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Consolidated Financial Results for the Nine Months Ended September 30, 2024 [Japanese GAAP]

November 12, 2024

Company name:	Golf Digest Online Inc.	
Listing:	Tokyo	
Securities code:	3319	
URL:	https://www.golfdigest.co.jp	
Representative:	Nobuya Ishizaka	President and CEO
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Scheduled date to commence dividend payments:	-	
Preparation of supplementary material on financial results:	Yes	
Holding of financial results briefing:	None	

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

1. Consolidated Financial Results for the Nine Months Ended September 30, 2024 (January 1, 2024 to September 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	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	41,744	8.8	2,229	(17.4)	(1,269)	-	(1,785)	-	(2,193)	-
September 30, 2023	38,383	15.6	2,699	(4.4)	(290)	-	268	(73.8)	137	(90.5)

(Note) Comprehensive income: Nine months ended September 30, 2024: ¥ (2,037) million [-%]
Nine months ended September 30, 2023: ¥ 169 million [(91.5)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2024	(138.63)	-
September 30, 2023	(8.55)	-

(Note) EBITDA=Ordinary profit + Depreciation + Amortization of goodwill + Amortization of long-term prepaid expenses.
(Note)Diluted earnings per share for the quarter are not disclosed because of a quarterly net loss per share , despite the existence of dilutive 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
September 30, 2024	44,751	(217)	(0.5)	(383.85)
December 31, 2023	46,700	1,732	3.7	(258.42)

(Reference) Equity: As of September 30, 2024: ¥ (223) 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: None

(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	-	-	-	-	-	-	-	-	-	-	-

(Note) Revision to the financial results forecast announced most recently: Yes

(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.

(Note) The full-year consolidated earnings forecast for the fiscal year ending December 31, 2024 has been withdrawn. For details, please refer to "1. Qualitative Information on Quarterly Results (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements" on page 2 of the accompanying materials.

* Notes:

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

(2) Adoption of accounting treatment specific to the preparation of quarterly 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):

September 30, 2024: 18,274,000 shares

December 31, 2023: 18,274,000 shares

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

September 30, 2024: 67,993 shares

December 31, 2023: 70,393 shares

3) Average number of shares outstanding during the period:

Nine months ended September 30, 2024: 18,205,000 shares

Nine months ended September 30, 2023: 18,203,607 shares

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

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public

accountants or an audit firm: None

* Explanation on the proper use of earnings forecasts and other important notes:

Forward-looking statements in this summary, such as financial results forecasts, 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 assumptions underlying the forecasts and notes to the use of the forecasts, please refer to "1. Qualitative Information on Third Quarter Financial Results, (3) Explanation on forward-looking information such as consolidated financial results forecasts" on page 2 of the accompanying materials.

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. Qualitative Information on Third Quarter Consolidated Results

(During the nine months ended September 30, 2024 (January 1, 2024 to September 30, 2024), the business environment in Japan continued to recover, but prices rose and as a result , households' purchasing power declined. In the U.S., the economy faced difficult times due to a worsening shortage of human resources and consumers' reluctance to spend on expensive goods and non-essential items as a result of continued high inflation.

In the environment surrounding the Internet, markets such as those for e-commerce and Internet-related services continued to expand. Meanwhile, digital technologies, notable examples of which are those for 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 content 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, net sales for the first nine months (January 1, 2024 to September 30, 2024) were 41,744 million yen (up 8.8% year on year), a growth rate that was lower than expected, although growth was higher than the previous year. As for profits, the implementation of IT investments in line with the initial domestic plan and investments to increase the number of GOLFTEC coaches and expand the business overseas resulted in an operating loss of 1,269 million yen (compared with operating loss of 290 million yen in the same period of the previous year), an ordinary loss of 1,785 million yen (compared with an ordinary profit of 268 million yen in the same period of the previous year), and a net loss attributable to owners of the parent of 2,193 million yen (compared with a net profit attributable to owners of the parent of 137 million yen in the same period of the previous year).

The results in each main segment are as follows.

Domestic segment

During the first nine months under review, the domestic segment recorded net sales of 20,944 million yen (up 0.5% year on year). Although the gross profit margin improved in the Golf Equipment Sales business, segment income declined 5.9% year on year to 905 million yen overall in the domestic business, reflecting IT investments in line with initial plans, and investments associated with stepped up security.

Overseas segment

During the first nine months under review, the overseas segment posted net sales of 20,800 million yen (up 18.6% year on year). In the GOLFTEC business, the company has been preparing for the big sale that is usually held in August by increasing the number of coaches and training them, but the deterioration of the macro environment limited sales growth compared to the forecasts, resulting in a segment loss of 2,174 million yen (compared with a segment loss of 1,251 million yen in the same period of the previous year).

(2) Overview of Financial Position

Looking at the financial position at the end of the third quarter of the fiscal year under review, total assets stood at 44,751 million yen, down 1,948 million yen from the end of the previous fiscal year. Liabilities totaled 44,968 million yen, increasing 1 million yen from the end of the previous fiscal year. Total net assets as of the end of the previous fiscal year decreased 1,950 million yen, resulting in a negative equity position of 217 million yen.

As for assets, cash and deposits decreased by 1,344 million yen and property, plant and equipment decreased by 1,108 million yen. As for liabilities, short-term loans payable increased by 1,274 million yen, while long-term loans payable decreased by 1,097 million yen. Retained earnings decreased by 2,193 million yen.

(3) Explanation on forward-looking information such as consolidated financial results forecasts

In light of recent developments, we have decided to temporarily withdraw the consolidated earnings forecast for the full year announced on February 14, 2024.

We will promptly announce the forecast as soon as it becomes reasonably possible to do so. For details, please refer to the "Notice Regarding Recording of Non-operating Income (Foreign Exchange Gains) and Withdrawal of Full-Year Consolidated Earnings Forecast" released today (November 12, 2024).

(4) 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 as of June 28, 2024, the financial covenants were no longer violated as of the end of the quarter under review.

As a result of the above, the Company believes that events or circumstances that may have raised significant doubts about the Group's ability to continue as a going concern have been resolved.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	2,793,940	1,449,416
Accounts receivable - trade	3,520,712	3,866,416
Merchandise	6,060,449	6,609,061
Work in process	1,465	2,286
Supplies	239,369	262,157
Other	2,170,818	2,689,024
Allowance for doubtful accounts	(14,318)	(9,845)
Total current assets	14,772,437	14,868,516
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,205,687	9,071,012
Tools, furniture and fixtures	3,833,303	4,175,919
Right of use assets	9,271,216	8,206,117
Other	329,856	156,045
Accumulated depreciation	(5,467,043)	(6,544,313)
Total property, plant and equipment	16,173,019	15,064,781
Intangible assets		
Goodwill	8,084,462	7,263,663
Other	6,623,252	6,513,371
Total intangible assets	14,707,714	13,777,035
Investments and other assets		
Other	1,054,142	1,048,202
Allowance for doubtful accounts	(6,974)	(7,180)
Total investments and other assets	1,047,168	1,041,021
Total non-current assets	31,927,902	29,882,838
Total assets	46,700,339	44,751,355

(Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,620,101	3,850,483
Short-term borrowings	6,771,525	8,046,311
Current portion of long-term borrowings	1,493,351	1,496,551
Income taxes payable	430,797	71,007
Contract liabilities	6,068,296	6,644,935
Provision for bonuses	-	60,012
Provision for point card certificates	32,302	36,119
Provision for shareholder benefit program	44,434	33,481
Asset retirement obligations	12,677	-
Other	5,487,713	5,069,925
Total current liabilities	22,961,200	25,308,826
Non-current liabilities		
Long-term borrowings	11,723,470	10,625,857
Lease liabilities	9,304,577	8,263,336
Provision for retirement benefits for directors (and other officers)	133,002	142,005
Provision for share awards for directors (and other officers)	40,350	49,912
Asset retirement obligations	370,530	371,869
Other	434,456	206,927
Total non-current liabilities	22,006,387	19,659,908
Total liabilities	44,967,587	44,968,735
Net assets		
Shareholders' equity		
Share capital	1,458,953	1,458,953
Capital surplus	111,402	200,180
Retained earnings	(166,976)	(2,360,182)
Treasury shares	(80,253)	(77,517)
Total shareholders' equity	1,323,125	(778,566)
Accumulated other comprehensive income		
Foreign currency translation adjustment	407,294	555,300
Total accumulated other comprehensive income	407,294	555,300
Share acquisition rights	2,331	5,886
Total net assets	1,732,751	(217,380)
Total liabilities and net assets	46,700,339	44,751,355

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Thousands of yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Net sales	38,383,669	41,744,954
Cost of sales	25,268,136	28,198,378
Gross profit	13,115,533	13,546,576
Selling, general and administrative expenses	13,405,753	14,816,286
Operating loss	(290,219)	(1,269,710)
Non-operating income		
Interest income	604	108
Foreign exchange gains	760,444	10,512
Rental income from real estate	9,512	11,122
Subsidy income	245,355	-
Insurance claim income	-	16,573
System introduction burden charge	-	12,040
Other	9,865	5,071
Total non-operating income	1,025,783	55,430
Non-operating expenses		
Interest expenses	463,352	532,475
Other	3,460	39,026
Total non-operating expenses	466,813	571,501
Ordinary profit (loss)	268,750	(1,785,781)
Extraordinary income		
Gain on sale of non-current assets	19,791	53,576
Gain on differences between the asset retirement obligation balance and the actual retirement costs	-	13,492
Other	1,036	-
Total extraordinary income	20,827	67,069
Extraordinary losses		
Loss on retirement of non-current assets	38	34,825
Loss on litigation	-	100,697
Extra retirement payments	-	60,808
Other	-	4,226
Total extraordinary losses	38	200,557
Profit (loss) before income taxes	289,540	(1,919,270)
Income taxes - current	291,892	287,538
Income taxes - deferred	(139,797)	(13,601)
Total income taxes	152,095	273,936
Profit (loss)	137,444	(2,193,206)
Profit (loss) attributable to owners of parent	137,444	(2,193,206)

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Thousands of yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Profit (loss)	137,444	(2,193,206)
Other comprehensive income		
Foreign currency translation adjustment	32,227	155,651
Total other comprehensive income	32,227	155,651
Comprehensive income	169,672	(2,037,555)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	169,672	(2,171,887)