash and cash equivalents	**(116)**	(386)
Cash and cash equivalents at beginning of the period	**3,049**	2,423
Effects of exchange rate changes on cash and cash equivalents	**23**	19
Cash and cash equivalents at end of the period	**2,956**	2,056

The notes on pages 30 to 50 are an integral part of this condensed consolidated interim 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 is 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 28 February 2025.

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 2024 published on 17 October 2024 (the "**Annual Report 2024**"), unless otherwise stated.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 December 2024 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants and International Accounting Standard ("**IAS**") 34, 'Interim Financial Reporting' issued by the International Accounting Standards Board. 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 HKFRS and IFRS. 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 HKFRS and IFRS affecting the condensed consolidated interim financial information.

The interim report does not include all of the notes that should normally be included in a consolidated annual financial statement. Accordingly, this interim report is to be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2024.

2 BASIS OF PREPARATION (continued)

The financial information relating to the year ended 30 June 2024 that is included in the condensed consolidated interim financial information for the six months ended 31 December 2024 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but 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 Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 30 June 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2024, as described in the annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 July 2024:

Amendments under IFRS	
Amendments to IAS 1	Classification of Liabilities as Current or Non-current or Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

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

3 ACCOUNTING POLICIES (continued)

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

The following Amendments have been published but not mandatory for the financial year beginning on or after 1 January 2025 and have not been early adopted by the Group.

Amendments under IFRS		Effective for accounting periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Amendments to Classification and Measurement of Financial Instruments	1 January 2026
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7	Annual Improvements to IFRS Accounting Standards — Volume 11	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Amendments under HKFRS		
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027

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

3 ACCOUNTING POLICIES (continued)

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

IFRS 18 — Presentation and Disclosure in Financial Statements

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

The directors are currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

Although the adoption of IFRS 18 will have no impact on the Group's net profit, the Group expects that grouping items of income and expenses in the consolidated statement of comprehensive income into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Group has performed, the following items might potentially impact operating profit:

- Foreign exchange differences currently aggregated in the line item 'other gains, net' in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit.

The line items presented on the primary financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation. In addition, since goodwill will be required to be separately presented in the statement of financial position, the Group will disaggregate goodwill and other intangible assets and present them separately in the consolidated statement of financial position.

The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:

- management-defined performance measures;
- a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss — this break-down is only required for certain nature expenses; and
- for the first annual period of application of IFRS 18, a reconciliation for each line item in the consolidated statement of comprehensive income between the restated amounts presented by applying IFRS 18 and the amounts previously presented applying IAS 1.

3 ACCOUNTING POLICIES (continued)

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

IFRS 18 — Presentation and Disclosure in Financial Statements (continued)

From a consolidated statement of cash flow perspective, there will be changes to how interest received and interest paid are presented. Interest paid will be presented as financing cash flows and interest received as investing cash flows, which is a change from current presentation as part of operating cash flows.

The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 30 June 2027 will be restated in accordance with IFRS 18.

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 2024, 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 does 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 2024.

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 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 ¥million	Level 2 ¥million	Level 3 ¥million	Total ¥million
As at 31 December 2024				
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	**—**	**31**	**—***	**31**
Financial assets at fair value through other comprehensive income				
— Listed securities	**72**	**—**	**—**	**72**
— Unlisted securities	**—**	**—**	**1**	**1**
	72	**31**	**1**	**104**
As at 30 June 2024				
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	—	37	—*	37
Financial assets at fair value through other comprehensive income				
— Listed equity securities	92	—	—	92
— Unlisted equity securities	—	—	1	1
	92	37	1	130

* The amount represents less than ¥1 million.

There were no transfers of financial assets between levels 1, 2 and 3 during the six months ended 31 December 2024 and during the year ended 30 June 2024.

6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	(Unaudited) Six months ended 31 December	
	2024	2023
	¥million	¥million
Revenue		
Gross pay-ins	**16,024**	16,372
Less: gross pay-outs	**(13,090)**	(13,424)
Revenue from pachinko and pachislot hall business	**2,934**	2,948
Vending machine income	**47**	50
Property rental	**205**	191
Revenue from other operation	**2**	2
	3,188	3,191

Except for pachinko and pachislot hall business and vending machine income which revenues are recognised at a point-in-time, 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 ("**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) the pachinko and pachislot hall operation, (ii) property rental and (iii) other segments which includes the vehicle rental operation (six months ended 31 December 2023: Same).

Segment assets consist mainly of property, plant and equipment, right-of-use assets, investment properties, intangible assets, inventories, trade receivables, prepayments, deposits and other receivables, short-term bank deposits, and cash and cash equivalents for segment uses. They exclude assets served as headquarter uses, 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, investment properties and intangible assets. Income tax expenses are not included in segment results.

6 REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The segment information provided to the executive directors for the six months ended 31 December 2024 and 2023 are as follows:

	Six months ended 31 December 2024 (Unaudited)				
	Pachinko and pachislot hall operation ¥million	Property rental ¥million	Other segments ¥million	Unallocated amounts ¥million	Total ¥million
Segment revenue from external customers	**2,981**	**205**	**2**	**—**	**3,188**
Segment results	**762**	**68**	**2**	**(222)**	**610**
Profit before income tax					**610**
Income tax expense					**(105)**
Profit for the period					**505**
Other items					
Depreciation and amortisation	**(236)**	**(44)**	**—**	**(37)**	**(317)**
Finance income	**—**	**—**	**—**	**25**	**25**
Finance costs	**(39)**	**(27)**	**—**	**(4)**	**(70)**
Capital expenditures	**(132)**	**—**	**—**	**(16)**	**(148)**

6 REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

	Six months ended 31 December 2023 (Unaudited)				
	Pachinko and pachislot hall operation ¥million	Property rental ¥million	Other segments ¥million	Unallocated amounts ¥million	Total ¥million
Segment revenue from external customers	2,998	191	2	—	3,191
Segment results	1,290	98	—	(296)	1,092
Profit before income tax					1,092
Income tax credit					24
Profit for the period					1,116
Other items					
Gains on lease modification	1,027	—	—	—	1,027
Provision for impairment loss of property, plant and equipment	(54)	—	—	—	(54)
Reversal of/(provision for) impairment loss of intangible assets	(1)	—	—	3	2
Depreciation and amortisation	(257)	(39)	(2)	(20)	(318)
Finance income	—	—	—	34	34
Finance costs	(53)	(27)	—	(1)	(81)
Capital expenditures	(1,203)	(56)	—	—	(1,259)

6 REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

	Pachinko and pachislot hall operation ¥million	Property rental ¥million	Other segments ¥million	Total ¥million
As at 31 December 2024 (Unaudited)				
Segment assets	**8,839**	**3,354**	**—**	**12,193**
Unallocated assets				**4,237**
Financial assets held at amortised cost				**1,000**
Financial assets at fair value through profit or loss				**31**
Financial assets at fair value through other comprehensive income				**73**
Deferred income tax assets				**676**
Total assets				**18,210**
As at 30 June 2024				
Segment assets	10,161	3,391	2	13,554
Unallocated assets				3,103
Financial assets held at amortised cost				1,000
Financial assets at fair value through profit or loss				37
Financial assets at fair value through other comprehensive income				93
Deferred income tax assets				683
Total assets				18,470

There is no single external customer contributed more than 10% revenue to the Group's revenue for the six months ended 31 December 2024 and 2023.

The Group is domiciled in Japan and a majority of the non-current assets of the Group as at 31 December 2024 and 30 June 2024 is located in Japan.

7 OTHER INCOME, GAINS ON LEASE MODIFICATION, AND OTHER GAINS, NET

	(Unaudited) Six months ended 31 December	
	2024	2023
	¥million	¥million
Other income		
Income from scrap sales of used pachinko machines	**138**	149
Dividend income	**1**	1
Income from expired IC card	**3**	3
Others	**24**	23
	166	176
Gains on lease modification (Note)	**—**	1,027
Other gains, net		
Exchange gains/(losses), net	**23**	(19)
(Losses)/gains on fair value changes on financial assets at fair value through profit or loss, net	**(1)**	35
Losses on written-off of investment properties	**(9)**	(1)
Demolition cost on investment properties	**(18)**	—
Others	**11**	8
	6	23

Note:

Gain on lease modification for the six-month ended 31 December 2023 represents the gains from the early termination of lease in relation to certain land and buildings located at one of the Group's pachinko and pachislot halls in Japan (the "**Properties**").

8 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	(Unaudited) Six months ended 31 December	
	2024	2023
	¥million	¥million
Pachinko and pachislot machines expenses (Note)	**1,203**	1,536
Auditor's remuneration	**16**	10
Employee benefits expenses	**520**	550
Operating lease rental expense in respect of land and buildings	**5**	7
Depreciation and amortisation	**317**	318
Provision for impairment loss of property, plant and equipment	**—**	54
Provision for impairment loss of intangible assets	**—**	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	
	2024	2023
	¥million	¥million
Finance income		
Interest income	**5**	12
Interest from debt securities	**20**	22
	25	34
Finance costs		
Interest expense on lease liabilities	**(32)**	(47)
Interest expense on long-term payables	**(4)**	(3)
Borrowings interest expenses	**(33)**	(30)
Others	**(1)**	(1)
	(70)	(81)
Finance costs, net	**(45)**	(47)

10 INCOME TAX (EXPENSE)/CREDIT

Japan corporate income tax has been calculated on the estimated assessable profit/(loss) for the period at the rates of taxation prevailing in Japan in which the Group operates. The rates of taxation are based on management's estimate of the weighted average effective statutory income tax rate for the full financial year.

The Group is subject to national corporate income tax, inhabitants tax, and enterprise tax in Japan, which in aggregate, resulted in an effective statutory income tax rate of 34.3% for the six months ended 31 December 2024 and 2023.

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 2024 and 2023.

	(Unaudited) Six months ended 31 December	
	2024 ¥million	2023 ¥million
Current income tax		
— Japan corporate income tax	**(75)**	(45)
Deferred income tax	**(30)**	69
	(105)	24

11 EARNINGS PER SHARE

Basic Earnings per share for the six months ended 31 December 2024 and 2023 are calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	(Unaudited) Six months ended 31 December	
	2024	2023
Profit attributable to shareholders of the Company (¥million)	**505**	1,116
Weighted average number of ordinary shares in issue (million)	**600**	600
Basic and diluted earnings per share (¥)	**0.84**	1.86

No diluted earnings per share is presented as there was no potential dilutive share during the six months ended 31 December 2024 and 2023. Diluted earnings per share is equal to the basic earnings per share.

12 DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2024 (30 June 2024: Nil).

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

For the six months ended 31 December 2024, the Group incurred capital expenditures of approximately ¥148 million (six months ended 31 December 2023: ¥1,259 million) for property, plant and equipment. No capital expenditure was incurred for investment property and intangible assets during the six months ended 31 December 2024 (six months ended 31 December 2023: Nil).

For the six months ended 31 December 2024, the total net book value of written-off property, plant, and equipment is below ¥1 million (six months ended 31 December 2023: approximately ¥2 million). Additionally, there was a write-off of investment property with a total net book value of approximately ¥9 million (six months ended 31 December 2023: Nil). For both the six months ended 31 December 2024 and 2023, there were no disposals or write-offs of intangible assets.

The net carrying amount of the Group's property, plant and equipment and investment properties that were pledged for the banking facilities granted to the Group as at 31 December 2024 and 30 June 2024 are disclosed in Note 19.

Impairment assessment of property, plant and equipment, and investment properties

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

The Group carried out reviews of the recoverable amounts of cash-generating units ("**CGUs**") and assets served for corporate uses and not allocated to a specific CGU ("**corporate assets**"). As at 31 December 2024, each CGU is determined as each individual pachinko and pachislot hall, each investment property, and the motor vehicle rental operation (30 June 2024: each CGU is determined as each individual pachinko and pachislot hall operation and the motor vehicle rental operation).

Pachinko and pachislot operation

As at 31 December 2024, management regards CGU with operating loss for current period or performing below management's expectation, defined as not fulfilling the projected operating profit or loss for the period (30 June 2024: Same) as having impairment indicator. As a result, 2 CGUs within the pachinko and pachislot operation (30 June 2024: 4 CGUs) were identified with an impairment indicator. Management has reviewed the recoverability of the relevant carrying amounts of these CGUs.

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

13 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS (continued)

Impairment assessment of property, plant and equipment, and investment properties (continued)

Pachinko and pachislot operation (continued)

The recoverable amounts of 1 out of the 2 CGUs with impairment indicators (30 June 2024: 2 out of the 4 CGUs with impairment indicators) was determined by the value-in-use calculations. The value-in-use calculations used pre-tax cash flow projections over the useful lives of CGUs, which is based on financial budgets approved by management. The cash flow projections cover the remaining lease terms of the respective CGUs (if the remaining useful lives are below 5 years) or a period of 5 years, whichever is shorter. For the pre-tax cash flow projections beyond the period of 5 years, management extrapolates the projections by assuming zero growth rate for subsequent years. Management prepared the value-in-use calculations by using pre-tax cash flow projections over the useful lives of CGUs.

Management's forecast for the first year's revenue growth rate to be −1% (30 June 2024: −3% to −5%), after considering the performance of each of the CGU in current year and incorporating management's latest plan for the CGU. Regarding the revenue growth rate from the second year, management considered there are no announced or foreseeable changes in regulations or machine types and determined the performance of the CGU would remain stable. Therefore, management determined the estimated annual revenue growth rate to be 0% for the CGU until the end of the useful life of the CGU (30 June 2024: Same). The pre-tax discount rate used to determine the recoverable amounts was 9.29% (30 June 2024: 9.14%) which reflects the current market assessment of the time value of money and the risk specific to the CGUs.

The recoverable amounts of 1 out of the 2 CGUs with impairment indicators (30 June 2024: 2 out of the 4 CGUs with impairment indicators) was determined by the fair value less cost of disposal calculations. The fair values of this CGU subject to fair value less cost of disposal calculation is within level 3 of the fair value hierarchy (30 June 2024: Same).

As at 31 December 2024 and 30 June 2024, management made reference to the valuation performed by an independent professionally qualified valuer who holds recognised relevant professional qualifications and have recent experiences in the locations and segments of the properties valued. The valuations were determined using the income and sales comparison approach, which largely used observable and unobservable inputs, including monthly rental per square metre, discount rate, vacancy rate, and unit price per square metre for land.

The key assumptions used for fair value less costs of disposal calculations as at 31 December 2024 and 30 June 2024 are summarised as follows:

	31 December 2024	30 June 2024
Monthly rental per square metre	**¥1,815**	¥790–¥1,815
Discount rate	**7.3%**	6.8%–7.3%
Vacancy rate	**4.0%–5.0%**	4.0%–5.0%
Land — unit price per square metre	**Not applicable**	¥671,000

13 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS (continued)

Impairment assessment of property, plant and equipment, and investment properties (continued)

Pachinko and pachislot operation (continued)

Management assessed the sensitivity of the recoverable amounts to change in key assumptions. If the revenue growth rate in the value-in-use calculations decreases by 2% (30 June 2024: Same) with other assumptions remain constant, no additional impairment loss would be recorded (30 June 2024: no additional impairment loss would be recorded). If the discount rate in the value-in-use calculations increases by 1% (30 June 2024: Same) with other assumptions remain constant, no additional impairment loss would be recorded (30 June 2024: Same).

If the monthly rental per square meter in the fair value less cost of disposal calculations and the unit price per square metre of land decreases by 1% (30 June 2024: Same), with other assumptions remain constant, additional impairment loss would be immaterial (30 June 2024: Same).

For the six months ended 31 December 2024, as a result of the impairment review as mentioned above, no impairment provision was recognised for this pachinko and pachislot operation.

Investment property

Investment property of the Group is measured under cost model and is written down immediately to its fair value if the asset's carrying amount is greater than its fair value. As at 31 December 2024, no investment property with carrying amount exceeded individual valuation result (30 June 2024: certain investment properties with carrying amounts below their recoverable amounts), as a result no impairment loss on investment property has been recorded during the six months ended 31 December 2024.

Corporate assets

Corporate assets are assets other than goodwill that contribute to the future cash flows of both the cash-generating unit under review and other cash-generating units.

Management conducted research on recent transaction prices for land and buildings near the physical location of these assets. Based on the research findings, management concluded that the fair value less cost of disposal of the corporate assets, referencing these recent transaction prices, exceeds their total carrying amounts. For the six months ended 31 December 2024, as a result of the impairment review as mentioned above, no impairment provision was recognised for corporate assets.

14 LEASES

	(Unaudited) 31 December 2024 ¥million	(Audited) 30 June 2024 ¥million
Right-of-use assets		
Land	**82**	82
Buildings	**874**	972
	956	1,054
Lease liabilities		
Non-current	**2,382**	2,625
Current	**468**	468
	2,850	3,093

15 TRADE RECEIVABLES

	(Unaudited) 31 December 2024 ¥million	(Audited) 30 June 2024 ¥million
Trade receivables	**13**	11

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 as at 31 December 2024 and 30 June 2024, is as follows:

	(Unaudited) 31 December 2024 ¥million	(Audited) 30 June 2024 ¥million
Less than 30 days	**13**	11

16 SHARE CAPITAL AND RESERVE

	Number of shares million	Share capital ¥million
As at 30 June 2024 and 31 December 2024	600	20,644

(a) Capital reserve

Capital reserve deficit of approximately ¥12,837 million (30 June 2024: ¥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) Other reserves

Other reserves of approximately ¥57 million (30 June 2024: ¥60 million) represented (i) the cumulative net change in the fair value of financial assets through other comprehensive income, and (ii) the remeasurement of employee benefit obligation arising from actuarial gains and losses.

17 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice date as at 31 December 2024 and 30 June 2024 is as follows:

	(Unaudited) 31 December 2024 ¥million	(Audited) 30 June 2024 ¥million
Less than 30 days	**17**	13

The carrying amounts of trade payables approximate their fair values as at 31 December 2024 and 30 June 2024 and were denominated in ¥.

18 EMPLOYEE BENEFIT OBLIGATIONS

	(Unaudited) 31 December 2024 ¥million	(Audited) 30 June 2024 ¥million
Long term benefit obligation for Yamamoto Family (Note)	**189**	175
Retirement benefit obligations for employees	**33**	33
	222	208

Note: As at 31 December 2024, long term benefit obligation for Katsuya Yamamoto represented the provision on the lump-sum payment made to him as a recognition of his contribution to the Group (30 June 2024: Same). The amount of provision was made according to his rank and years of service in the Group, using projected unit credit method, and was measured at present value (30 June 2024: Same).

19 BORROWINGS

	(Unaudited) 31 December 2024 ¥million	(Audited) 30 June 2024 ¥million
Non-current portion		
Bank loans	**2,652**	2,870
Loans from a governmental financial institution	**1,138**	1,177
	3,790	4,047
Current portion		
Bank loans	**801**	839
Loans from a governmental financial institution	**94**	101
	895	940
Total borrowings	**4,685**	4,987

As at 31 December 2024 and 30 June 2024, the total borrowings are pledged by certain assets and their carrying values are shown as below:

	(Unaudited) 31 December 2024 ¥million	(Audited) 30 June 2024 ¥million
Property, plant and equipment	**5,877**	5,172
Investment properties	**1,575**	2,374
Financial assets at fair value through other comprehensive income — listed equity securities	**70**	90
	7,522	7,636

20 COMMITMENTS

(a) Capital commitments

As at 31 December 2024 and 30 June 2024, the Group did not have any outstanding capital commitments.

(b) Operating lease commitments

As a lessor

As at 31 December 2024 and 30 June 2024, the Group's future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	(Unaudited) 31 December 2024 ¥million	(Audited) 30 June 2024 ¥million
No later than one year	**56**	53

21 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) Outstanding balances arising from transactions with related parties

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

	(Unaudited) 31 December 2024 ¥million	(Audited) 30 June 2024 ¥million
Amount due to directors		
— Katsuya Yamamoto	**3**	3
— Others	**—***	—*
	3	3

* The amount represents less than ¥1 million.

21 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

	(Unaudited) Six months ended 31 December	
	2024	2023
	¥million	¥million
Rental income		
— KS-Holdings Company Limited	**6**	—

(c) 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:

	(Unaudited) Six months ended 31 December	
	2024	2023
	¥million	¥million
Salaries and other short-term employee benefits	**18**	20