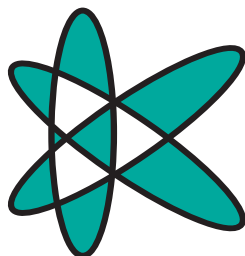


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Okura Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01655)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- Gross pay-ins increased by approximately 6.6% to approximately ¥31,850 million for FY2024 (FY2023: approximately ¥29,871 million).
- Revenue increased by approximately 3.2% to approximately ¥6,483 million for FY2024 (FY2023: approximately ¥6,284 million).
- Operating profit decreased by approximately 39.7% to approximately ¥1,996 million for FY2024 (FY2023: approximately ¥3,310 million).
- Profit before income tax decreased by approximately 39.5% to approximately ¥1,904 million for FY2024 (FY2023: approximately ¥3,146 million).
- Profit for the year attributable to the shareholders of the Company decreased by approximately 36.5% to approximately ¥2,044 million for FY2024 (FY2023: approximately ¥3,220 million).
- Basic and diluted earnings per share amounted to approximately ¥3.41 for FY2024 (FY2023: basic and diluted earnings per share amounted to approximately ¥6.22).
- The Board does not recommend the payment of a final dividend for FY2024 (FY2023: Nil).

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

The board (the “**Board**”) of directors (the “**Directors**”) of Okura Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (together the “**Group**”) for the year ended 30 June 2024 (the “**Year**” or “**FY2024**”), together with the comparative figures for the year ended 30 June 2023 (“**FY2023**”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 ¥ million	2023 ¥ million
Revenue	3	6,483	6,284
Other income	4	457	442
Gain on release of lease liabilities	4	1,032	2,691
Other gains, net	4	92	75
Hall operating expenses	5	(5,292)	(5,507)
Administrative and other operating expenses	5	(776)	(675)
Operating profit		1,996	3,310
Finance income		61	55
Finance costs		(153)	(219)
Finance costs, net	6	(92)	(164)
Profit before income tax		1,904	3,146
Income tax credit	7	140	74
Profit for the year attributable to shareholders of the Company		2,044	3,220
Earnings per share attributable to shareholders of the Company for the year (expressed in ¥ per share)			
— Basic and diluted	8	3.41	6.22

	Note	2024 ¥ million	2023 ¥ million
Profit for the year		2,044	3,220
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of employee benefit obligations		5	8
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		<u>2</u>	<u>35</u>
		<u>7</u>	<u>43</u>
Total comprehensive income for the year attributable to shareholders of the Company		<u>2,051</u>	<u>3,263</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

2 Basis of preparation

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

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

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

(a) Historical cost convention

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

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

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

Amendments under IFRS

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

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

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

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

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

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

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

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

IFRS 18 — Presentation and Disclosure in Financial Statements

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

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

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

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

During the year ended 30 June 2024, revenue recognised that was included in the contract liabilities balances of unutilised balls and tokens at the beginning of the year amounted to ¥523 million (2023: ¥387 million). Unutilised balls and tokens have an expiry term of 1 year and the Company expects to deliver the services to satisfy the remaining performance obligations of these contract liabilities during the next reporting period.

(b) Segment information

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

The CODM has identified three reportable segments based on the types of services, namely (i) pachinko and pachislot hall operation, (ii) property rental and (iii) other segments which include horse management operation (prior to the discontinuation in April 2023), motor vehicle rental operation, and karaoke operation (prior to the discontinuation in June 2024). These operations in the other segments do not meet the reportable segment threshold and thus they are not separately presented but included as “other segments”.

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

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

The segment information provided to the executive directors for the years ended 30 June 2024 and 2023 are as follows:

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

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

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

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

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

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

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

	2024 ¥ million	2023 ¥ million
Other income		
Income from scrap sales of used pachinko machines	405	386
Dividend income	8	2
Income from expired prepaid IC and membership card	7	6
Income from forfeited unutilised balls	16	15
Government subsidies	1	20
Others	20	13
	<u>457</u>	<u>442</u>
	2024 ¥ million	2023 ¥ million
Gain on release of lease liabilities (Note)	<u>1,032</u>	<u>2,691</u>
	2024 ¥ million	2023 ¥ million
Other gains, net		
Provision for impairment loss of investment properties	(15)	(33)
Provision for impairment loss of intangible assets	—	(3)
Exchange gains, net	65	77
Gains on disposal of property, plant and equipment	2	—
Losses on write-off of property, plant and equipment	(3)	(23)
Fair value changes on financial assets and financial liabilities at fair value through profit or loss	37	36
Others	6	21
	<u>92</u>	<u>75</u>

Note:

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

5 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

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

Note:

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

6 FINANCE COSTS, NET

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

* The amount represents less than ¥1 million.

7 INCOME TAX CREDIT

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

	2024 ¥ million	2023 ¥ million
Current income tax		
— Japan	48	94
Deferred income tax		
— Japan	(188)	(168)
	<u>(140)</u>	<u>(74)</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 30 June 2024 and 2023.

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

8 EARNINGS PER SHARE

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

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

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

9 DIVIDENDS

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

10 INVENTORIES

	2024 ¥ million	2023 ¥ million
Uninstalled pachinko and pachislot machines	<u>74</u>	<u>137</u>

The cost of inventories recognised as expense and included in “Hall operating expenses” amounted to ¥2,399 million (2023: ¥2,651 million) for the year ended 30 June 2024 (Note 5).

11 TRADE RECEIVABLES

	2024 ¥ million	2023 ¥ million
Trade receivables	<u>11</u>	<u>10</u>

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 dates as at 30 June 2024 and 2023 is as follows:

	2024 ¥ million	2023 <i>¥ million</i>
Less than 30 days	<u>11</u>	<u>10</u>

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

12 TRADE PAYABLES

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

	2024 ¥ million	2023 <i>¥ million</i>
Less than 30 days	<u>13</u>	<u>14</u>

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

13 BORROWINGS

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

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

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

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

	2024	2023
Bank loans	1.48%	1.35%
Loans from a governmental financial institution	<u>0.78%</u>	<u>0.59%</u>

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

	2024	2023
	¥ million	¥ million
Property, plant and equipment	5,935	4,954
Investment properties	1,611	1,651
Financial assets at fair value through other comprehensive income		
— listed equity securities	90	84
	<u>7,636</u>	<u>6,689</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry and business review

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”.

As disclosed in previous interim reports and annual reports of the Company, the Japanese government has gradually eased certain Coronavirus Disease 2019 (“COVID-19”) restricted measures in order to restore and stimulate social and economic activities in Japan, showing a shift in their policies from “the need to suppress the spread of COVID-19” to “living with the virus”. On 8 May 2023, the Japanese government downgraded the legal status of COVID-19 from the second-highest category that is classified along with diseases such as tuberculosis and severe acute respiratory syndrome, or SARS, to category five that is the same category as seasonal influenza. Nevertheless, the Group has continued to implement infection prevention measures in its business operations such as encouraging all of the Group’s employees at its pachinko and pachislot halls to wear face masks at all times and applying disinfectant to pachinko and pachislot machines from time to time, in order to control the spread of the COVID-19 and other diseases in the Group’s pachinko and pachislot halls and provide a safe working/pachinko and pachislot hall environment for its employees and customers.

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

Further, the Group has recorded a decrease in profit before income tax by approximately ¥1,242 million, or approximately 39.5%, from approximately ¥3,146 million in FY2023 to approximately ¥1,904 million in FY2024. This decrease was mainly attributable to a decrease in gain on the release of lease liabilities of approximately ¥1,659 million, or approximately 61.7%, from approximately ¥2,691 million in FY2023 to approximately

¥1,032 million in FY2024, which is further elaborated in below. The Group will continue to explore new measures and opportunities to improve the Group's operational performance and diversify its income sources.

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

Continuing to diversify the Group's income stream

As disclosed in previous interim reports and annual reports of the Company, the management has continuously been striving to establish alternative streams of income and diversify the Group's operations into different business segments. For FY2024, the Group derived revenue from its pachinko and pachislot hall business, its vending machines, its rental properties including but not limited to premises of commercial facilities and residential units, and its other operations such as the provision of motor vehicle rental services.

On 26 July 2018, the Company entered into two agreements pursuant to which the Company subscribed for two series of bonds issued by 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. (株式会社エバークローリー・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 income stream for the Group. For details, please refer to the announcements of the Company dated 26 July 2018,

25 January 2019, 24 January 2020, 25 January 2021, 30 July 2021, 25 January 2022, 27 January 2023, 25 January 2024 and 30 July 2024 and the circulars of the Company dated 29 October 2021 and 30 September 2024.

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

Coping with obstacles and uncertainties from regulatory measures

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

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

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

Market threats and prospects

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

The management will continue to adopt the above strategies and consider introducing and installing further new models of pachinko and pachislot machines in order to encourage customer traffic and enhance the Group's operational and financial performance. Further, new banknotes were issued in Japan in July 2024 and the Group has taken proactive steps to update its pachinko and pachislot machines that are compatible with the new banknotes early on. It has completed the necessary large-scale capital investment, such as the installation of the necessary peripheral devices and software catered for the new banknotes during FY2024. As there were no future plans for any major capital investment as at the date of this announcement, 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 including motor vehicle rental services. During FY2024, revenue from pachinko and pachislot hall business remained the majority source of income for the Group, accounting for approximately 92.4% of the Group's total revenue (FY2023: approximately 92.6%). The Group's total revenue increased by approximately ¥199 million, or 3.2%, from approximately ¥6,284 million in FY2023, to approximately ¥6,483 million in FY2024. This increase was mainly a result of the general increase in customer traffic at the Group's pachinko and pachislot halls following the introduction of more Smart Slot Machines and Smart Pachinko Machines during FY2024 which was slightly offset by the reduction of customers following the cessation of the K's Plaza Ohato operation in January 2024. For details, please refer to the announcement of the Company dated 9 January 2024.

The Group derived income from vending machines installed at its halls provided by vending machine operators under service agreements. The vending machines sell drinks and food and the Group shares a certain portion of income generated by such vending machines. The Group's vending machine income remained generally stable, with an increase of approximately ¥2 million, or approximately 2.1%, from approximately ¥94 million in FY2023 to approximately ¥96 million in FY2024.

The Group derived rental income from renting out (i) premises to G-prize wholesalers, (ii) car parks, (iii) commercial facilities, and (iv) residential units. Property rental income increased by approximately ¥26 million, or approximately 7.2%, from approximately ¥359 million in FY2023 to approximately ¥385 million in FY2024 due to an increase in rental income from car parks as a result of an increase in parking fees for some of the Group's car parks, and an increase in car parking spaces for rental following (i) the renovation of one of the Group's halls, whereby part of the hall was converted into a car park, and (ii) the closure of one of its halls which was subsequently converted into a car park.

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

Gross pay-ins

The Group's gross pay-ins represent the gross amount received from customers for the rental of pachinko balls and pachislot tokens. Gross pay-ins are primarily affected by the level of customer spending at the Group's pachinko and pachislot halls. The Group's accounting policy recognises gross pay-ins net of consumption tax. The consumption tax rate in Japan was 10% during FY2024.

The Group's gross pay-ins recorded an increase of approximately ¥1,979 million, or approximately 6.6%, from approximately ¥29,871 million in FY2023 to approximately ¥31,850 million in FY2024, which was mainly due to the reasons mentioned in the paragraph headed "Revenue" above.

Gross pay-outs

The Group's gross pay-outs represent the aggregate cost of G-prizes and general prizes exchanged by the Group's customers, taking into consideration the G-prize mark-up and the value of any unutilised balls and tokens during the relevant period. The Group's gross pay-outs recorded an increase of approximately ¥1,812 million, or approximately 7.5%, from approximately ¥24,049 million in FY2023 to approximately ¥25,861 million in FY2024 as a result of the increase in gross pay-ins for the reasons mentioned above.

Revenue margin

Revenue margin for the Group's pachinko and pachislot business represented the Group's revenue from pachinko and pachislot hall business divided by gross pay-ins. The level of revenue margin is dependent on the combination of the payout ratio of the pachinko and pachislot machines, the G-prize mark-up imposed and the mix of pachinko and pachislot machines with different jackpot probability in the Group's halls, and as a result of the resultant changes in customer behavior (i.e., rounds of play and machine utilisation). The Group's revenue margin remained stable at approximately 18.8% for FY2024 as compared with approximately 19.5% for FY2023.

Other income

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

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

Gains on release of lease liabilities

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

9 November 2023 and further elaborated in the paragraph headed “Material Acquisition of Properties” below. Such gains in FY2023 mainly represented an early termination of lease following the closure of one of the Group’s pachinko and pachislot halls, Big Apple Ofuna Hall in FY2023.

Other gains, net

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

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

Hall operating expenses and administrative and other operating expenses

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

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

Impairment loss for cash-generating units

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

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

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

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

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

Value-in-use approach

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

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

- (i) the revenue growth of the Group ranges from -3% to -5% for the twelve months ending 30 June 2025 based on the business performance for each of the CGUs during FY2024, and 0% after 30 June 2025;
- (ii) the pre-tax discount rate is 9.14%; and

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

Save as disclosed above, there are no significant changes in the value of the inputs and assumptions from those previously adopted in FY2023.

Fair value less cost of disposal approach

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

Value of inputs and key assumptions

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

Subsequent changes to the valuation methods adopted

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

Profit before income tax

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

Profit for the year attributable to shareholders of the Company

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

ANALYSIS OF FINANCIAL POSITION

LIQUIDITY AND FINANCIAL RESOURCES

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

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

Investment policy

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

- (i) investments in low liquidity products being avoided;
- (ii) investments should be yield-earning in nature and the primary objectives of investment activities are to diversify the Group's investments and control their risk;
- (iii) investments should be undertaken only in situations where the Group has surplus cash not required for short or medium term of use; and
- (iv) investments should be undertaken only to the extent that adequate liquid capital is maintained.

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

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

Funding and treasury policy

The Group has adopted a prudent financial management approach towards its funding and treasury policy and thus maintained a healthy liquidity position for FY2024. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. For FY2024, the Group did not use any risk hedging instrument.

Cash and cash equivalents

As at 30 June 2024, the Company had cash and cash equivalents of approximately ¥3,049 million (30 June 2023: approximately ¥2,423 million), and short-term bank deposits of approximately ¥100 million (30 June 2023: approximately ¥100 million). The Company's cash and cash equivalents and short-term bank deposits are denominated in Japanese Yen, US Dollar and HK Dollar.

Capital structure

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

Borrowings

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

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

As illustrated above, the proportion of the Group's borrowings repayable within 1 year, repayable between 1 year and 2 years, and repayable over 5 years increased, while the borrowings repayable in between 2 years and 5 years decreased. The change of maturity profile of the Group's borrowings was primarily due to the ageing of existing loans and the entering into of a 10-year loan amounting to approximately ¥700 million. As at

30 June 2024, 35.5% of the Group's borrowings, amounted to approximately ¥1,771 million were subject to a fixed interest rate and 64.5% of the Group's borrowings, amounted to approximately ¥3,216 million were subject to a floating interest rate.

Bonds

No new bond was issued in FY2024.

Pledged assets

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

Gearing ratio

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

Interest rate and foreign exchange exposure

The Group is exposed to interest rate risk as its bank balances and some of its bank borrowings are carried at variable rates. The Group manages its interest rate exposure with a focus on reducing its overall cost of debt and exposure to changes in interest rates. During FY2024, the Group did not use any hedge instrument or interest rate swap to manage its interest rate exposure.

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

Contractual and capital commitments

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

	As a lessor	
	As at 30 June	
	2024	2023
	¥ million	¥ million
Not later than 1 year	<u>53</u>	<u>52</u>

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

Capital expenditures

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

Contingent liabilities

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

SIGNIFICANT INVESTMENTS

As at 30 June 2024, the Group held investments primarily in (i) investment properties of approximately ¥3,020 million, which represented land and premises situated in Japan and rented out under operating leases, with each of their respective investment value being less than 5% of the Company's total assets as at 30 June 2024, and (ii) financial assets of approximately ¥1,130 million, which represented the Bonds issued by the Bond Issuer, trust funds, and listed and unlisted securities. As at 30 June 2024, save as the 1st Series Bond and the 2nd Series Bond which in aggregate constituted approximately 5.4% of the Company's total assets, the Group did not hold any other significant investment with a value of 5% or more of the Company's total assets.

Investment properties

The Group's investment properties comprise properties for office, residential and parking purposes which are rented out under operating leases and held by the Company for long-term rental yields. All of the Group's investment properties are stated at historical cost less accumulated depreciation and impairment losses. Impairment loss will be recognised by the Group where the valuation results indicate that the carrying amount of the investment properties exceed its recoverable amount. Impairment loss of approximately ¥15 million was recognised on the Group's investment properties for FY2024 (FY2023: approximately ¥33 million). The recoverable amounts for investment properties are stated at fair value less cost of disposal based on valuations performed by an independent professionally qualified valuer or management. The valuations were determined using the income approach or the sales comparison approach. The fair values of all investment properties are within level 3 of the fair value hierarchy.

The valuations of the Group's investment properties are dependent on various key assumptions and inputs, including but not limited to (i) the monthly rental per square meter of the investment property, (ii) a capitalisation rate of 5.2% to 10.1% based on that of similar properties, interviews with real estate investors and various published indices, (iii) a discount rate of 5.6% to 9.8% derived by adding risks premiums to the base rate and using the band of investment method, (iv) the vacancy rate after expiry of the lease terms of the investment property, and (v) the unit price per square meter of land based on sales comparables occurred in the property market.

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

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

Financial assets and financial liabilities

In relation to the Group's financial assets, the Group recorded a gain of approximately ¥37 million for the fair value changes on financial assets and financial liabilities at fair value through profit or loss in FY2024 (FY2023: approximately ¥36 million), which was primarily attributable to fluctuations in the market prices of the underlying assets in the Company's investments. Although changes in market conditions will continue to result in fair value gains or losses from financial assets, the Directors are of the view that the investment in financial assets will help to increase the average yield earned from the excess funds from the Group's business overall. To the best of their knowledge and as at the date of this announcement, the Directors do not foresee any default or any impairment to be made to any financial assets held by the Group.

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

As at 30 June 2024, the fair value of each of the 1st Series Bond and the 2nd Series Bond was ¥500 million, which in aggregate constitutes approximately 5.4% of the Company's total assets. There is no change to the fair value of each of the 1st Series Bond and the 2nd Series Bond for FY2024 as they are calculated at amortised cost. For FY2024, the amount of interest earned by the Group under each of the 1st Series Bond and the 2nd Series Bond is approximately ¥20 million and ¥20 million, respectively.

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

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

HUMAN RESOURCES

Employees and remuneration policies

As at 30 June 2024, the Group had 352 employees (30 June 2023: 381 employees), almost all of whom were based in Japan, and of whom 297 were stationed at the Group's pachinko and pachislot halls. For newly recruited employees, the Group has prepared a series of training sessions which mainly focuses on pachinko and pachislot hall operations and customer service. Upon appointment of every three years, as required by the Public Safety Commission in Japan, each hall manager is required to attend the training course conducted by the Public Safety Commission.

The staff costs include all salaries and benefits payable to the Group's employees and staff, including the Directors. The total staff costs for FY2024 amounted to approximately ¥1,032 million (FY2023: approximately ¥1,061 million), which accounted for approximately 17.0% (FY2023: approximately 17.2%) of the Group's total operating expenses, including the remuneration of the Directors.

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

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

The Share Option Scheme

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

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

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

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

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

ISSUE FOR CASH OF EQUITY SECURITIES

Placing of new Shares under general mandate

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

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

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

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

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

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

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

Issue of equity securities

During FY2024, the Company did not issue for cash any equity securities (including securities convertible into equity securities).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MATERIAL ACQUISITION OF PROPERTIES

On 9 November 2023, K's Property Co., Ltd.* (株式会社ケイズプロパティ) ("K's Property") and G.K. Shunan Kaihatsu* (合同会社周南開発) ("G.K. Shunan Kaihatsu") entered into an acquisition agreement, pursuant to which K's Property, an indirectly wholly-owned subsidiary of the Company, as the purchaser agreed to purchase, and G.K. Shunan as the vendor agreed to sell the entrusted asset under the trust, which consists of (i) three parcels of land situated at Azakaisakuminami, Oazakuriya, Shunan-Shi, Yamaguchi Prefecture, Japan, with a total area of approximately 8,952 square metres, together with an irrigation channel of approximately 34 square metres (the "Land"); and (ii) a four-story building and a single-story warehouse erected on the Land with a total

gross floor area of approximately 7,406 square metres and 118 square metres, respectively, at a total consideration of approximately ¥935 million (inclusive of consumption tax), subject to adjustments. The Acquisition was completed on 9 November 2023. For details, please refer to the announcement of the Company dated 9 November 2023.

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

On 21 June 2024, Okura Co., Ltd.* (王蔵株式会社) (“**Okura Japan**”), an indirect wholly-owned subsidiary of the Company and K’s Property, a direct wholly-owned subsidiary of the Company underwent an absorption-type merger, whereby K’s Property was absorbed and dissolved, and Okura Japan survived and remains as a wholly-owned subsidiary of the Company. For details, please refer to the Company’s announcement dated 26 April 2024.

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL INVESTMENTS

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

FINAL DIVIDEND

No final dividend for FY2024 has been recommended by the Board (FY2023: Nil).

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for FY2024 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for FY2024. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board, together with the Board and its external auditor, had reviewed the accounting principles and policies adopted by the Group and the annual results and the consolidated financial statements for FY2024.

CORPORATE GOVERNANCE

The Directors consider that the Company has applied the principles of the Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and complied with the code provisions, where applicable, during FY2024 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 fulfil their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions for the Group accordingly, and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategies and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board

and chief executive is necessary. The Directors strive to achieve a high standard of corporate governance (which is of critical importance to the Group's development) to protect the interest of shareholders of the Company.

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

The financial information relating to FY2024 and the financial information relating to FY2023 included in this preliminary announcement of annual results of 2023/2024 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of FY2023, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) (the “**Companies Ordinance**”) is as follows:

The financial statements for FY2024 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course. The Company had delivered the financial statements for FY2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on these financial statements for FY2023. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the required standards for securities transactions by the Directors. Specific enquiries have been made to all the Directors and all Directors have confirmed that they had complied with the required standards, where applicable, set out in the Model Code for FY2024.

ANNUAL GENERAL MEETING

The Company will hold its annual general meeting on Friday, 22 November 2024 (the “**2024 AGM**”), the notice of which will be published and despatched to the Company's shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the shareholders of the Company to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Tuesday, 19 November 2024 to Friday, 22 November 2024 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the 2024 AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 18 November 2024.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.okura-holdings.com. The annual report of the Company for FY2024 will be despatched to the Company's shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 30 September 2024

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

* *For identification purpose only*