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Consolidated Financial Results for the Six Months Ended June 30, 2024 [Japanese GAAP]

August 8, 2024

Company name:	Golf Digest Online Inc.
Listing:	Tokyo
Securities code:	3319
URL:	https://www.golfdigest.co.jp
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Scheduled date to file semi-annual securities report:	August 9, 2024
Scheduled date to commence dividend payments:	-
Preparation of supplementary material on financial results:	Yes
Holding of financial results briefing:	Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended June 30, 2024 (January 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes.)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	27,918	10.2	1,222	(26.9)	(1,104)	-	(480)	-	(1,040)	-
June 30, 2023	25,332	18.6	1,671	(17.4)	(239)	-	258	(70.0)	277	(80.1)

(Note) Comprehensive income: Six months ended June 30, 2024: ¥ (1,187) million [-%]
Six months ended June 30, 2023: ¥ 317 million [(82.7)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2024	(68.64)	-
June 30, 2023	4.60	4.59

(Note) EBITDA=Ordinary profit + Depreciation + Amortization of goodwill + Amortization of long-term prepaid expenses.
(Note) Diluted earnings per share for the first six months ended June 30, 2024 is not shown because net loss per share was recorded, although there are residual shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2024	49,112	608	1.2	(331.64)
December 31, 2023	46,700	1,732	3.7	(258.42)

(Reference) Equity: As of June 30, 2024: ¥ 605 million
As of December 31, 2023: ¥ 1,730 million

(Note) The "Net assets per share" is calculated by deducting the amount to be paid in for Class A preferred shares, which have different rights from those of common shares, and the amount of preferred dividend from the total net assets.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	-	4.00	-	0.00	4.00
Fiscal year ending December 31, 2024	-	0.00			
Fiscal year ending December 31, 2024 (Forecast)			-	-	-

(Note) Revision to the forecast for dividends announced most recently: Yes

(Note) For interim dividends, refer to "1. Overview of Results of Operations, etc., (3) Overview of Consolidated Earnings Forecast" on page 3. The year-end dividend forecast for the fiscal year ending December 31, 2024, is undecided at this time.

(Note) For information on the status of dividends on class shares (unlisted) with different relationship of interest from the common shares, see “Cash dividends on class shares” below.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024(January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	57,500	8.7	5,150	15.3	800	110.3	0	-	(600)	-	(57.70)

(Note) Revision to the financial results forecast announced most recently: None

(Note) The forecast of EBITDA is added from the fiscal year ending December 31, 2024.

EBITDA=Ordinary profit + Depreciation + Amortization of goodwill + Amortization of long-term prepaid expenses.

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2024: 18,274,000 shares

December 31, 2023: 18,274,000 shares

2) Number of treasury shares at the end of the period:

June 30, 2024: 67,993 shares

December 31, 2023: 70,393 shares

3) Average number of shares outstanding during the period:

Six months ended June 30, 2024: 18,204,491 shares

Six months ended June 30, 2023: 18,203,607 shares

(Note) Board Benefit Trust (BBT), a stock compensation plan for directors, has been implemented since FY2022, and Golf Digest Online Inc.'s shares held by the Trust are included in the treasury shares.

* Semi-annual Consolidated financial results (Japanese GAAP) are not subject to audit.

* The forward-looking statements described in this document including financial results forecasts, etc., are based on information currently available to Golf Digest Online Inc. and certain assumptions that are deemed to be reasonable as of the date of the release of this document. Golf Digest Online Inc. makes no warranty as to the achievability of the forecasts. For the basis of presumption of the results forecast, please refer to "1. Qualitative Information on Third Quarter Consolidated Results (3) Overview of Consolidated Earnings Forecast" on page 3 of the attached document.

Cash dividends on class shares

The following provides a breakdown of the dividends per share related to class shares (Class A preferred shares) with different relationship of interest from the common shares.

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	-	-	-	-	-
Fiscal year ending December 31, 2024 (Forecast)	-	-	-	-	-

(Note) Class A preferred shares were issued on November 25, 2022.
(Note) The dividend amount for Class A shares forecast for the fiscal year ending December 31, 2024 is undecided at this time.

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1. Overview of Results of Operations, Etc.

(1) Overview of Results of Operations for the First Six Months under Review

During the first six months of the fiscal year under review (January 1, 2024 to June 30, 2024), domestic economy and consumption activities are recovering, especially in the tourism industry. On the other hand, the outlook for the global economy remains uncertain due to soaring resource prices and unstable exchange rate fluctuations. In the environment surrounding the Internet, markets such as those for e-commerce and Internet-related services continued to expand. Meanwhile, digital technologies, notably exemplified by IoT and AI, continued to evolve, advancing digitization in numerous fields. The same applies to the golf market. Reflecting the progress in digital technologies and changes in lifestyles, golfer demand and playing styles are becoming more diverse and changing day by day. In this environment, the Golf Digest Online Group (the "GDO Group") offered greater playing comfort and pleasure to golfers as a group of IT service providers specializing in golf, with overwhelming information and the capacity to provide specialized golf services as its strengths. Furthermore, based on the mid-term strategic plan published in February 2024, the Group has been implementing a variety of initiatives to improve the profit margin. As a result, the GDO Group recorded net sales of 27,918 million yen (up 10.2% year on year) during the first six months of the fiscal year under review (January 1, 2024 to June 30, 2024). In terms of profit, despite the difficult market environment, the profit margin and non-financial indicators of some services improved due to various initiatives, which had a positive impact on performance. However, the impact of price hikes in Japan and the U.S., the implementation of IT investments in line with initial plans in Japan, and investments for overseas business expansion resulted in an operating loss of 1,104 million yen (an operating loss of 239 million yen in the same period of the previous year). On the other hand, foreign exchange gains of 954 million yen were recorded due to the weak yen, resulting in an ordinary loss of 480 million yen (an ordinary profit of 258 million yen in the same period of the previous year) and a loss attributable to owners of parent of 1,040 million yen (profit attributable to owners of parent of 277 million yen in the same period of the previous year).

The results in each main segment are as follows.

Domestic segment

During the first six months of the fiscal year under review, the domestic segment recorded net sales of 13,943 million yen (down 0.3% year on year). Although the gross profit margin improved in the Golf Equipment Sales business, segment income declined 14.7% year on year to 533 million yen due to the impact of soaring prices and IT investments in line with the initial plan for the domestic business as a whole.

Overseas segment

During the first six months under review, the Overseas segment posted net sales of 13,975 million yen (up 23.2% year on year) due to steady growth in all services, especially in the Golf Launch Monitors business, as well as the impact of foreign exchange rates. On the other hand, segment loss amounted to 1,637 million yen (segment loss of 864 million yen in the same period of the previous fiscal year) due to the increase in the number of coaches in the GOLFTEC business and upfront expenses for business expansion.

(2) Overview of Financial Position

i. Assets, Liabilities and Net Assets

Looking at the financial position at the end of the first six months under review, total assets stood at 49,112 million yen, up 2,411 million yen from the end of the previous fiscal year. Liabilities totaled 48,504 million yen, increasing 3,536 million yen from the end of the previous fiscal year. Total net assets as of the same date decreased 1,124 million yen from the end of the previous fiscal year, to 608 million yen.

Regarding assets, property, plant and equipment, and intangible assets increased 1,153 million yen and 1,001 million yen, respectively. Regarding liabilities, short-term borrowings, contact liabilities and lease liabilities (long-term) increased 1,415 million yen, 815 million yen, and 501 million yen, respectively, while long-term borrowings decreased 298 million yen. Retained earnings decreased by 1,040 million yen.

ii. Cash flows

Cash and cash equivalents (hereinafter "cash") as of June 30, 2024 decreased 704 million yen from the end of the previous fiscal year, to 2,089 million yen.

The status of each of the cash flow segments and contributing factors in the first six months of the fiscal year under review is as follows:

(Cash Flows from Operating Activities)

Cash flows from operating activities during the first six months under review resulted in cash inflow of 455 million yen (cash inflow of 1,364 million during the previous year).This was due to the exclusion of foreign exchange gains (907 million yen) which is not related to operating activities, although loss before income taxes of 584 million yen, depreciation, which is a non-cash item, of 1,701 million yen, and goodwill amortization of 624 million yen were recorded.

(Cash Flows from Investing Activities)

Cash flows from investing activities during the first six months under review resulted in a cash outflow of 1,498 million yen (cash outflow of 1,912 million yen during the previous year). his was primarily due to cash outflows of 714 million yen for the purchase of property, plant and equipment, and 807 million yen for the purchase of intangible assets.

(Cash Flows from Financing Activities)

Cash flows from financing activities during the first six months under review resulted in cash inflow of 302 million yen (cash inflow of 368 million yen during the previous year). This was attributable to a net increase of 1,067 million yen in short-term borrowings, which exceeded the repayment of long-term borrowings of 763 million yen.

(3) Overview of Consolidated Earning Forecast

Consolidated results forecasts for the fiscal year ending December 31, 2024 remain unchanged from the consolidated results forecasts announced on February 14, 2024.

(Dividends of Retained earnings (interim dividend))

The dividend forecast for the fiscal year ending December 31, 2024, which was previously undecided, however, the Company's Board of Directors on August 8 has decided not to pay a dividend on common stock for the interim dividend for the fiscal year ending December 31, 2024 as a result of posting a loss attributable to owners of parent of 1,040 million yen stated in "1. Overview of Results of Operations, Etc., (1) Overview of Results of Operations for the First Six Months under Review" on page 2. The annual dividend will continue to be undecided.

The Company sincerely apologizes to its shareholders and asks for their understanding as the Company strives to resume dividend payments as soon as possible.

2. Dividends

	Amount to be determined	Most recent dividend forecast (Announced on February 14, 2024)	Actual results for the previous period (December 31, 2023)
Reference Date	June 30, 2024	Same as on the left	June 30, 2023
Dividend per share	0.00 yen	Undecided	4.00 yen
Total dividends	-	-	73 million yen
Effective date	-	-	September 1, 2023
Dividend resource	-	-	Retained earnings

Semi-annual Consolidated Financial Statements
Semi-annual Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	2,793,940	2,089,564
Accounts receivable - trade	3,520,712	3,851,982
Merchandise	6,060,449	6,080,721
Work in process	1,465	3,819
Supplies	239,369	257,066
Other	2,170,818	2,730,592
Allowance for doubtful accounts	(14,318)	(11,839)
Total current assets	14,772,437	15,001,906
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,205,687	9,656,059
Tools, furniture and fixtures	3,833,303	4,613,099
Right of use assets	9,271,216	9,765,480
Other	329,856	110,265
Accumulated depreciation	(5,467,043)	(6,818,165)
Total property, plant and equipment	16,173,019	17,326,739
Intangible assets		
Goodwill	8,084,462	8,525,532
Other	6,623,252	7,184,132
Total intangible assets	14,707,714	15,709,664
Investments and other assets		
Other	1,054,142	1,081,093
Allowance for doubtful accounts	(6,974)	(7,180)
Total investments and other assets	1,047,168	1,073,912
Total non-current assets	31,927,902	34,110,317
Total assets	46,700,339	49,112,223

(Thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,620,101	3,344,350
Short-term borrowings	6,771,525	8,187,116
Current portion of long-term borrowings	1,493,351	1,555,175
Income taxes payable	430,797	543,081
Contract liabilities	6,068,296	6,883,441
Provision for bonuses	-	40,008
Provision for point card certificates	32,302	40,716
Provision for shareholder benefit program	44,434	46,513
Asset retirement obligations	12,677	-
Other	5,487,713	5,840,614
Total current liabilities	22,961,200	26,481,017
Non-current liabilities		
Long-term borrowings	11,723,470	11,425,018
Lease liabilities	9,304,577	9,805,657
Provision for retirement benefits for directors (and other officers)	133,002	139,008
Provision for share awards for directors (and other officers)	40,350	42,500
Asset retirement obligations	370,530	371,922
Other	434,456	238,942
Total non-current liabilities	22,006,387	22,023,050
Total liabilities	44,967,587	48,504,067
Net assets		
Shareholders' equity		
Share capital	1,458,953	1,458,953
Capital surplus	111,402	170,951
Retained earnings	(166,976)	(1,207,689)
Treasury shares	(80,253)	(77,517)
Total shareholders' equity	1,323,125	344,698
Accumulated other comprehensive income		
Foreign currency translation adjustment	407,294	260,940
Total accumulated other comprehensive income	407,294	260,940
Share acquisition rights	2,331	2,517
Total net assets	1,732,751	608,155
Total liabilities and net assets	46,700,339	49,112,223

Semi-annual Consolidated Statements of Income and Comprehensive Income

(Thousands of yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Net sales	25,332,051	27,918,580
Cost of sales	16,621,600	18,939,784
Gross profit	8,710,451	8,978,796
Selling, general and administrative expenses	8,950,093	10,083,249
Operating loss	(239,641)	(1,104,452)
Non-operating income		
Interest income	435	18
Foreign exchange gains	542,591	954,138
Subsidy income	239,587	-
Other	15,116	22,512
Total non-operating income	797,730	976,670
Non-operating expenses		
Interest expenses	296,429	347,286
Other	2,659	5,819
Total non-operating expenses	299,089	353,105
Ordinary profit (loss)	258,999	(480,888)
Extraordinary income		
Gain on sale of non-current assets	12,600	34,959
Gain on differences between the asset retirement obligation balance and the actual retirement costs	-	8,873
Total extraordinary income	12,600	43,832
Extraordinary losses		
Loss on retirement of non-current assets	38	14,273
Loss on litigation	-	86,534
Extra retirement payments	-	42,810
Other	-	4,226
Total extraordinary losses	38	147,844
Profit (loss) before income taxes	271,561	(584,900)
Income taxes - current	173,761	485,359
Income taxes - deferred	(179,915)	(29,545)
Total income taxes	(6,153)	455,813
Profit (loss)	277,715	(1,040,713)
Profit (loss) attributable to owners of parent	277,715	(1,040,713)

(Thousands of yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Profit (loss)	277,715	(1,040,713)
Other comprehensive income		
Foreign currency translation adjustment	39,668	(146,354)
Total other comprehensive income	39,668	(146,354)
Comprehensive income	317,384	(1,187,068)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	317,384	(1,187,068)

Semi-annual Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	271,561	(584,900)
Depreciation	1,366,920	1,701,946
Amortization of goodwill	543,523	624,251
Increase (decrease) in provision for point card certificates	1,138	8,413
Increase (decrease) in allowance for doubtful accounts	(1,133)	(3,496)
Increase (decrease) in provision for bonuses	29,700	40,008
Increase (decrease) in provision for retirement benefits for directors (and other officers)	6,006	6,006
Increase (decrease) in provision for shareholder benefit program	12,149	2,079
Increase (decrease) in provision for share awards for directors (and other officers)	9,749	4,886
Interest and dividend income	(435)	(18)
Interest expenses	296,429	347,286
Foreign exchange losses (gains)	(546,493)	(907,053)
Loss on litigation	-	86,534
Extra retirement payments	-	42,810
Financing expenses	998	998
Loss on retirement of non-current assets	38	14,273
Decrease (increase) in trade receivables	(264,037)	(184,448)
Decrease (increase) in inventories	(362,170)	218,523
Increase (decrease) in trade payables	330,803	565,050
Increase (decrease) in contract liabilities	(29,918)	77,880
Decrease (increase) in other assets	(26,093)	(322,772)
Increase (decrease) in other liabilities	(86,953)	(505,489)
Other, net	8,998	18,619
Subtotal	1,560,779	1,251,389
Interest and dividends received	435	18
Interest paid	(264,226)	(342,287)
Payments for loss on litigation	-	(52,323)
Extra retirement payments	-	(42,810)
Income taxes paid	67,531	(358,626)
Net cash provided by (used in) operating activities	1,364,520	455,360

(Thousands of yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Cash flows from investing activities		
Payments for acquisition of businesses	(35,094)	-
Purchase of property, plant and equipment	(1,088,946)	(714,023)
Purchase of intangible assets	(799,780)	(807,165)
Proceeds from refund of leasehold deposits	114	-
Payments of leasehold deposits	(1,090)	(3,808)
Other, net	12,650	26,526
Net cash provided by (used in) investing activities	(1,912,147)	(1,498,471)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,201,896	1,067,034
Repayments of long-term borrowings	(731,451)	(763,339)
Repayments of finance lease liabilities	(389)	-
Payments for financing expenses	(998)	(998)
Dividends paid	(100,275)	(152)
Net cash provided by (used in) financing activities	368,781	302,544
Effect of exchange rate change on cash and cash equivalents	45,261	36,190
Net increase (decrease) in cash and cash equivalents	(133,584)	(704,376)
Cash and cash equivalents at beginning of period	2,421,492	2,793,940
Cash and cash equivalents at end of period	2,287,908	2,089,564

（4）Notes to Condensed Consolidated Financial Statements

(Segment Information, etc.)

(Segment information)

1.Information on net sales and amount of profit or loss by each reported segment

Previous consolidated cumulative second quarter (From January 1, 2023 to June. 30 2023)

(Thousands of yen)

	Reported segment			Adjustment (Note) 1	Amount booked in the consolidated financial statements (Note) 2
	Domestic	Overseas	Total		
Net sales					
Net sales to external customers	13,992,338	11,339,713	21,352,914	—	25,332,051
Internal sales or transferred amount between segments	—	27,452	27,452	(27,452)	—
Total	13,992,338	11,367,165	25,359,503	(27,452)	25,332,051
Segment profit or loss	625,074	(864,716)	(239,641)	—	(239,641)

Note:

1. Adjustments to segment sales are eliminations between segments

2. Segment profit or loss (-) are consistent with operating profit in the consolidated Statements of Income.

Consolidated cumulative second quarter (From January 1, 2024 to June. 30, 2024)

(Thousands of yen)

	Reported segment			Adjustment (Note) 1	Amount booked in the consolidated financial statements (Note) 2
	Domestic	Overseas	Total		
Net sales					
Net sales to external customers	13,943,508	13,975,072	27,918,580	—	27,918,580
Internal sales or transferred amount between segments	—	117,238	117,238	(117,238)	—
Total	13,943,508	14,092,310	28,035,819	(117,238)	27,918,580
Segment profit or loss	533,184	(1,637,637)	(1,104,452)	—	(1,104,452)

Note:

1. Adjustments to segment sales are eliminations between segments.

2. Segment profit or loss (-) are consistent with operating profit in the consolidated Statements of Income.

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

None

3. Other

Important Matters Related to Going Concern Assumption

At the end of the previous fiscal year, the GDO Group breached the financial covenants attached to syndicated loan agreements and preferred stock investment agreements concluded with several financial institutions due to the fall of its consolidated business performance below the profit maintenance standard of at least 1,250 million yen. However, as a result of the renewal of these contracts dated June 28, 2024, the financial covenants were no longer violated as of the end of the first six months. As a result, it has been concluded that the events or conditions that previously raised substantial doubt about the ability of the GDO group to continue as a going concern have been resolved.