

Results Briefing for the First Half of FY2021 (23rd Term)

Golf Digest Online Inc.

2021/8/12

GDO 

 **PLAY YOUR LIFE**

1.Executive Summary

- Overview of Business Results
- Environmental Trends in the Golf Market
- Business Plan for the Second Half

2.Financial Results for the First Half of FY2021

3.Approach of the First Half of FY2021

CHAPTER
01
Executive Summary

Due to the influence of COVID-19, the work style and lifestyle have changed, and the potential appeal of golf has been reaffirmed and demand has increased. As a result of the services provided by GDO group steadily capturing the demand for golf, sales and profits at each stage reached record highs in the first half.

Renewed the highest profit ever

Net Sales

177 million USD

YOY +27%

EBITDA

16.5 million USD

YOY +447%

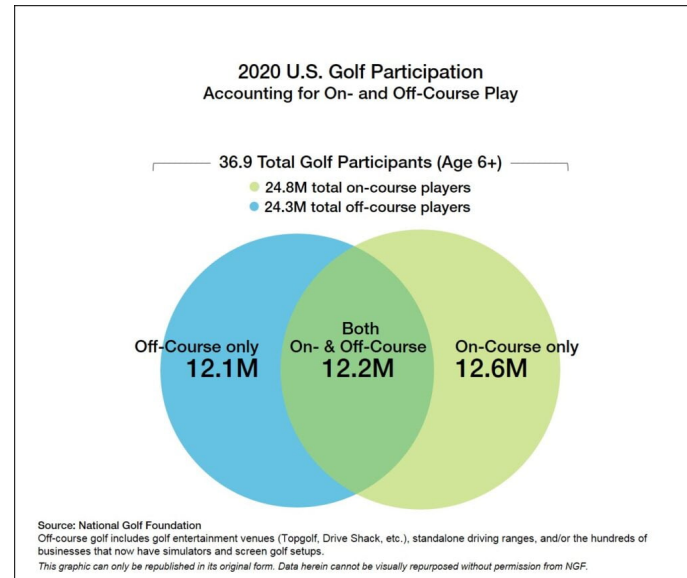
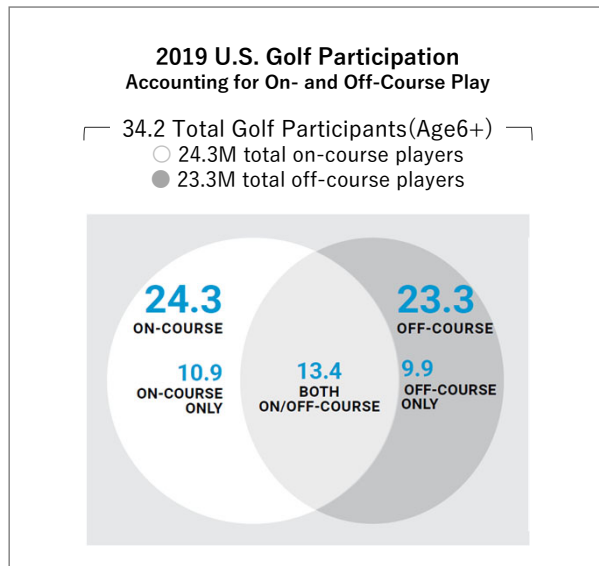
Operating Profit

8.9 million USD

YOY +13 million USD

1. Executive Summary Environmental Trends in the Golf Market

In the United States, the base of golfers is expanding due to the progress of entertainment. Although there was a temporary golf defection due to the influence of COVID-19, the potential appeal of golf increased the number of new entrants, and the golfer population increased by 2.7 million.



Off-courses includes golf entertainment venues (Topgolf, Drive Shack, etc.) ,standalone driving ranges, and/or hundreds of businesses that now have installed simulators and screen golf setups. (source: National Golf Foundation.)

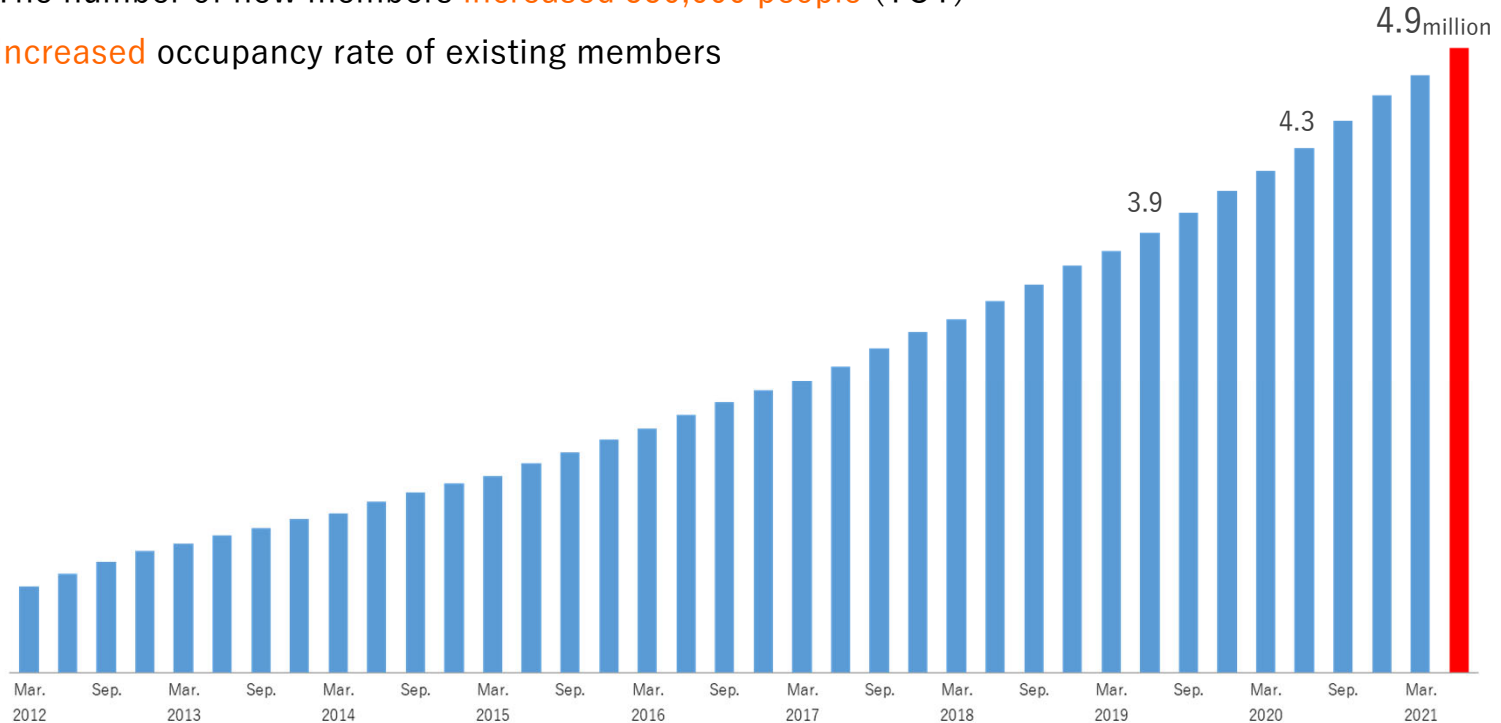
The golf participation rate by age group in the market has changed (actual number is unknown). The number of GDO club members increased by 520,000 (+ 12.8% year-on-year), especially in the 20s.

Comparison of golf participation rates by age group (December 2019 vs December 2020)			
(Age)	(2019.11)	(2020.11)	(YOY)
Total	7.1 %	6.6 %	-0.5 point
20s	3.6 %	4.7 %	+1.1 point
30s	5.6 %	5.1 %	-0.5 point
40s	6.1 %	5.3 %	-0.8 point
50s	7.9 %	6.8 %	-1.1 point
60s	9.3 %	8.6 %	-0.7 point
70s	10.4 %	9.7 %	-0.7 point

Comparison of the # of GDO club members by age group (December 2019 vs December 2020)	
(Age)	(Rate of increase)
Total	+12.8 %
20s	+70.5 %
30s	+18.0 %
40s	+10.3 %
50s	+9.5 %
60s	+8.6 %
70s	+5.3 %

From the Japan Sports Agency opinion poll

- The number of new members **increased 550,000 people** (YOY)
- **Increased** occupancy rate of existing members



1. Demand for golf is strong in both Japan and the United States, and the growth of the younger generation is particularly large. Therefore, it is expected that the increase in demand will continue in the future. Looking ahead, we will aggressively invest in business and marketing expenses for the purpose of expanding market share.

2. Aggressively open U.S. GOLFTEC new centers and acquisition of the FC centers.

3. Strengthen and accelerate product sales services centered on fitting sales in U.S. GOLFTEC.

4.

Aggressively invest and expand the number of facilities introduced in the top tracer range business, which greatly contributes to the expansion of the golf.

5.

Actively hold events that combine online and offline.

6.

Strengthening our governance system. Since we were able to meet the listing maintenance standards (formal standards) of the prime market, respond to the new Corporate Governance Code and plan to make decisions on the listed market in Q4.

1. Executive Summary Revised full-year 2021 Forecast

(million USD)		FY2019	FY2020	FY2021 Forecast (12.Feb)	FY2021 Forecast (12.Aug)	v.s. 12.Feb Forecast		YoY	
Net sales		314.4	315.5	350.0	372.2	22.2	(+6.3%)	56.7	(+18.0%)
	(Domestic)	246.2	250.3	257.4	268.5	11.1	(+4.3%)	18.2	(+7.3%)
	(Overseas)	68.2	65.3	92.6	103.7	11.1	(+12.0%)	38.5	(+58.9%)
EBITDA		22.6	22.2	26.4	30.1	3.7	(+14.0%)	7.9	(+35.6%)
	(Domestic)	18.9	21.6	19.4	21.3	1.9	(+9.5%)	-0.3	(- 1.3%)
	(Overseas)	3.8	0.6	6.9	8.8	1.9	(+26.7%)	8.2	(+1323.0%)
Operating profit		9.0	7.8	10.2	13.4	3.2	(+31.8%)	5.6	(+71.1%)
	(Domestic)	14.1	16.7	13.9	15.7	1.9	(+13.3%)	-0.9	(- 5.6%)
	(Overseas)	-5.1	-8.8	-3.7	-2.3	1.4	(-)	6.5	(-)
Ordinary profit		8.9	8.5	10.1	13.3	3.2	(+32.1%)	4.8	(+57.0%)
Net income		3.3	2.4	5.0	7.4	2.4	(+47.2%)	4.9	(+201.1%)

The translation of Japanese yen amounts into U.S.

- FY2019 ¥109.03 = \$1USD
- FY2020 ¥106.77 = \$1USD
- FY2021 Forecast ¥108.00 = \$1USD

(Prerequisite)

- Plan to invest marketing costs and strengthen IT investment in Japan. Overseas, it reflects the impact of new centers openings and acquisition of FC centers, which we focused on in the first half of the year.

CHAPTER

02

Financial Results for the First Half of FY2021

Measures that capture golf demand and SG & A cost control have been successful, leading to a stronger financial structure. Earnings and profits at each stage all reached record highs.

(million USD)		H1/2019	H1/2020	H1/2021 (v.s.2020)		
Net sales		152.0	138.8	177.1	38.3	(+27.6%)
	(Domestic)	118.8	111.5	126.1	14.7	(+13.2%)
	(Overseas)	33.2	27.3	50.9	23.6	(+86.2%)
Gross profit		59.5	50.6	74.4	23.8	(+47.0%)
SG&A		57.1	54.7	65.5	10.8	(+19.7%)
EBITDA		9.0	3.0	16.5	13.5	(+449.3%)
	(Domestic)	7.7	5.6	11.6	6.0	(+108.1%)
	(Overseas)	1.3	-2.6	4.9	7.5	(-)
Operating profit		2.4	-4.1	8.9	13.0	(- %)
	(Domestic)	5.4	3.2	9.1	5.9	(+186.2%)
	(Overseas)	-3.0	-7.3	-0.2	7.1	(- %)
Ordinary profit		2.3	-4.1	8.9	13.0	(-)
Net income		0.7	-5.6	5.9	11.5	(- %)

The translation of Japanese yen amounts into U.S.

- H1/ FY2019 ¥110.06 = \$1USD
- H1/ FY2020 ¥108.25 = \$1USD
- H1/ FY2021 ¥107.81 = \$1USD

Implemented 21 million USD in IT investment, capital investment, and shareholder returns

Overseas
&
New
Business

- U.S. GOLFTEC : 15.7 million USD
Corporate centers +13centers (include 8 acquire franchise to be corporately owned), Software development, etc.
- Top Tracer range Business : 1.5 million USD

Domestic
Business

- Domestic Business 3.0 million USD
- . Expansion of the system infrastructure that supports GDO's business
 - Investment for the service strengthening

Shareholder
return

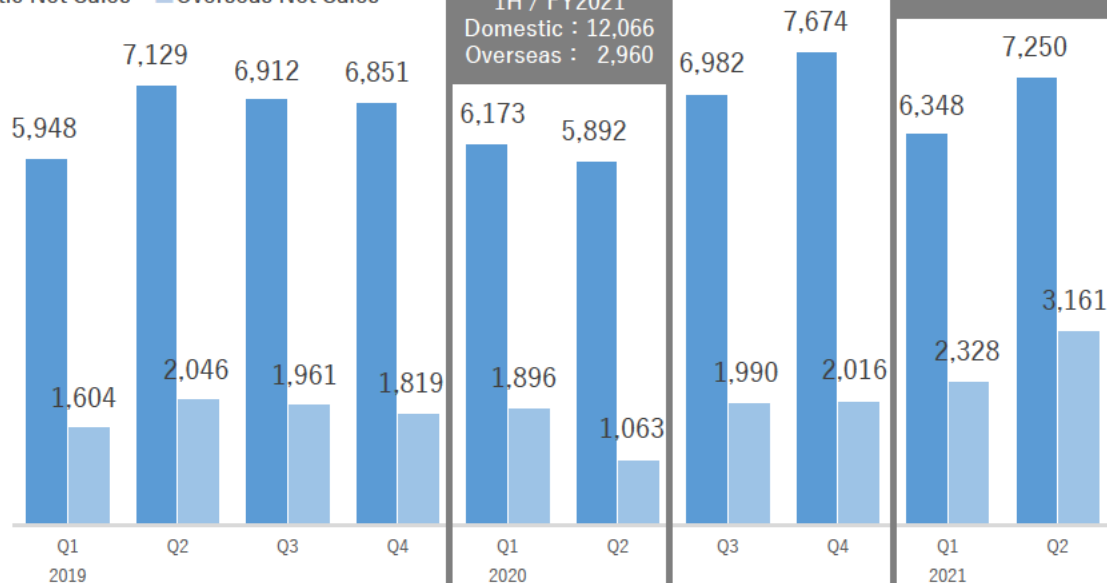
- The interim dividend for the fiscal year ending December 2021 is planned to be 4.0 yen (0.037 UDS), and the year-end dividend is planned to be 5.5 yen(0.05 USD)

The improvement business, which includes overseas segments, is driving growth.

Net Sales by Segment

(million yen)

■ Domestic Net Sales ■ Overseas Net Sales



1H / FY2021
Domestic : 13,599
Overseas : 5,490

1H/ FY2020Comparison

■ Domestic Net Sales
+1,533 (+12.7%)

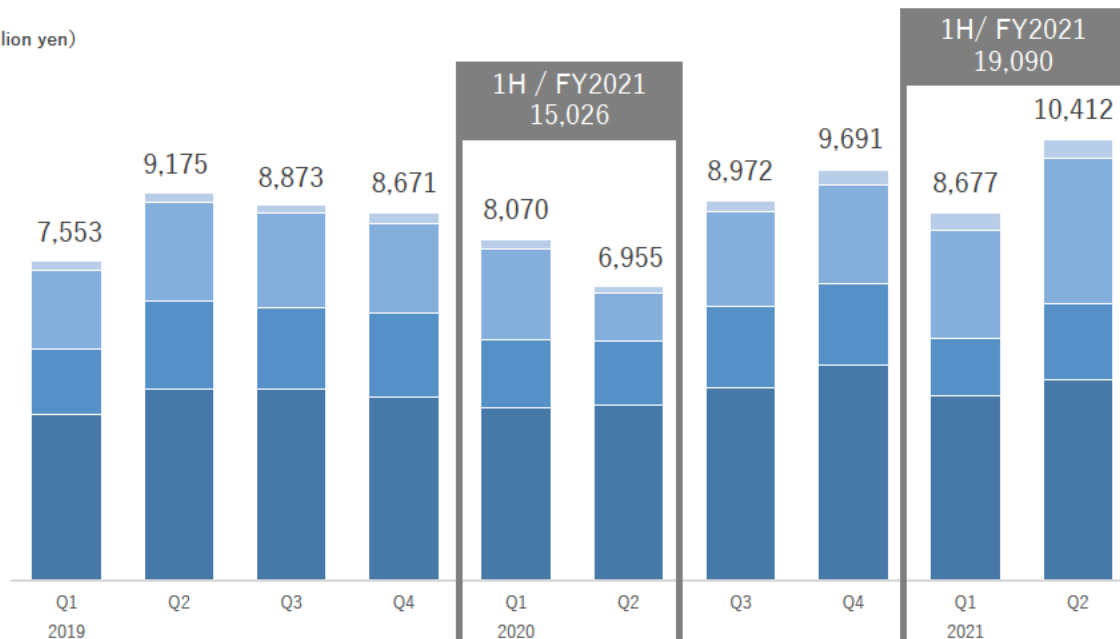
■ Overseas Net Sales
+2,530 (+85.5%)

2. Financial Results for the First Half of FY2021 Net Sales

Net Sales by Service

■ Golf Goods Sales ■ Golf Course Business ■ Improvement ■ Others

(million yen)



1H/ FY2020 Comparison

Others
+120%

Improvement Business
+82%

Golf Course Business
+2%

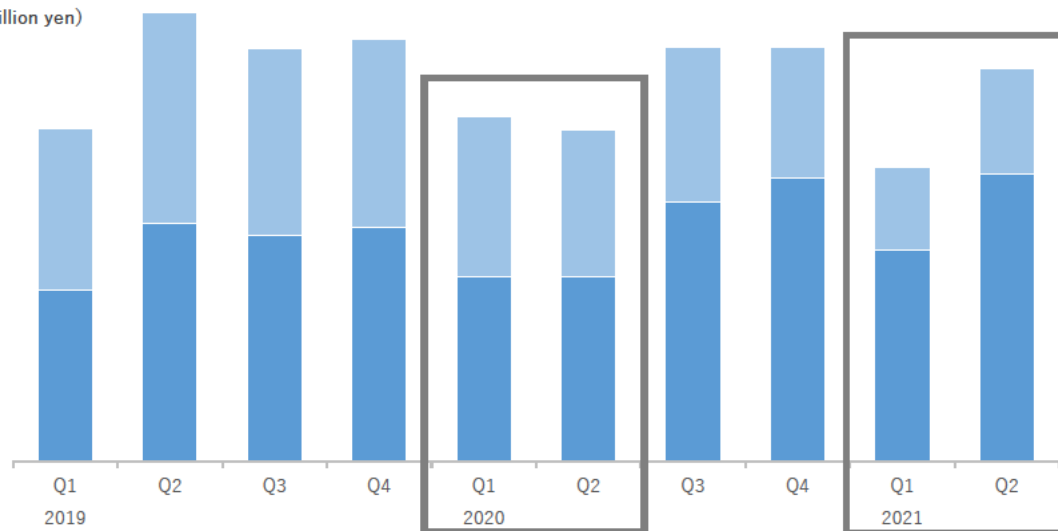
Golf Goods Sales
+11%

The number of new customers is increasing due to various marketing measures to capture the increasing demand for golf.

Net Sales

■ Tee Time Bookings ■ Sales of Golf Course Systems etc.

(million yen)

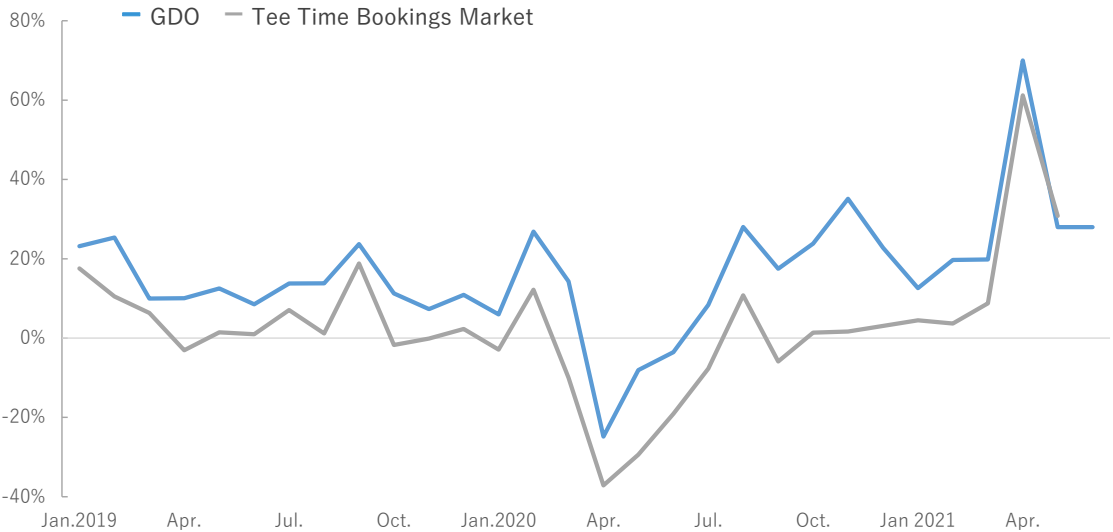


1H/ FY2020Comparison

■ Sales of
Tee Time Bookings
+35%

Efforts to follow the trend of last minute reservation were successful, the number of customers continued to grow by double digits. Contributed to the expansion of online reservations.

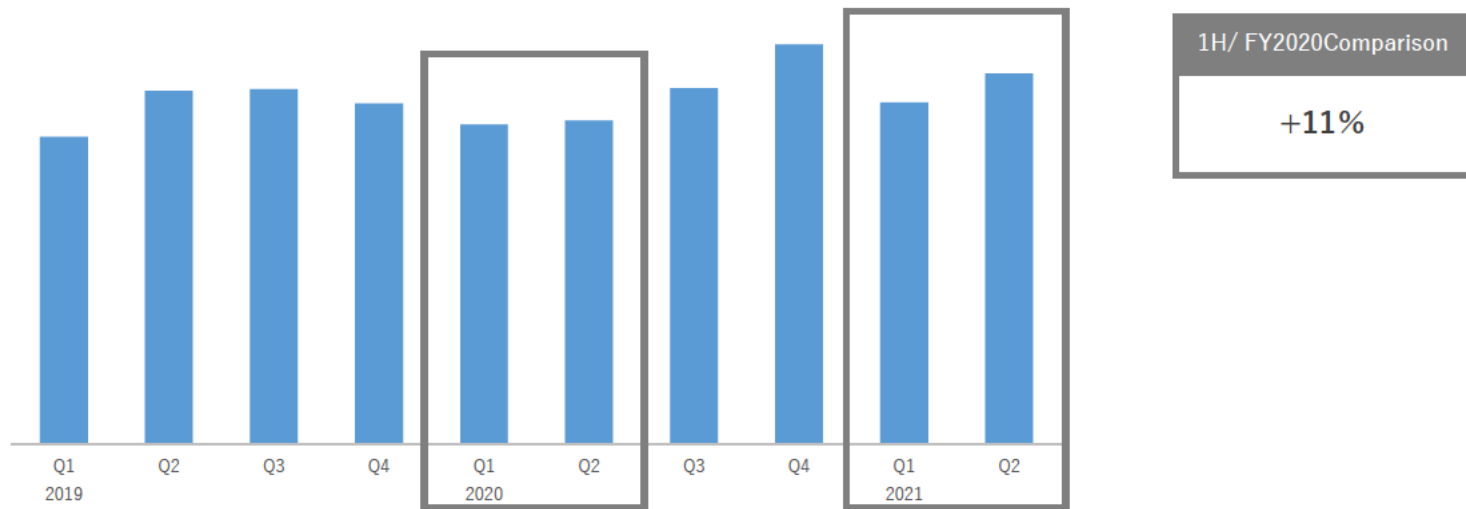
Change in Golfers Booked on GDO (YOY)



While companies in the industry are focusing on EC sales, the app strategy has been successful and the number of customers has increased. High-margin golf wear drives sales and gross profit.

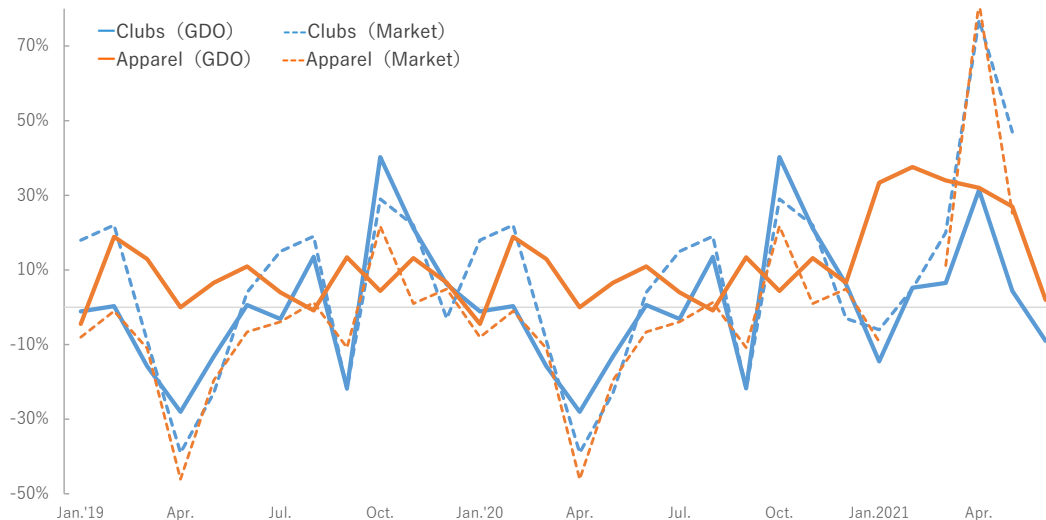
Net Sales

Gross profit margin improved by 4.2p compared first half of FY2019

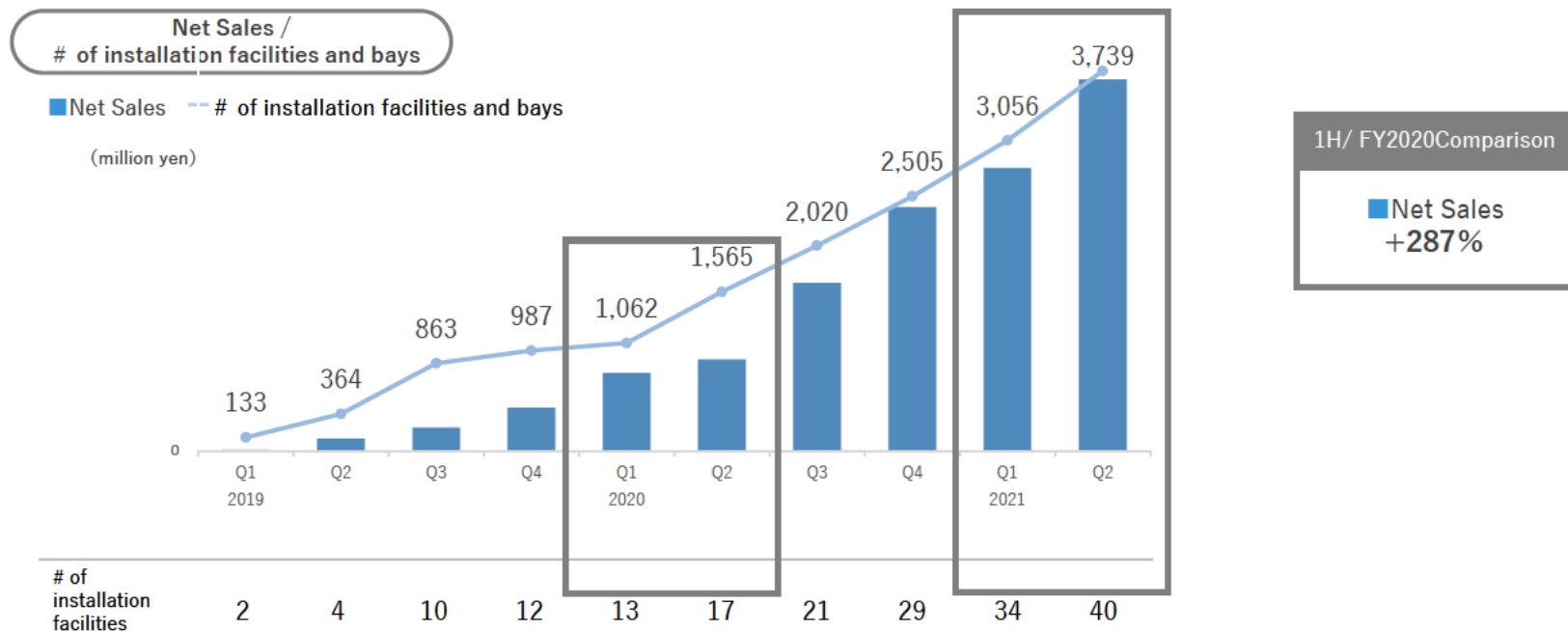


Changes in order (YOY)

Despite strong demand for golf, the effects of a decrease in production volume have gradually become apparent since May. Continue to focus on strengthening purchasing.

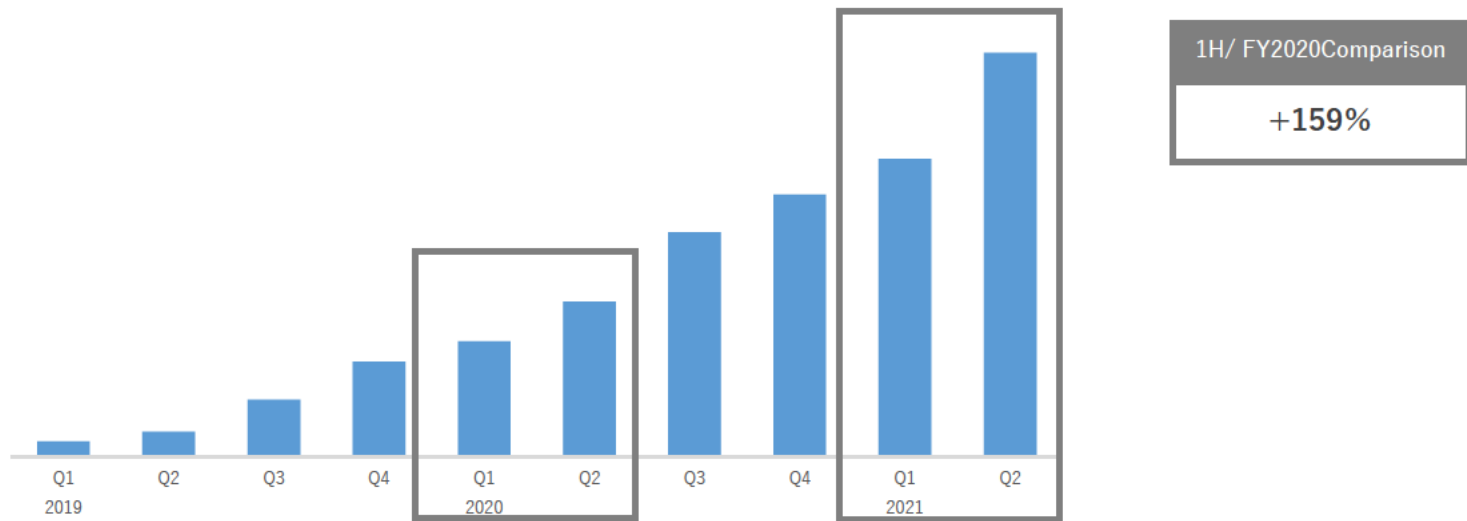


As the number of installations increases, the number of users at existing installation facilities also increases. Due to the declaration of an emergency, the number of new facilities to be introduced is partially behind the plan due to the self-restraint of the golf driving range



Quarterly change in
the # of TTR users

- The number of users at existing facilities has also increased due to the implementation of events aimed at expanding demand.
- April : Top Tracer Range app (free) recorded 100,000 DL
June : Cumulative number of users exceeds 4 million

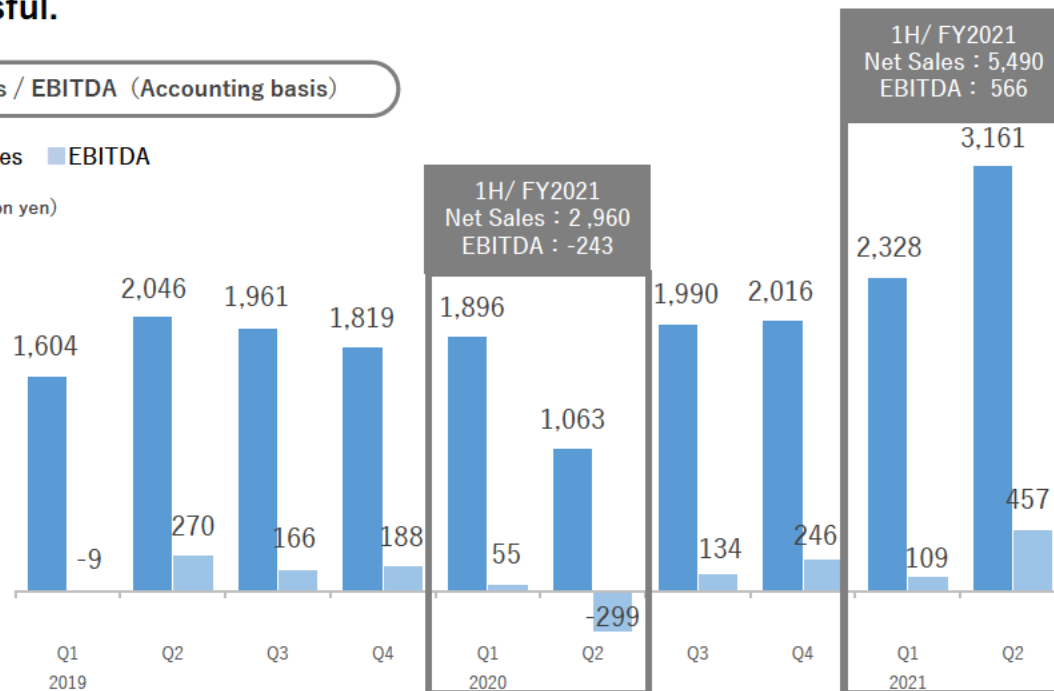


In the United States, vaccination is progressing and the accelerating demand for golf is surely captured, and lessons at existing centers and measures to strengthen product sales have been successful.

Net Sales / EBITDA (Accounting basis)

■ Net Sales ■ EBITDA

(million yen)



1H/ FY2020 Comparison

■ Net Sales
+2,530 (+85.5%)

■ EBITDA
+809 (—%)

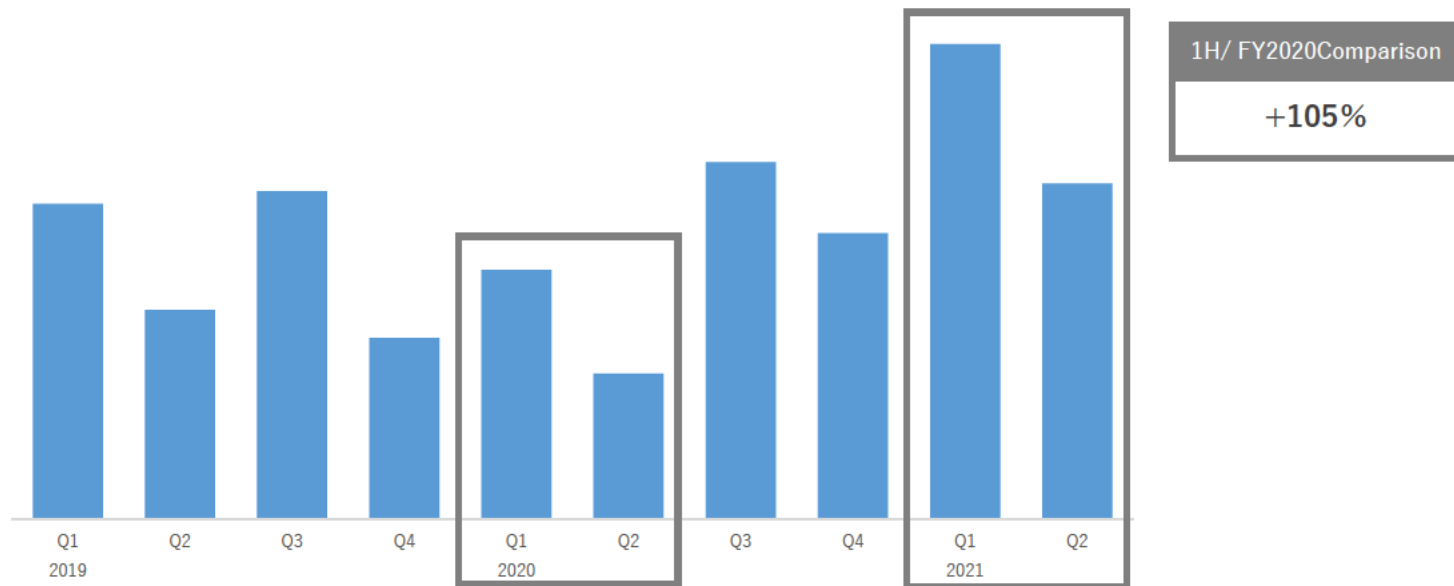
of Centers

- Accelerate the acquisition of the FC centers

	Corporate	FC	Total
Q2 FY2019	111	95	206
Q2 FY2020	115	93	208
End of December FY2020	116	91	207
New openings	(+5)	(0)	(+5)
Acquire FC Centers	(+8)	(-8)	(0)
Withdraw	(0)	(0)	(0)
Q2 FY2021	129	83	212

Cash Sales of Corporate centers

Sales are held in March and August every year for large-scale sales promotion.

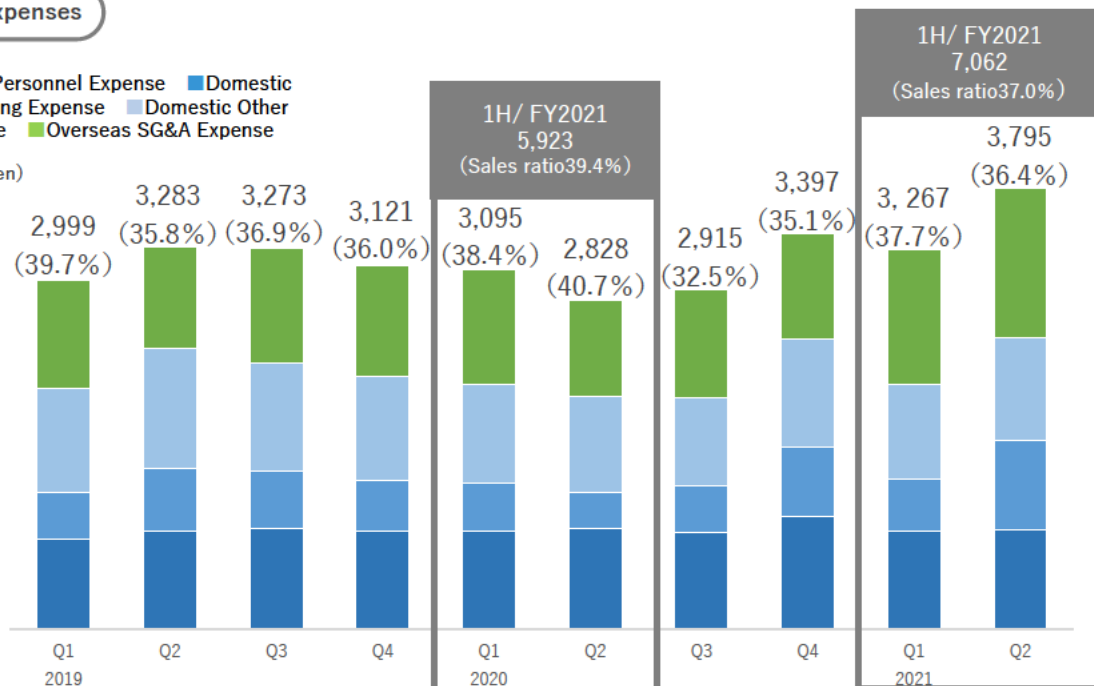


Concentrated investment in marketing costs and costs related to accelerating U.S. GOLFTEC store openings in line with growing demand for golf.

SG&A Expenses

■ Domestic Personnel Expense ■ Domestic Marketing Expense ■ Domestic Other Expense ■ Overseas SG&A Expense

(million yen)



1H/ FY2020 Comparison

■ Domestic SG&A Expense
+35%

■ Domestic Other Expense
+2%

■ Domestic Marketing Expense
+66%

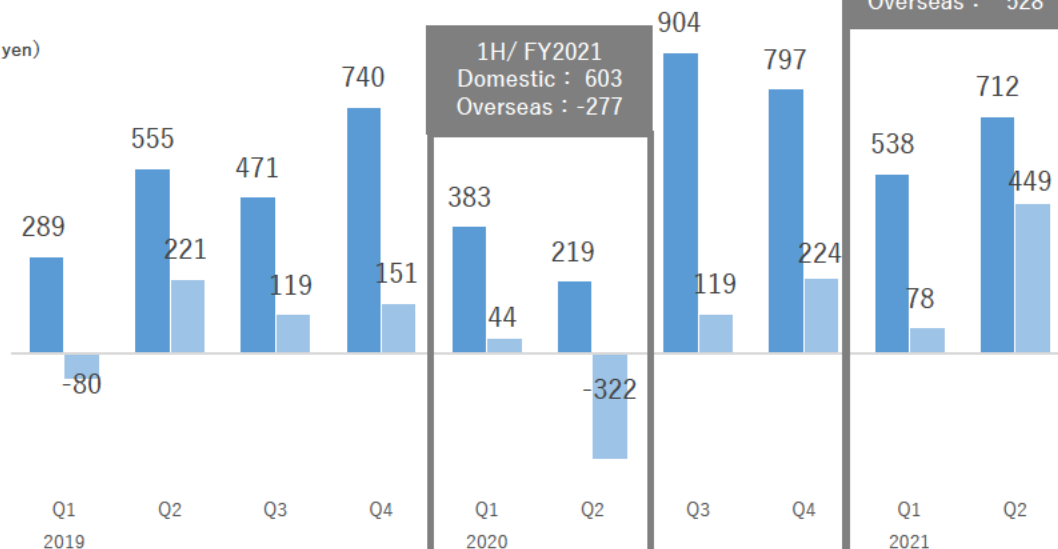
■ Domestic Personnel Expense
- 0.4%

Both EBITDA and operating income have grown significantly due to sales growth and efficient SG & A expenses.

EBITDA

■ Domestic EBITDA ■ Overseas EBITDA

(million yen)



1H/ FY2020 Comparison

■ Domestic
+647 (+107%)

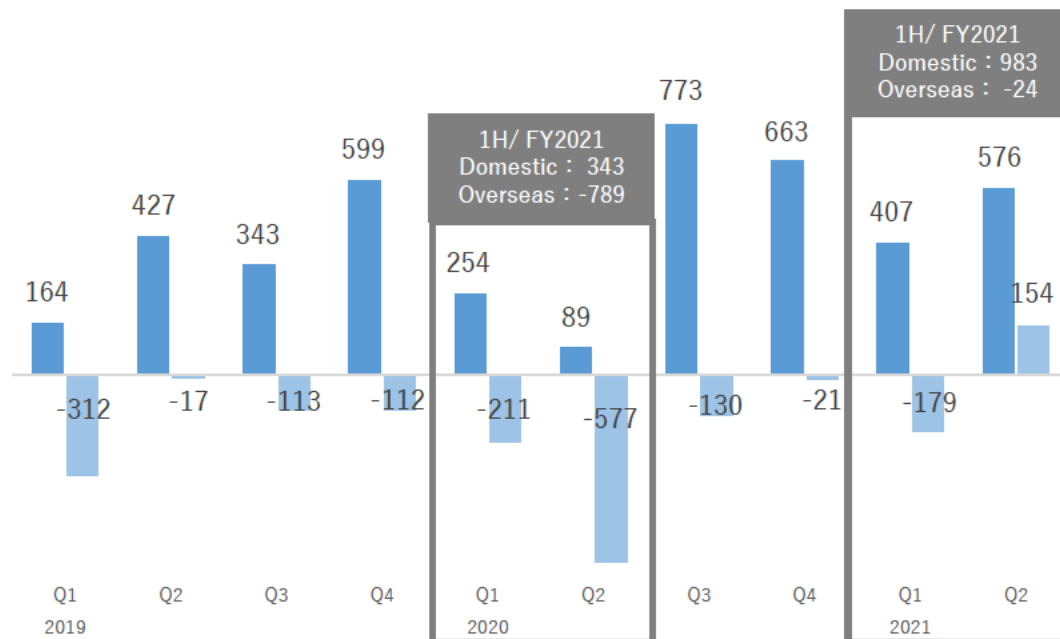
■ Overseas
+805 (—%)

2. Financial Results for the First Half of FY2021 EBITDA/Operating Profit

Operating Profit

■ Domestic EBITDA ■ Overseas EBITDA

- Amortization of goodwill and intangible assets in the first half : 235 million yen



1H/ FY2020 Comparison

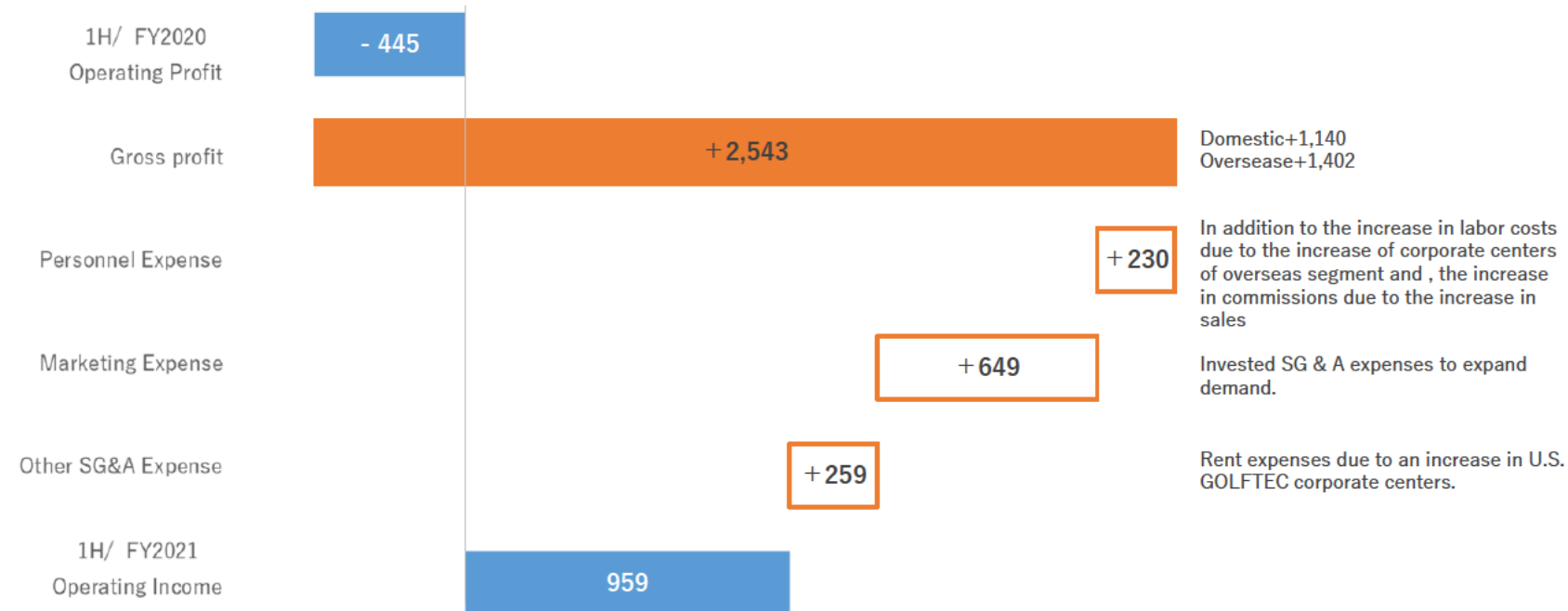
■ Domestic
+640 (+186%)

■ Overseas
+764 (—%)

2. Financial Results for the First Half of FY2021 SG&A Expenses / Operating Profit analysis

Operating Profit analysis

(million yen)



Goodwill has been added due to the acquisition of FC centers at U.S. GOLFTEC. In addition, unearned revenue increased due to strong performance.

(mill on USD)	End of Dec.2020 (Composition ratio)	2021. Q2 (YOY) (Composition ratio)		
Cash deposits	28	27	- 1	
Accounts receivable	26	25	- 1	
Merchandise	28	28	- 0	
Other current assets	12	13	+1	
Current Assets	93 54%	92	- 1	49%
Tangible assets	28	31	+3	
Intangible asset	44	56	+12	
(Goodwill)	(25)	(36)	-11	
Investments and other assets	9	8	- 1	
Non-Current Assets	81 46%	95	+14	51%
Total Assets	174 100%	187	+14	100%

	End of Dec.2020 (Composition ratio)	2021. Q2 (YOY) (Composition ratio)		
Accounts payable	20	23	+3	
Interest-bearing liabilities	21	18	- 3	
Unearned revenue	29	37	+8	
Other Current liabilities	38	40	+2	
Current Liabilities	107 62%	118	+11	63%
Interest-bearing liabilities	—	—	—	
Other Non-Current liabilities	5	6	+1	
Non-Current Liabilities	5 3%	6	+1	3%
Total Liabilities	112 65%	124	+12	66%
Total Equity	61 35%	63	+2	34%
Total Liabilities & Equity	174 100%	187	+14	100%

CHAPTER

03

Approach of the First Half of FY2021

3. Approach of the First Half of FY2021 New brand concept

Play Your Life



Introduced advanced technology "Optimotion"

The industry's first wireless, by sensor-less, made it possible to database lessons. Also suitable for the new normal era.



GOLFTEC

- OptiMotion uses revolutionary new technology to provide full body motion tracking. Unique to GOLFTEC, it combines best-in-class computer vision coupled with our patent-pending Enhanced Kinematics Service (EKS).
- Started using at more than 200 GOLFTEC centers worldwide.

Actively hold events that combine online and offline.

The global tournament "9 SHOT CHALLENGE" was held through the top tracer range.

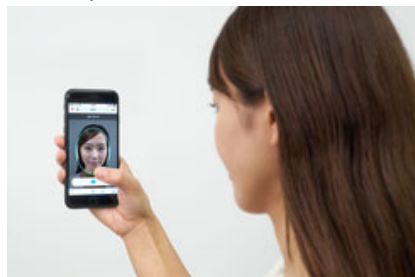
Golfers from all over the world compete through the top tracer range. Proposing a new way to enjoy golf.



Attempts at golf × technology

LIQUID eKYC

Introduced an online identity verification system for purchasing golf clubs on the GDO golf shop. With the introduction, it has become possible to shorten the number of days required for purchase.



"LIQUID eKYC" is an online identity verification system provided by Liquid Co., Ltd. eKYC stands for "electronic Know Your Customer".

EasyWeb Matching

あなたに“マッチ”するドライバーをご提案

An online club proposal service to solve golfers' worries based on a dedicated database.



Easy Web Matching service URL :
<https://shop.golfdigest.co.jp/newshop/f/contents/easywebmatching>

Started joint demonstration of payment method using finger vein authentication.

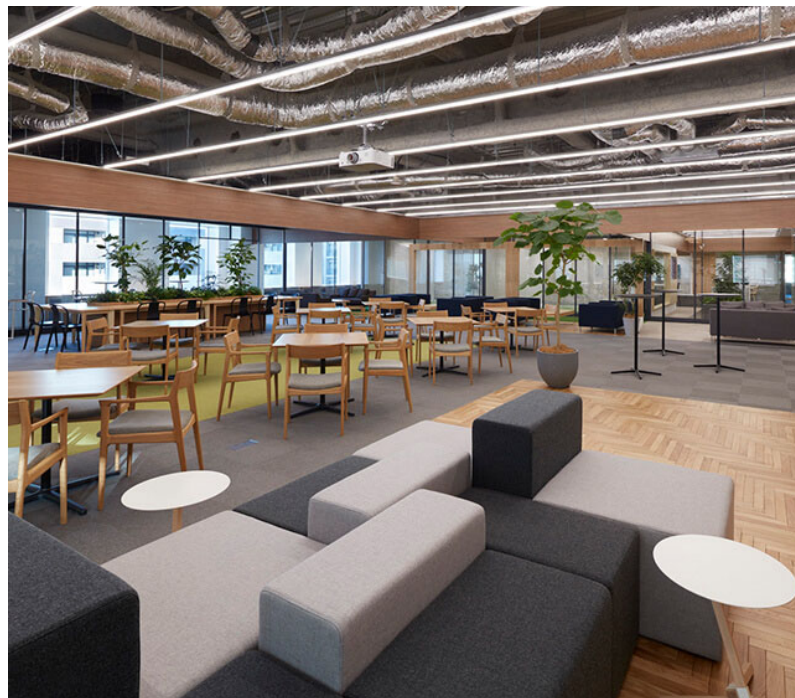
GDO, Mitsubishi HC Capital, and Hitachi have started joint demonstrations at "GDO Chiogasaki Golf Links" in order to contribute to smooth check-in and work style reforms for golf course staff.



Actively working on ESG

Reform of personnel system (work style) "Work Fast Ver.3.0"

- Changed the system to select the place of work from [Remote / Office / Mixed remote / office].
- Abolished the core time system for working hours and changed to a flexible time system from 5:00 to 22:00. Its possible the formation of their own work styles.



Actively working on ESG

Started operation of "GDO Chigasaki Golf Links"

(formerly Chigasaki Golf Club)

- Use for the purpose of realization the new brand concept of GDO "PLAY YOUR LIFE".
- Serving as a wide-area evacuation site, we aim to be the most casual and flexible golf course in Japan that is open to the local community and diverse.



Graduation event is held for local elementary school students who couldn't go on a school trip.



Held a YOGA event



Various events held for the whole family



Used as a dog field

Concluded a "cooperation agreement on city promotion" with Chigasaki City.

- Work on regional revitalization with "GDO Chigasaki Golf Links" registered as a wide area evacuation site as the central base.
- disseminate the appeal of Chigasaki City through Japan's largest comprehensive golf portal site.



Actively working on ESG

Continuous efforts for "reuse business (RE commerce *)"

- Started golf equipment second-hand business in 2003. Started operation of directly managed stores in 2007.

What is RE commerce?

A general term for product rental, used product purchase, and resale services.

Started paperless operation

- Since 2006, to refrain from the stockpile of documents, greatly reducing the amount of paper used.
- Introduced an electronic signature system in the contract
- Introduced an expense settlement online system

Participation in "Table for two"

- Started activities in 2016. An initiative to donate a certain amount from GDO to TABLE FOR TWO for each birdie from the score recorded by the "GDO score management app".
- So far, we have donated enough money to Africa to create more than 300 vegetable gardens.



 **PLAY YOUR LIFE**

GDO[®]

株式会社ゴルフダイジェスト・オンライン