



FY2020

ANNUAL RESULTS

JUNE 2020

***HONMA GOLF** (6858.HK)*

*ONE OF THE MOST PRESTIGIOUS AND
ICONIC BRANDS IN THE GOLF INDUSTRY*



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1 RESULTS HIGHLIGHT

2 BUSINESS OVERVIEW

3 FINANCIAL RESULTS

4 COMPANY OUTLOOK

5 APPENDIX



#1 PREMIUM GOLF BRAND FOUNDED IN 1959

DECADES OF DEDICATIONS TOWARDS QUALITY AND CRAFTSMANSHIP

LISTED ON THE HKEX SINCE

OCT 2016

MARKET CAP AS OF 12 JUNE 2020

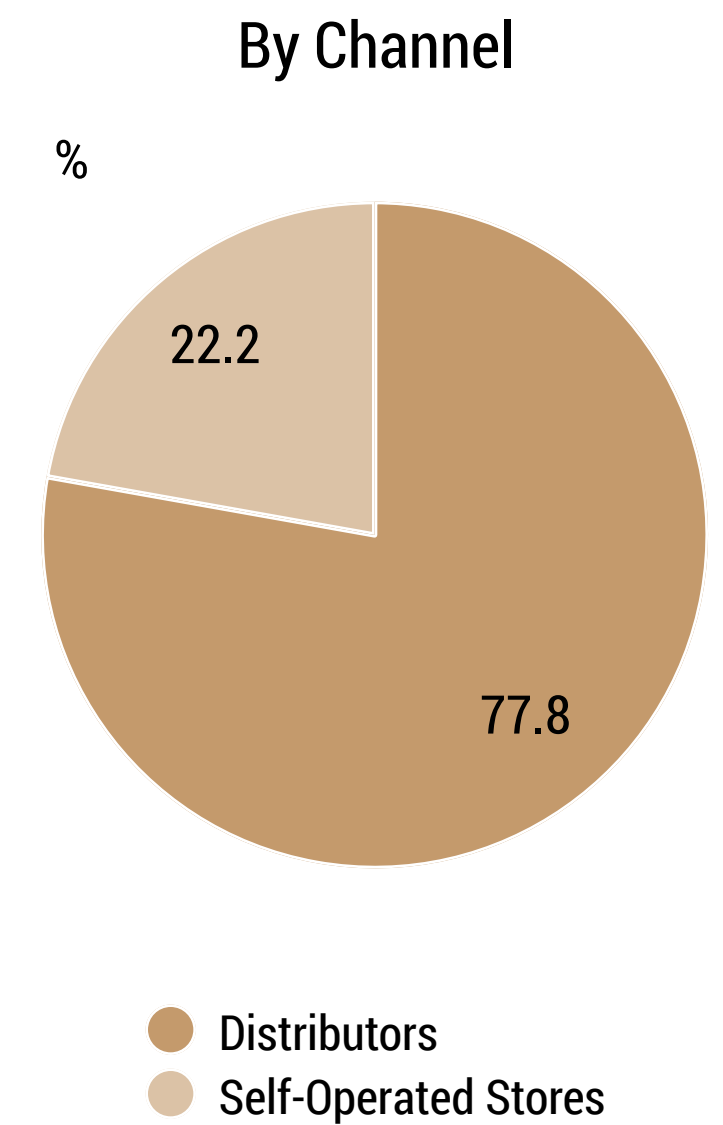
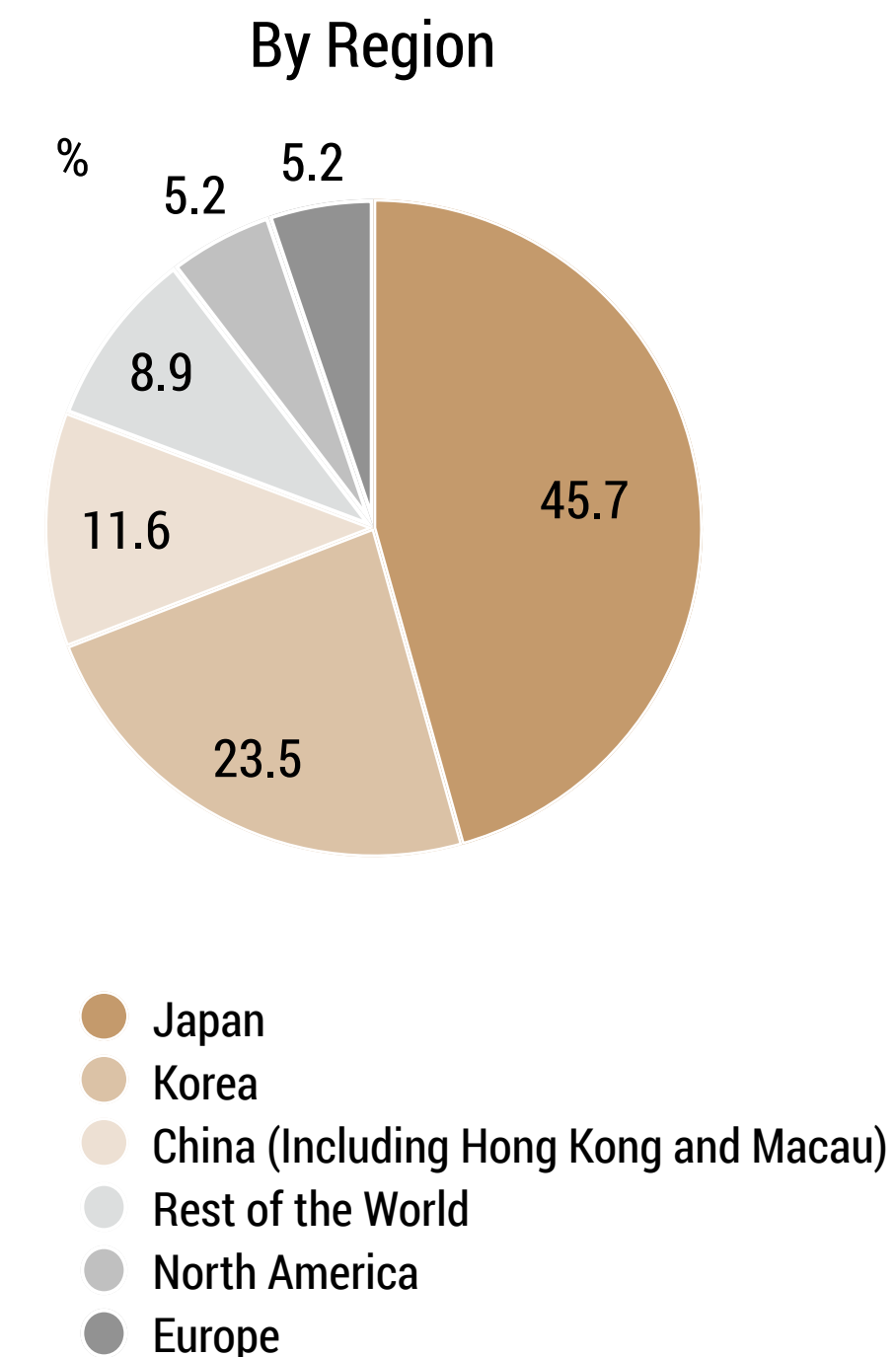
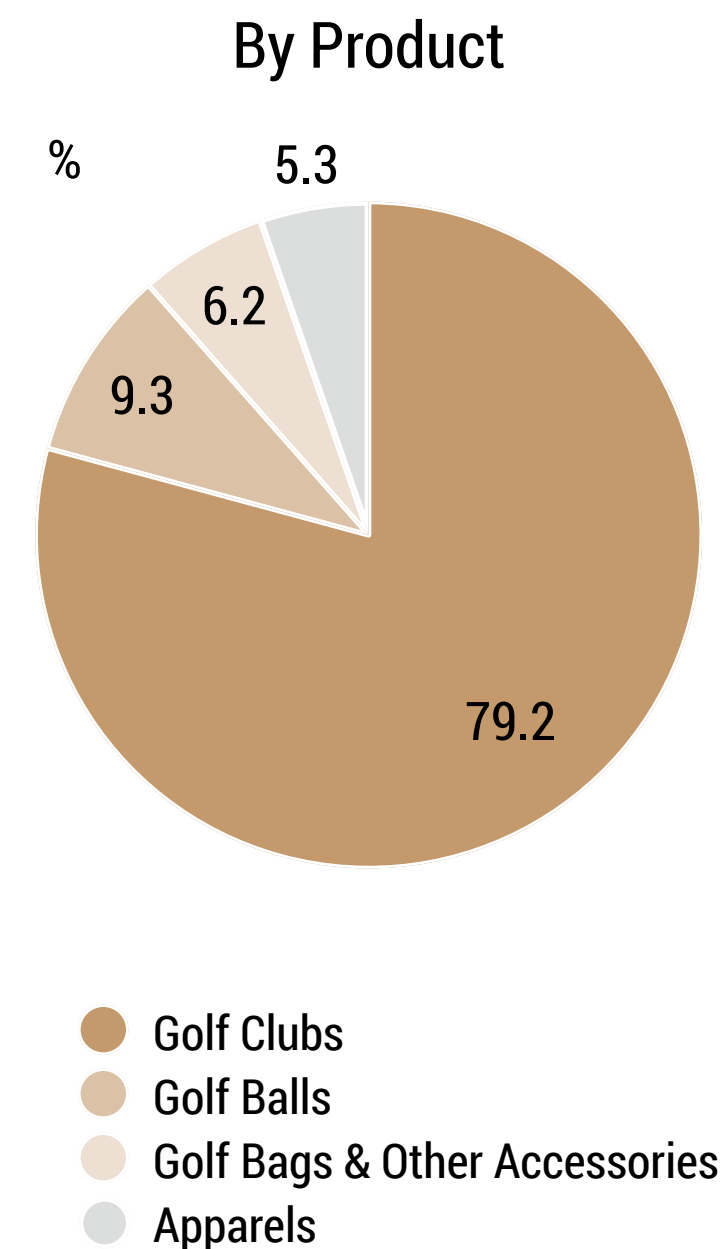
HKD 2.0 BILLION

KEY STATISTICS AS OF
31 MARCH 2020

- **256** skilled craftsmen and R&D personnel
- products sold in approximately **50** countries worldwide
- **79** HONMA branded self-operated stores
- **3,911** doors via third party retailers & wholesalers

*AS WE STAND
TODAY*

FY2020 REVENUE MIX – JPY 23,787 MILLION / USD 218 MILLION



KEY FINANCIALS

FULL YEAR ENDED 31 MAR 2020

YOY CHANGE (JPY BASE)

Net Sales	JPY 23,787.2 Million / USD 217.5 Million ⁽¹⁾	-14.3%
Gross Profit Margin	50.9%	-6.9 percentage points
Operating Profit ⁽²⁾	JPY 405.1 Million / USD 3.7 Million ⁽¹⁾	-92.4%
Reported Earnings Per Share	(JPY 1.2) / (HKD 0.09) ⁽¹⁾	-117.4%
Net Operating Cash flow	JPY 558.7 Million / USD 5.1 Million ⁽¹⁾	-78.6%
Net Cash Position	JPY 1,872.8 Million / USD 17.1 Million ⁽¹⁾	
Proposed Dividend	Special Dividend: JPY 8.21 / share (distributed in Sep 2019)	Total dividend payout ratio: 49.4% of the Group's distributable profit as at 31 March 2020
	Interim: JPY 1.64 / share (distributed in Dec 2019)	
	Final: JPY 1.50 / share	

Note

(1) Exchange rate: 1USD = 109.36 JPY; 1HKD = 13.9 JPY

(2) Operating profit is derived from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses and (iv) adding RSU expenses

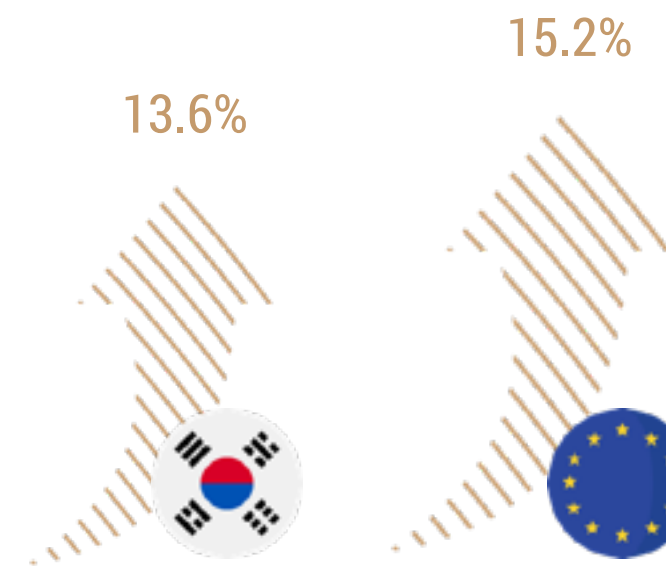
COVID-19 IMPACT

	JAN 2020	FEB 2020	MAR 2020	ONWARDS
Mainland China	<ul style="list-style-type: none"> • COVID-19 outbreak • Close down of suppliers' plants • Minimum foot traffic in retails 	<ul style="list-style-type: none"> • New cases surged • Nationwide lockdown 	<ul style="list-style-type: none"> • Spread of virus controlled • Economic activities resumed • Suppliers' plant reopened and gradually back to full capacity 	<ul style="list-style-type: none"> • Consumer sentiment restored • Golf courses reopened with full booking • Sales grew significantly MoM and YoY
Rest of Asia Markets		<ul style="list-style-type: none"> • COVID-19 cases surged in Japan and South Korea • Retail affected despite no nationwide lockdown imposed 	<ul style="list-style-type: none"> • South Korea saw recovery • Japan closed retail stores following the government imposed restrictive measures 	<ul style="list-style-type: none"> • South Korea saw recovery • Japan remained challenging
Europe and North America			<ul style="list-style-type: none"> • COVID-19 cases started to surge • Nationwide lockdown policies imposed by most countries • TR20 launch paused in the US and Europe 	<ul style="list-style-type: none"> • Lockdown / social distancing continued • Golf courses remained closed • Major tournaments delayed / cancelled

The Company continued delivering strong results in 2HFY20 until COVID-19 struck its supply base disruption in China, and then key markets in Asia, North America and Europe due to government imposed lockdown.

DESPITE UNPRECEDENTED CHALLENGE, DURING FY2020 HONMA STILL MANAGED TO ACHIEVE:

FY2020 BUSINESS HIGHLIGHTS



Solid revenue growth in Korea and Europe of **13.6%** and **15.2%** respectively



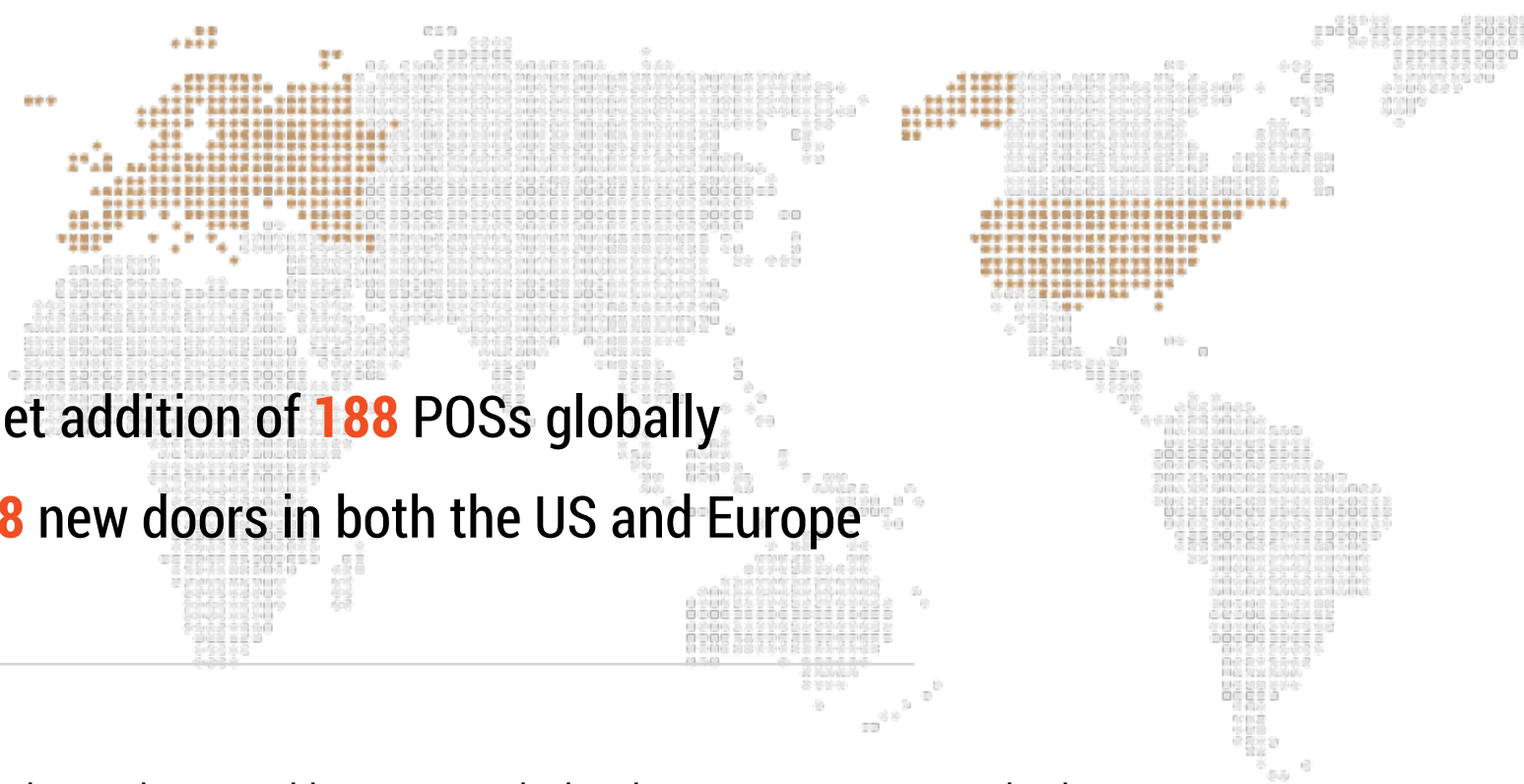
- 6th consecutive YoY growth in balls, **+22.5%**
- 1st full year growth in appeal, **+0.7%**



TOUR WORLD SALES GROWTH



- Club portfolio optimization anchored by the launch / update of all three clubs series: **Beres07, TR20** and **XP-1**, forming a strong portfolio focusing on super-premium and premium performance segments
- Tour World family sales grew by **51.6%** and **73.3%** in the US and Europe respectively



- Net addition of **188** POSs globally
- **68** new doors in both the US and Europe

天猫 Tmall.com

HONMA golf.com

JD. 京东 .com

有赞

Relaunched e-commerce platforms in major markets including China, Japan and North America, which was indispensable to sales recovery in China and Japan as the whole industry pulls through the pandemic

Note

The growth rate shown on this page are calculated on a constant currency basis



1 *RESULTS HIGHLIGHT*

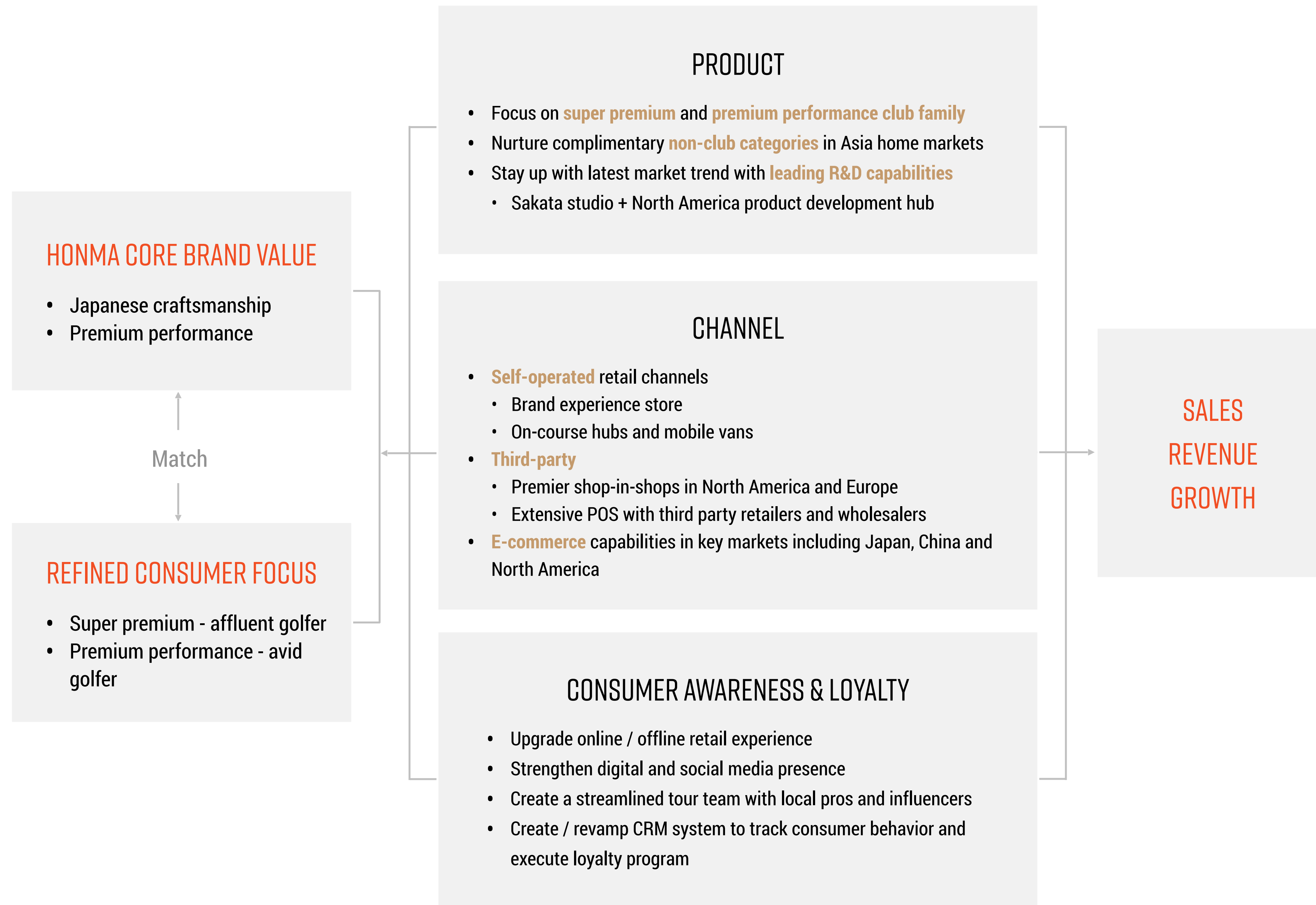
2 ***BUSINESS
OVERVIEW***

3 *FINANCIAL RESULTS*

4 *COMPANY OUTLOOK*

5 *APPENDIX*

HONMA GROWTH STRATEGY



A.
**CLUB PRODUCT
PORTFOLIO
OPTIMIZED**

TO FOCUS ON SUPER
PREMIUM AND PREMIUM
PERFORMANCE CONSUMERS
SEGMENTS

FROM

BERES

AFFLUENT CONSUMERS

T// WORLD

AVID GOLFERS

Be ZEAL

BEGINNERS



TO

SUPER PREMIUM

BERES

AFFLUENT CONSUMERS

PREMIUM PERFORMANCE

T// WORLD

TOUR RELEASE

BETTER & SERIOUS GOLFERS
HANDICAP 0-12

PERFORMANCE
ENHANCEMENT

GAME IMPROVEMENT GOLFERS
HANDICAP 8-20

OVERALL CLUB SALES DOWN BY 15.8%

A. CLUB PRODUCT PORTFOLIO OPTIMIZED

TO FOCUS ON SUPER
PREMIUM AND PREMIUM
PERFORMANCE CONSUMERS
SEGMENTS

(CONT'D)

BERES (FOCUS)



PRODUCT LAUNCH

- Beres 07 launched in Dec 2019

SALES PERFORMANCE

- FY20 sales up by **9.3%**
- 2HFY20 sales up by **42.3%**
- **51.9%** of club sales

TOUR WORLD (FOCUS)



- TR20 launched in Jan 2020
Activation disrupted due to COVID-19
- XP-1 launched in Sep 2019

- FY20 sales down by **16.8%**
- Sales in the US up by **51.6%**
- Sales in Europe up by **73.3%**
- **25.3%** of club sales

BE ZEAL (DEFOCUS)



- Repositioned hence no longer one of the focus products

- FY20 sales dropped by **64%**
- **3.8%** of club sales

Note

The growth rate shown on this page are calculated on a constant currency basis

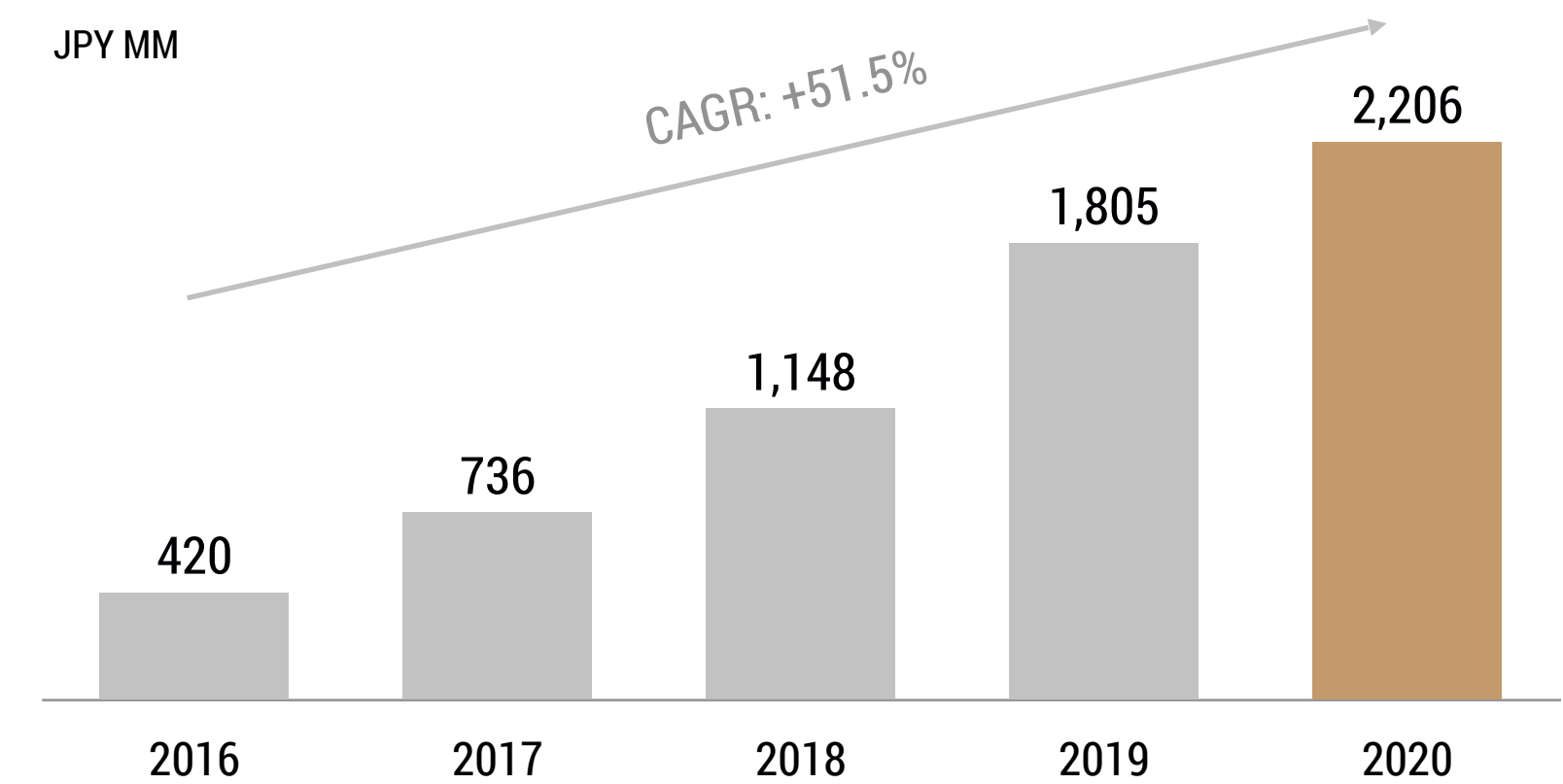
GOLF BALL SALES CONTINUED MID DOUBLE DIGIT GROWTH



- FY20 sales grew by **22.5%** (6th consecutive year of growth)
- Japan and Korea delivered **43.7%** and **123.1%** of sales growth respectively
- Dedicated sales force and go-to-market strategy in Japan, Korea and China
- Beefed up product marketing resources
- Launched product with own patent

GOLF BALL SALES

JPY MM



Note

The growth rate shown on this page are calculated on a constant currency basis

B.
ACCELERATING
GROWTH IN BALL
AND RELAUNCHING
APPAREL
IN HOME MARKETS

B.
ACCELERATING
GROWTH IN BALL
AND RELAUNCHING
APPAREL

IN HOME MARKETS

[CONT'D]

APPAREL SALES MORE THAN DOUBLED IN MULTIPLE
MARKETS DESPITE CHALLENGING ENVIRONMENT

- FY20 sales grew by **0.7%**
- Sales in Japan and South Korea grew by **19.0%** and **125.7%** respectively
- China was negatively impacted by COVID-19 in Q4FY20, which is normally the high season for Fall / Winter collection
- Strategic partnership with Itochu to leverage on Itochu's upstream capabilities

NEW HONMA APPAREL COLLECTION CONSISTING OF
3 DISTINCTIVE PRODUCT LINES RESONATING THE TARGET
SEGMENT OF THE CLUB FAMILIES

Note

The growth rate shown on this page are calculated on a constant currency basis

BLACK LABEL

Premium
Aesthetic
Design



RED LABEL

Performance
High-tech
Functionality

WHITE LABEL

Modern
Active
Fashion



C.

360 DEGREE BRAND EXPERIENCE

THROUGH OMNI CHANNELS

SELF-OWNED STORES

TO UPGRADE AS BRAND EXPERIENCE HUBS ACROSS ALL MARKETS

- Total number of stores increased by 11 to **79**
 - **25** new stores opened, of which 14 in Mainland China, 2 in Japan, 3 in the US, 6 in rest of Asia
- Launched unique mobile vans in the US
 - **9** vans by year end
 - Bring HONMA fitting experience to consumer's home course

THIRD-PARTY RETAILERS AND WHOLESALERS

CONTINUED TO DRIVE PENETRATION AND GAIN MIND SHARE

- Number of POS increased by 177 to **3,911**
- **65** new POS in the US, including 41 shop-in-shops
- **68** new POS in Europe



South Korea, Sejong
opened in Apr 2020



US
Mobile Van



Japan, Tokyo
opened in Jun 2019



US, Carlsbad
opened in Oct 2019



China, Beijing
opened in Aug 2019

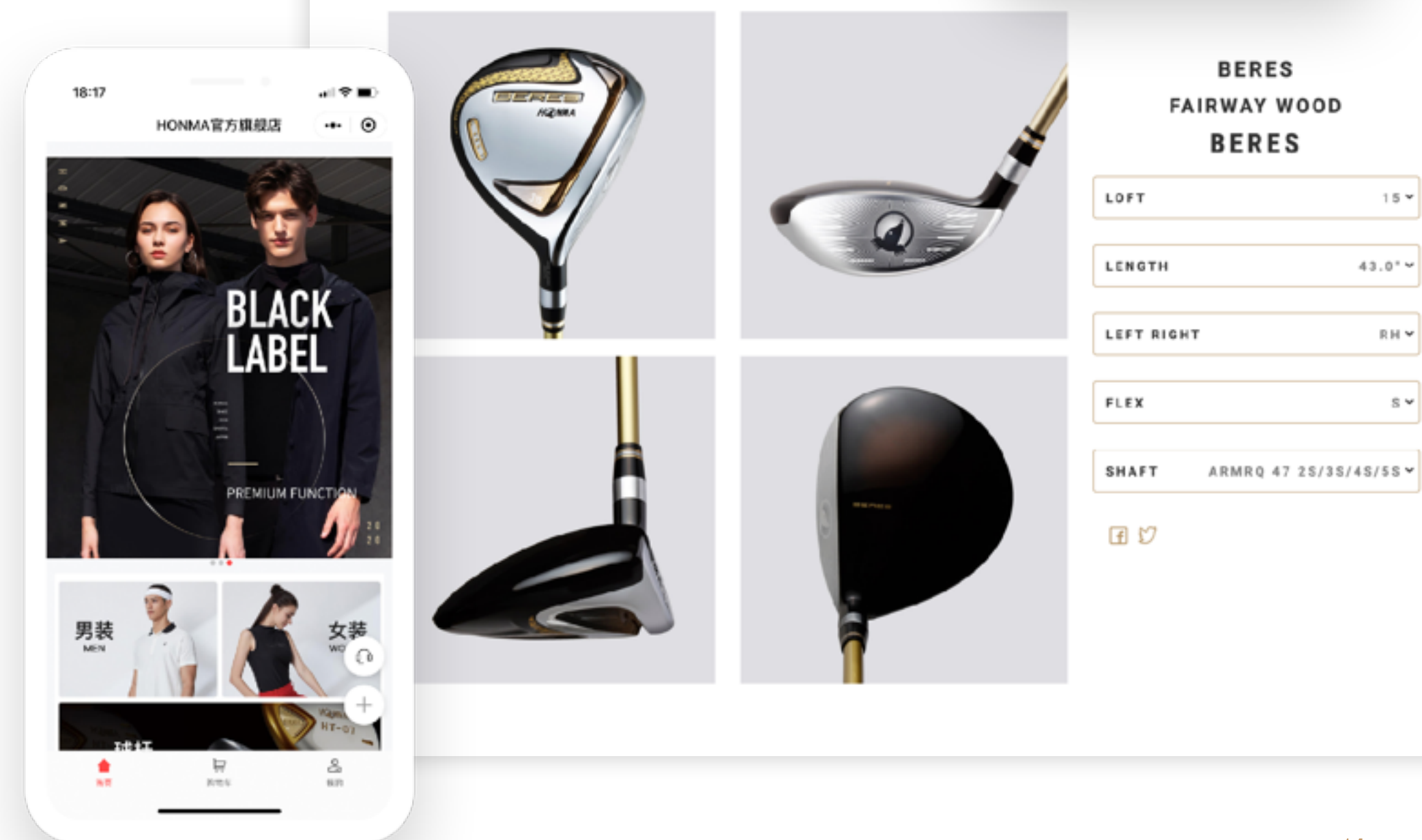
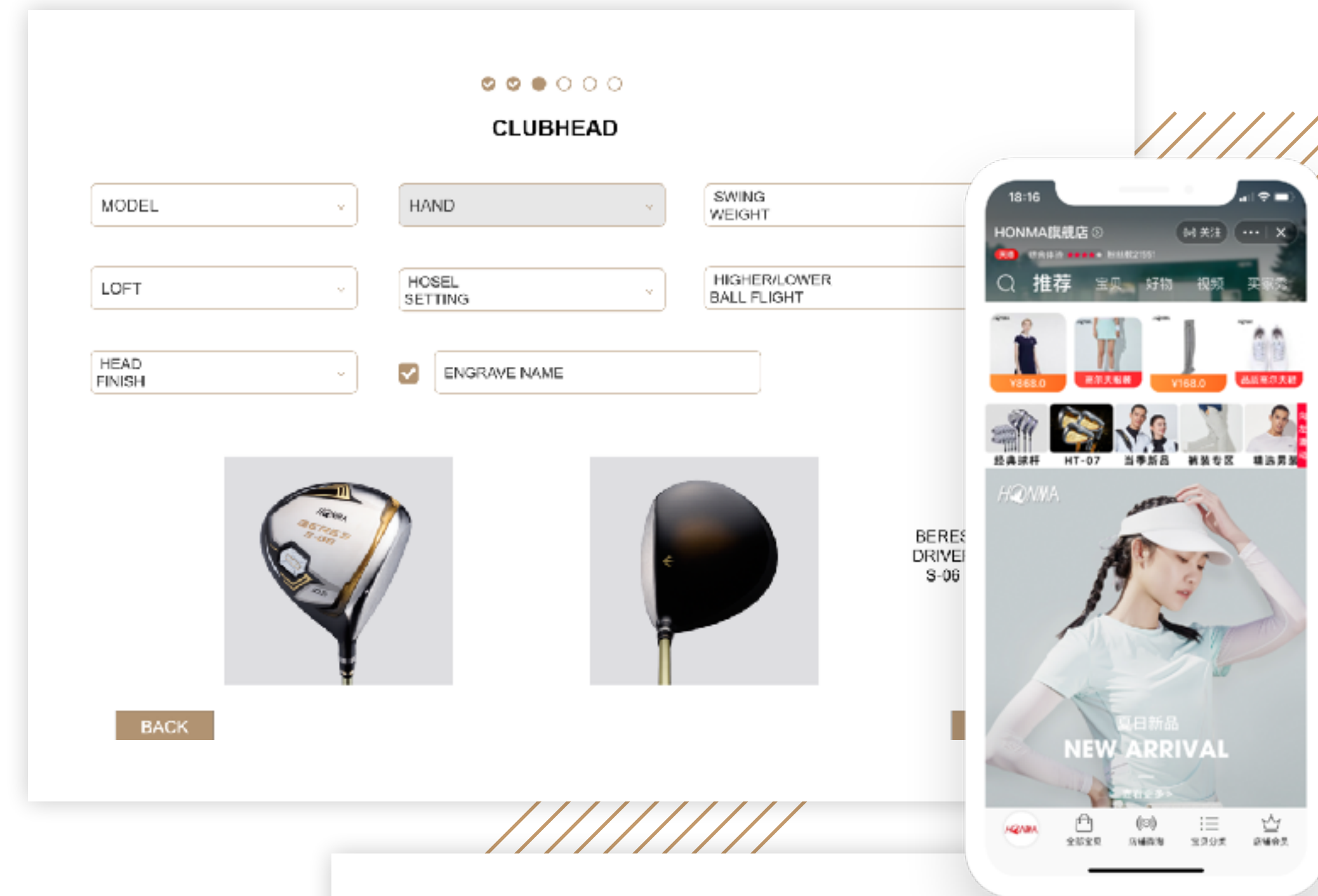


Europe, Paris
opened in Nov 2019

C.
360 DEGREE
BRAND
EXPERIENCE
THROUGH OMNI CHANNELS
(CONT'D)

CONTINUOUSLY ENHANCING E-COMMERCE CAPABILITIES

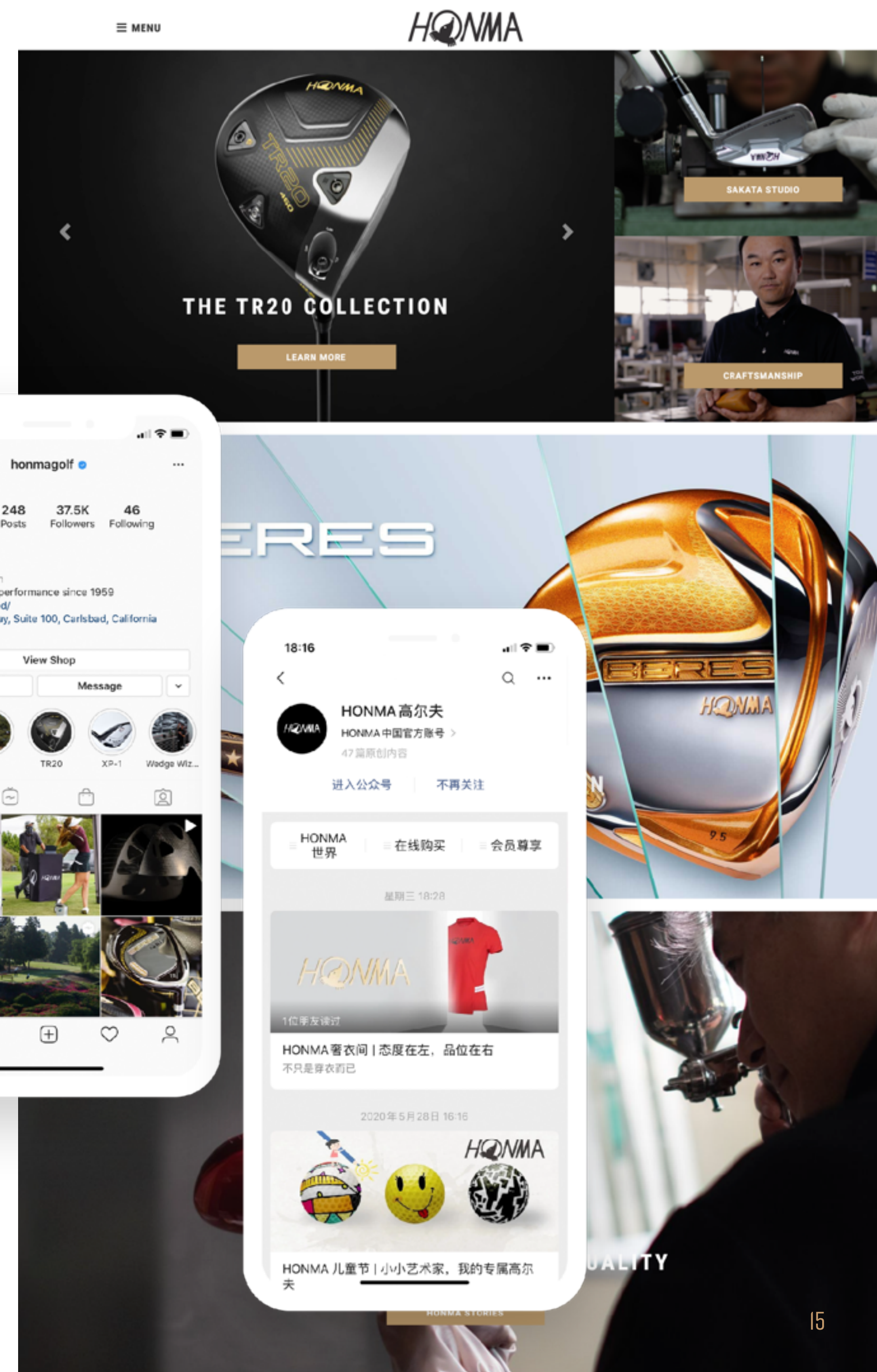
- E-commerce platforms strengthened / added in major markets
 - China: Tmall, JD, WeChat Mini Program (new), VIP mall (new)
 - US: self-operated E-commerce site (new)
- Creating / Revamping CRM system
 - Strengthen direct-to-consumer distribution model
 - Create an end-to-end digital ecosystem around the re-defined brand and golfers
 - Significant increase in site visits and sales driven by offline retail channel closedown due to COVID-19



D.
RE-DEFINING HONMA
DYNAMIC,
MODERN,
GLOBAL

ACTIVE DIGITAL COMMUNICATION THROUGH RELAUNCHED GLOBAL WEBSITE AND SOCIAL MEDIA ACCOUNTS

- Frequent updates on the relaunched global website and mainstream social media platforms
 - To convey consistent brand image and enhance brand awareness across all markets
 - To connect digital platform with retail activities
 - To own the entire consumer experience and relevant data
- Global site enjoyed 566,664 site visits during reporting period



CUSTOMER EVENTS HELPED DRIVING BRAND AWARENESS ACROSS ALL MARKETS, ESP. US

D.

RE-DEFINING HONMA

*DYNAMIC,
MODERN,
GLOBAL*

(CONT'D)

CUSTOMER EVENTS

- During FY2020, HONMA hosted **4,329** customer days across its main markets
- The activities were mainly held on golf courses with dedicated fitters
- Integrated brand experience and retail activities
- A most recent consumer survey in the US shows that aided awareness of the HONMA brand has increased to **63%**, up from single digit a year ago

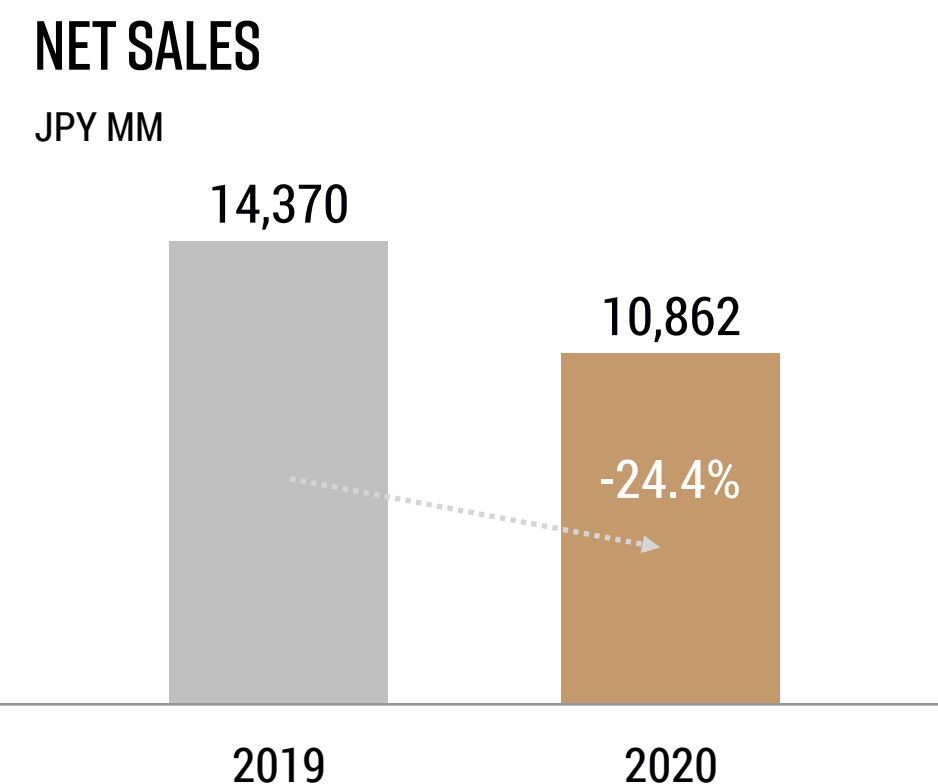
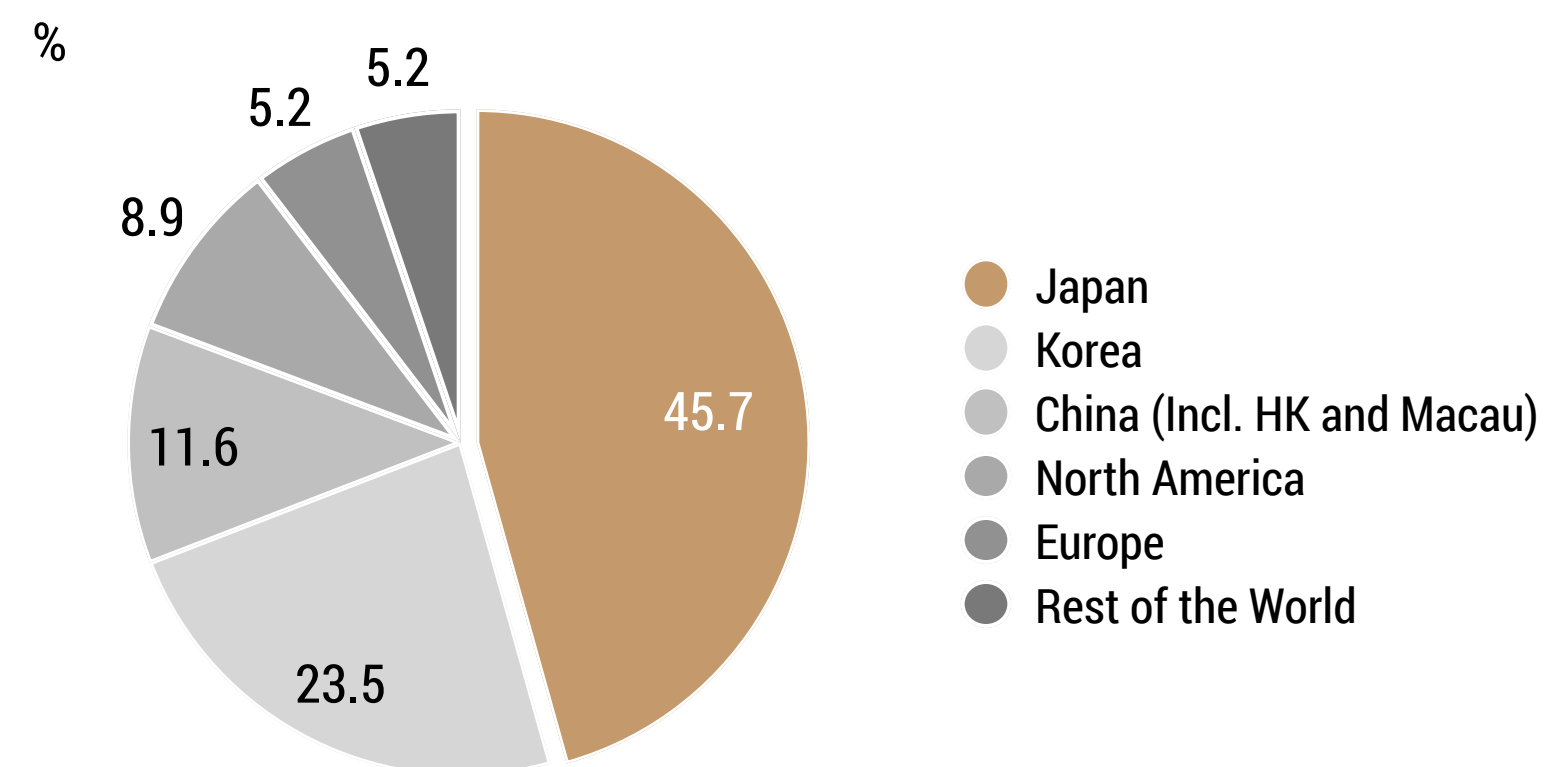


E. BUSINESS REVIEW BY MARKET

HOME MARKET JAPAN



ROBUST GROWTH ACROSS HERO PRODUCT CATEGORIES OVERALL SALES DROPPED DUE TO CLUB PORTFOLIO OPTIMISATION



MARKET

- **2nd** largest golf equipment market in the world
- Total equipment market size in 2018 approximates to **USD 1.2 billion** by forecast ⁽¹⁾
- **2,290** golf facilities, representing half of the total facilities in Asia ⁽²⁾
- Around **12 million** golf population ⁽³⁾

FULL YEAR REVIEW ON A CONSTANT CURRENCY BASIS

- Effective non-club growth strategy
 - Golf ball sales surged by **43.7%**
 - Apparel sales up by **19.0%**
- Club sales dropped by **31.4%**
 - Struck by COVID-19 on the launch window of its Beres and Tour World products

Note

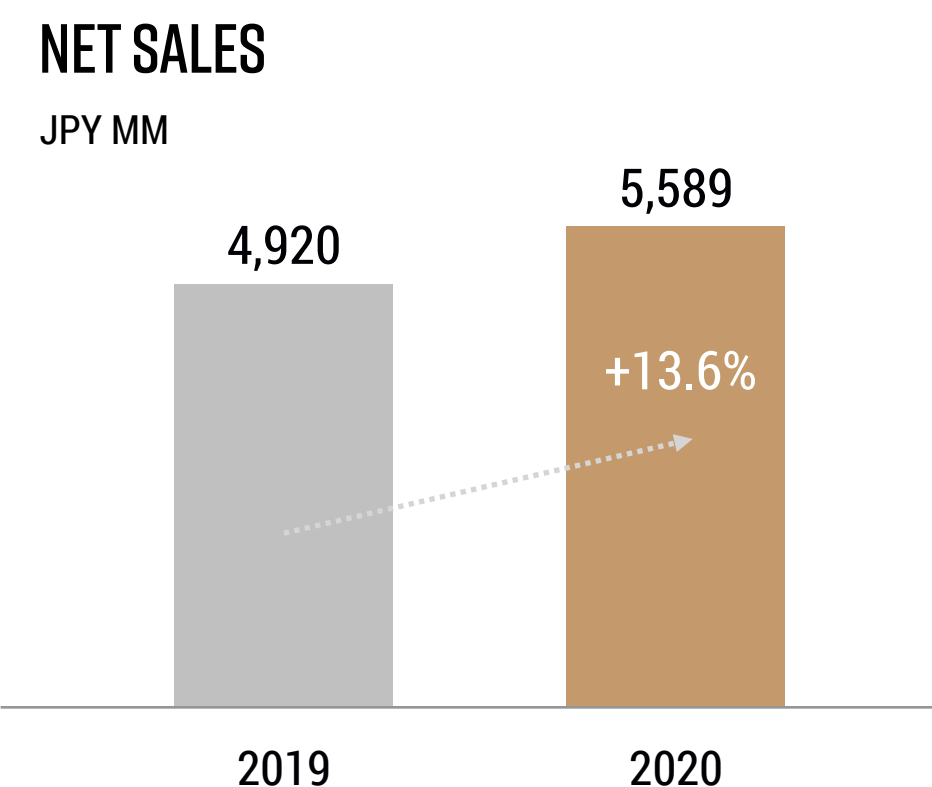
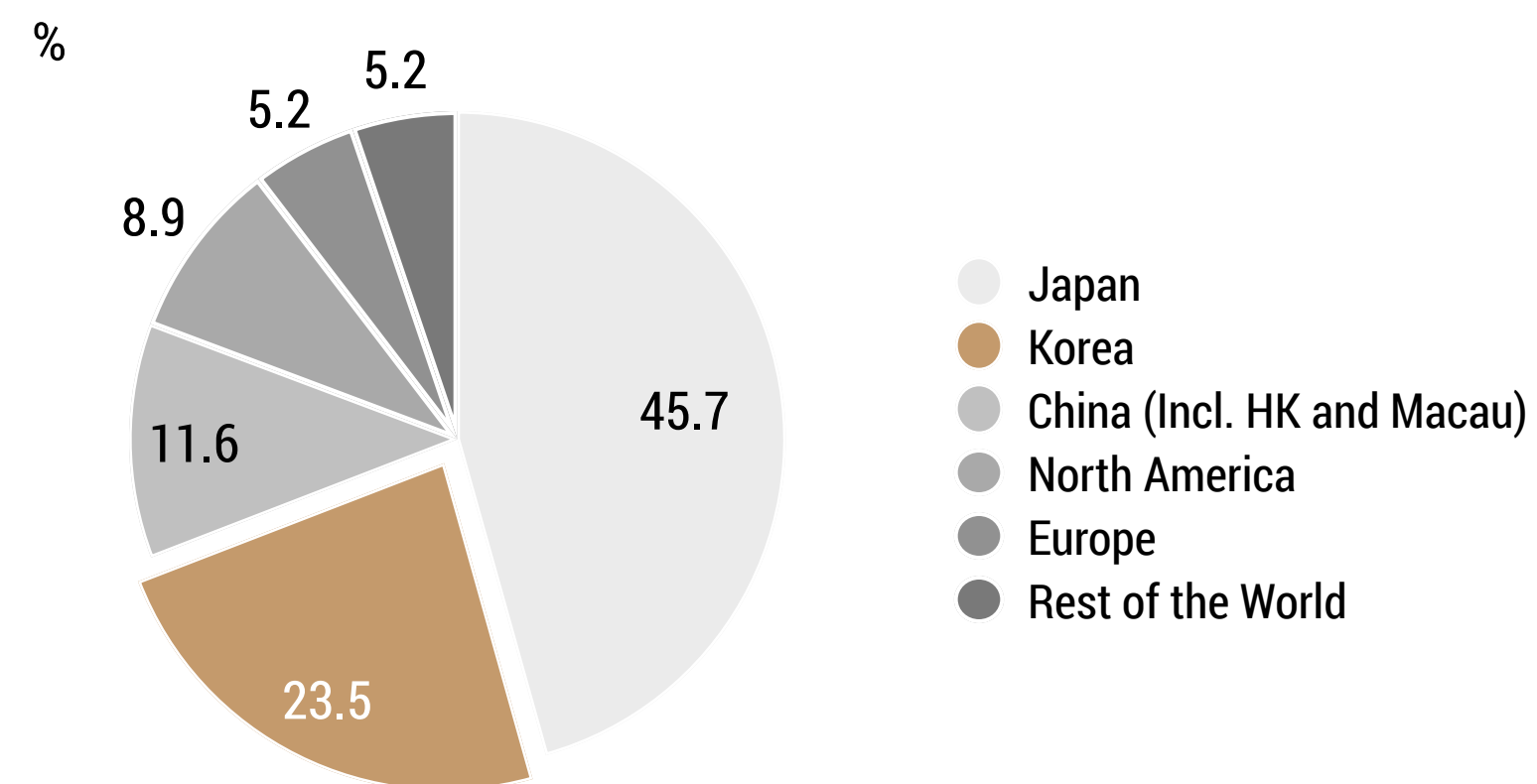
- (1) Source : Golf Around the World 2017, the R&A
- (2) 2018 Yano's White Paper on Golf Industry, Japan
- (3) Frost & Sullivan

E. BUSINESS REVIEW BY MARKET

HOME MARKET KOREA



CONTINUED DOUBLE DIGIT GROWTH INTO THE 7TH CONSECUTIVE YEAR



MARKET

- Fast growing and under-penetrated market
- **3rd** largest golf equipment market in the world with **USD 600 million** equipment sales in 2018 by forecast ⁽¹⁾
- **6.3 million** of golf population, close to **15%** of total population in Korea ⁽¹⁾

FULL YEAR REVIEW ON A CONSTANT CURRENCY BASIS

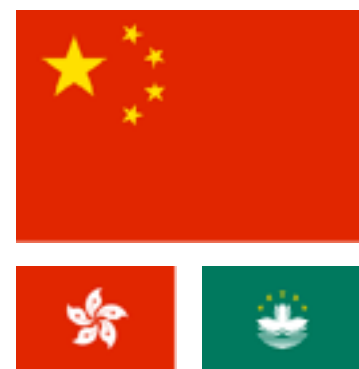
- Golf club sales up by **11.7%** thanks to continued partnership with Kolon for clubs
 - Beres sales increased by **121.5%**
- Growing ball and apparel business with the creation of an internal non-club sales team
 - Golf ball sales up by **123.1%**
 - Apparel sales up by **125.7%**

Note

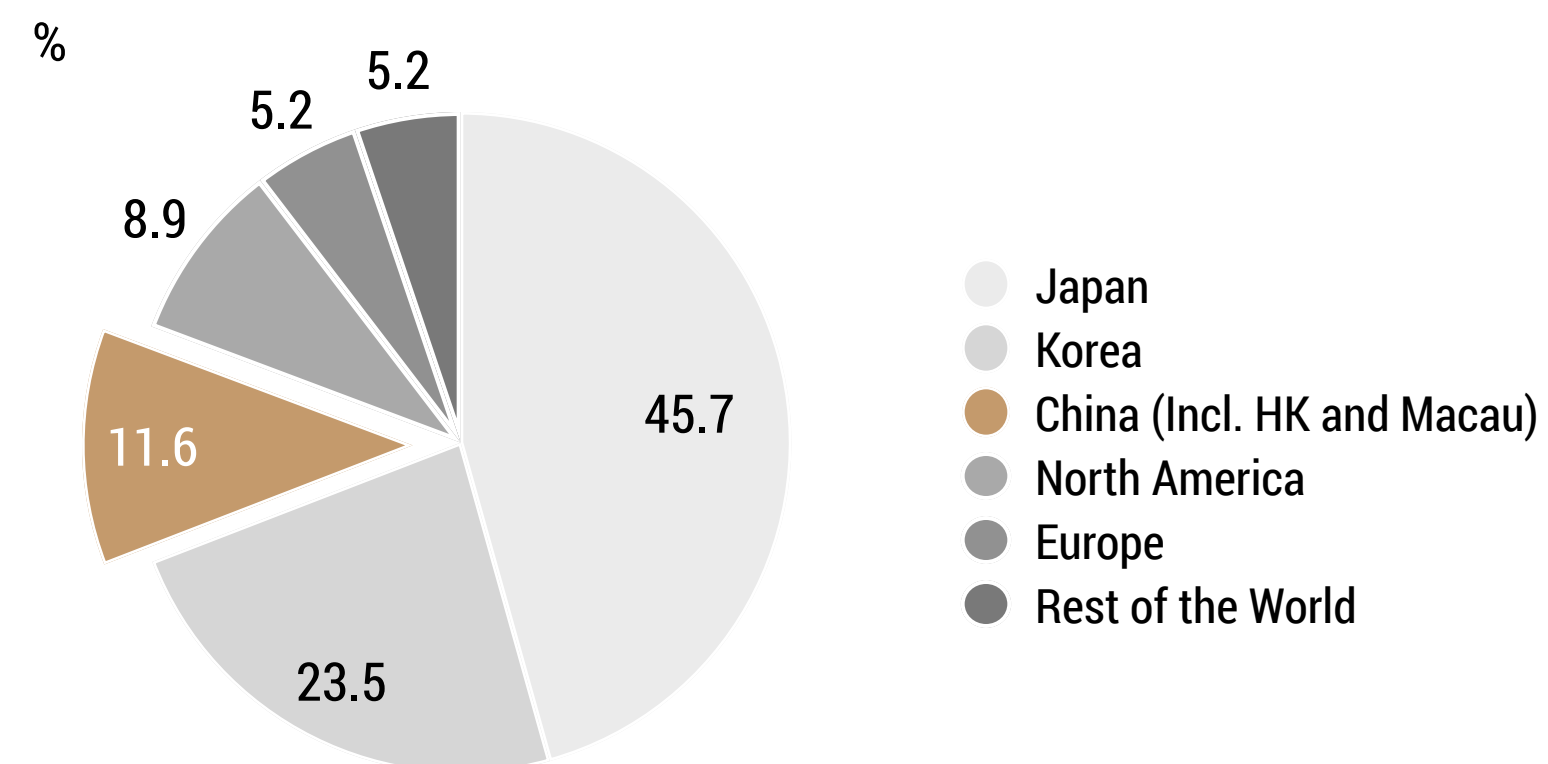
(1) Source : KGPA, Korea Golf Association 2017

E. BUSINESS REVIEW BY MARKET

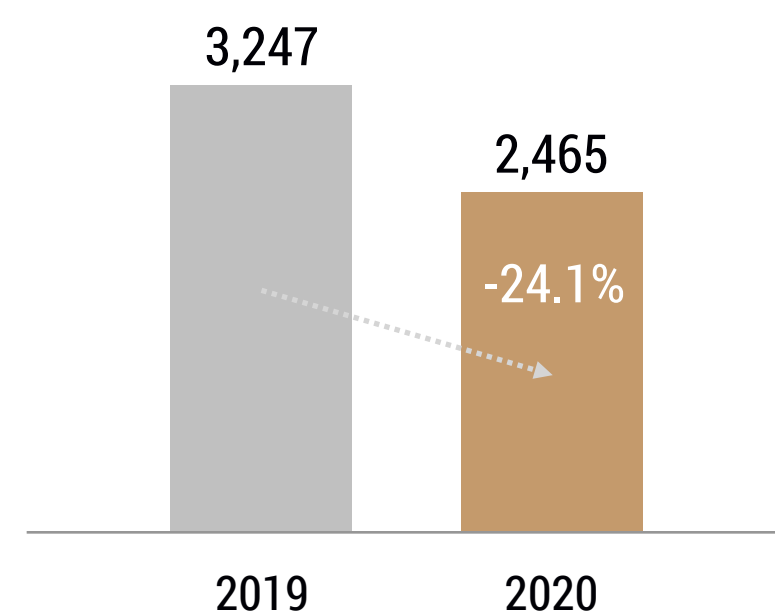
HOME MARKET CHINA (INCL. HK & MACAU)



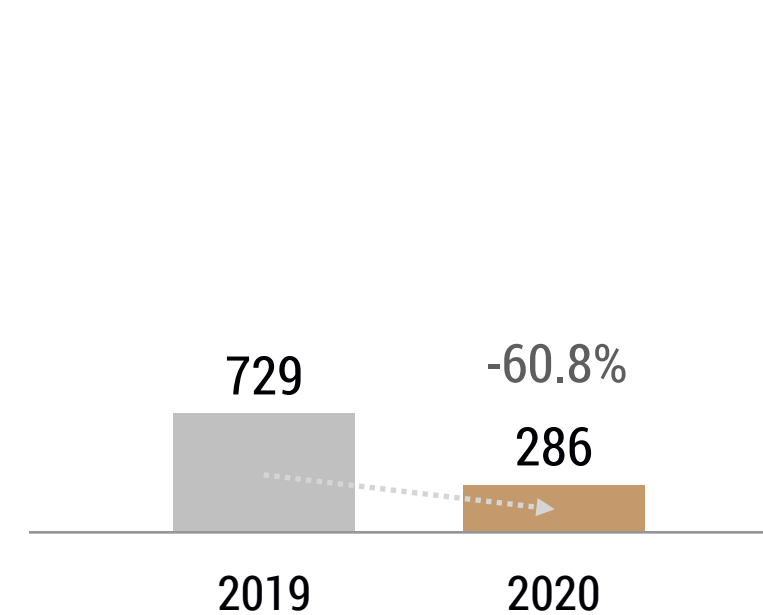
APPAREL SALES BOOMED AFTER APPAREL LINE RELAUNCH AND POS EXPANSION



NET SALES MAINLAND CHINA JPY MM



NET SALES HONG KONG JPY MM



MARKET

- New and developing golf market
- **496** golf courses, around **1 million** golf population ⁽¹⁾
- Solid and growing demand in active wear and fashion-athletic apparel

FULL YEAR REVIEW ON A CONSTANT CURRENCY BASIS

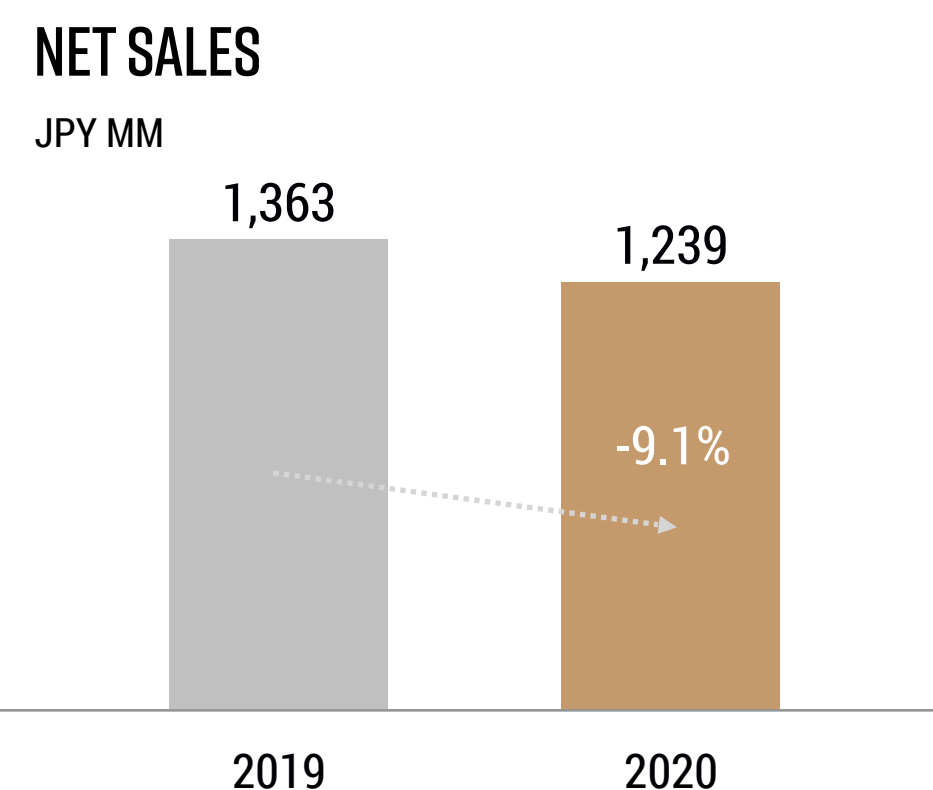
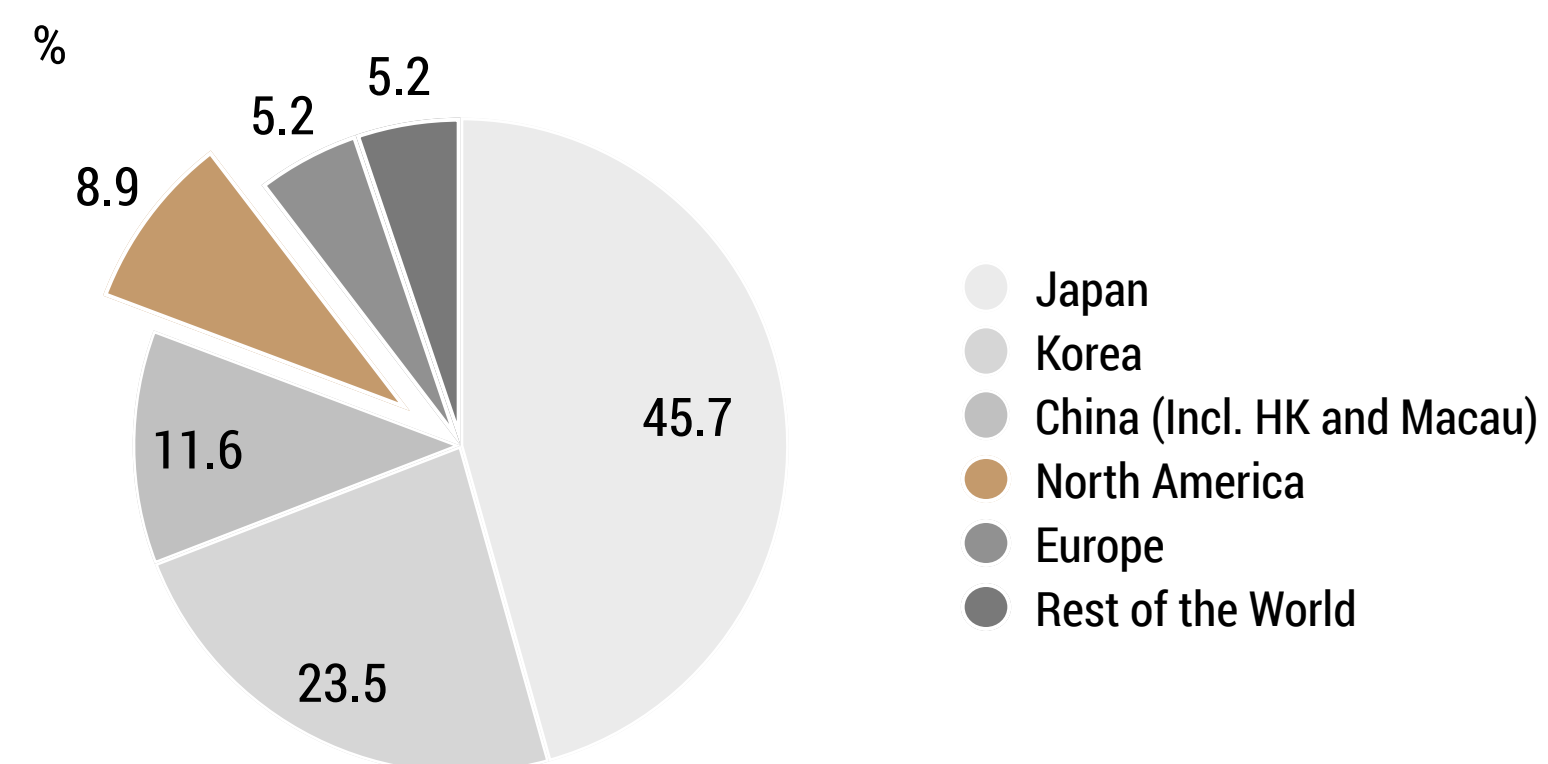
- Retail activities standstill in Q4 since COVID-19 outbreak in January
- Q1 FY2021 saw strong sales recovery following consumption sentiment rebound and golf courses re-opening
- Strengthened online strategy: creation of WeChat MiniProgram e-commerce page that integrated with HONMA WeChat service account

Note

(1) Source : Forward Golf White Paper Report 2017



BUILDING A UNIQUE DIRECT-TO-CUSTOMER DISTRIBUTION MODEL TO CAPTURE SUPER PREMIUM AND PREMIUM PERFORMANCE SEGMENT



E. BUSINESS REVIEW BY MARKET

NEW MARKET NORTH AMERICA

MARKET

- Largest golf market in the world with **53%** of the global golf retail sales ⁽¹⁾
- 2018 golf equipment sales approximates to **USD 4.3 billion** by forecast ⁽¹⁾
- Around **24 million** golf participants ⁽¹⁾

FULL YEAR REVIEW ON A CONSTANT CURRENCY BASIS

- Improved 2nd half FY2020
- Beres sales down by **21.4%** full year, but up by **17.9%** in 2H
- TW family sales up by **51.6%** full year, despite delay in launch of TR20 due to pandemic
- Direct-to-Customer (DTC) model:
 - **HONMA House** opened in Oct 2019 in Carlsbad, California
 - **43** shop-in-shops by Mar 2020
 - **9** mobile vans hit the road starting Jan 2020
 - **E-commerce portal** connected to company website

Note

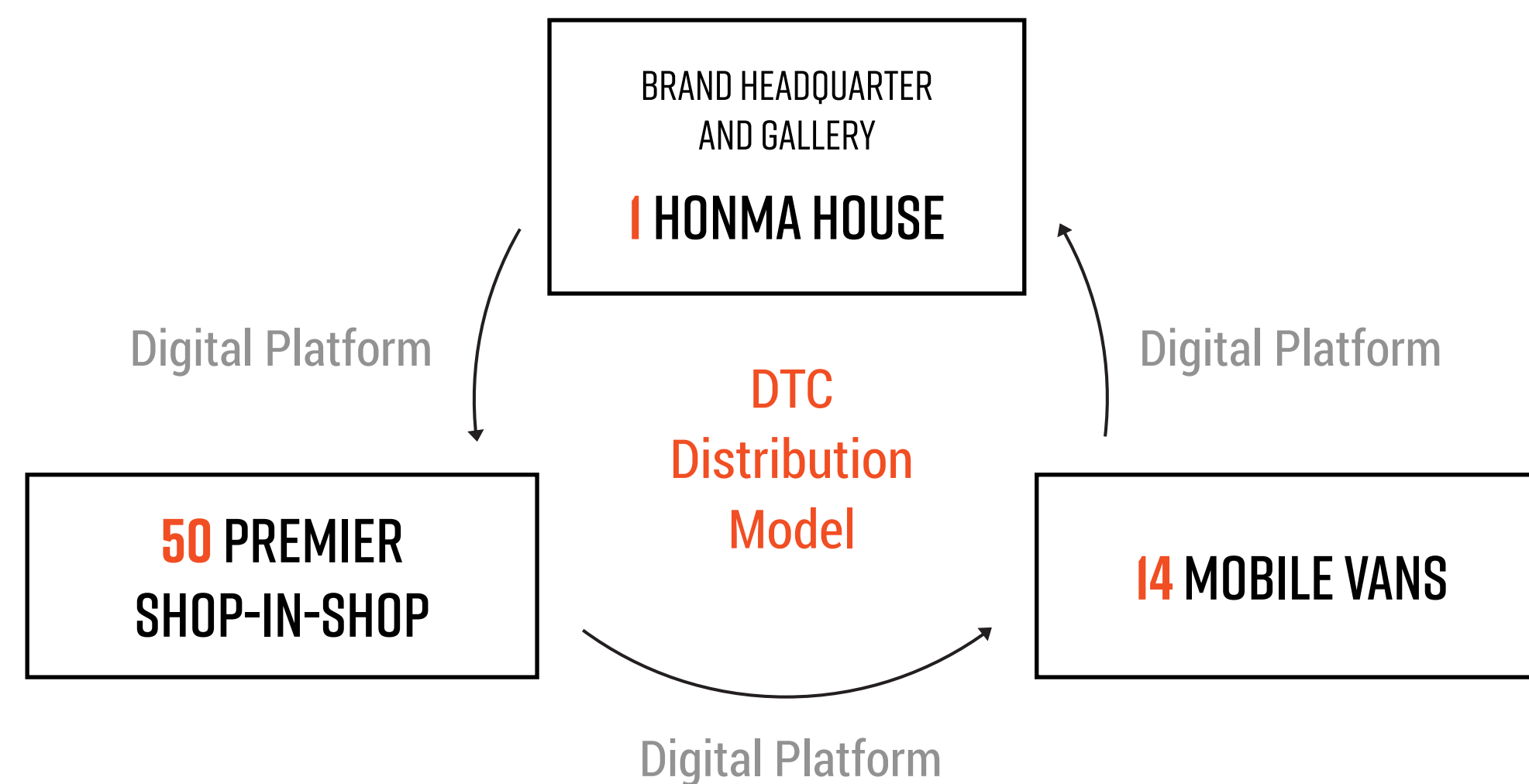
(1) Source : Golf DataTech's 2018 research report



BUILDING A UNIQUE DIRECT-TO-CUSTOMER DISTRIBUTION MODEL TO CAPTURE SUPER PREMIUM AND PREMIUM PERFORMANCE SEGMENT

BY FY2021

- 360 degree consumer experience built into an omni distribution strategy



- Well underpinned marketing plan to
 - Build brand awareness, loyalty and repurchase frequency
 - Drive traffic to HONMA house, hubs and shop in shops for the complete HONMA experience
 - Create, optimize and leverage digital channels as a day to day point of brand engagement with CRM mindset

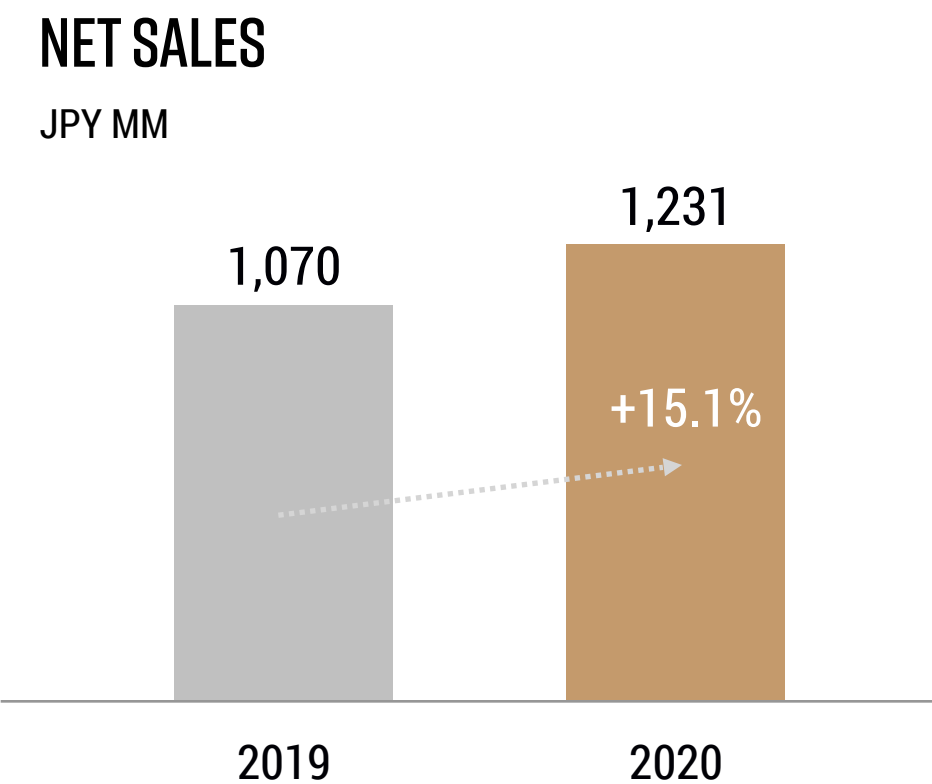
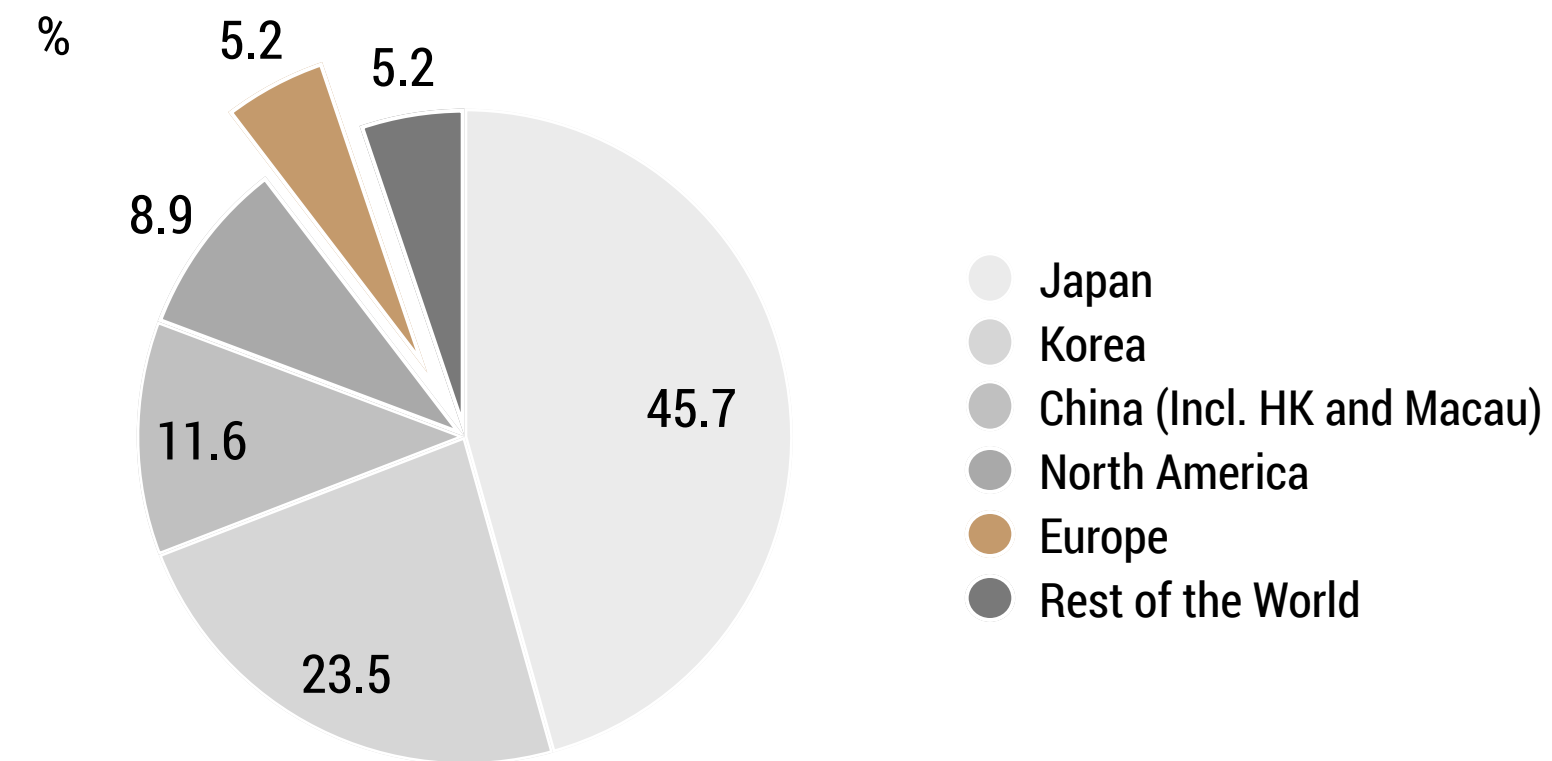
E. BUSINESS REVIEW BY MARKET

NEW MARKET
NORTH AMERICA

[CONT'D]



EFFECTIVE AWARENESS ELEVATION AND CONTINUED POS INCREASE



E. BUSINESS REVIEW BY MARKET

NEW MARKET EUROPE

MARKET

- Mature but fragmented golf market
- England, Austria, Germany, France and Sweden in total accounts for around **12%** of the world' golf equipment sales, which approximates to **USD 1 billion** ⁽¹⁾

FULL YEAR REVIEW ON A CONSTANT CURRENCY BASIS

- Golf club sales increased by **20.0%**
 - Beres family sales up by **11.7%**
 - Tour World family sales was significantly up by **73.3%**, despite delay of TR20 launch due to the pandemic
 - Elevated awareness and exposure through effective marketing activities
- POS number net increased by 22 to **540** by Mar 31, 2020

Note

(1) Source : KGPA, Korea Golf Association 2017

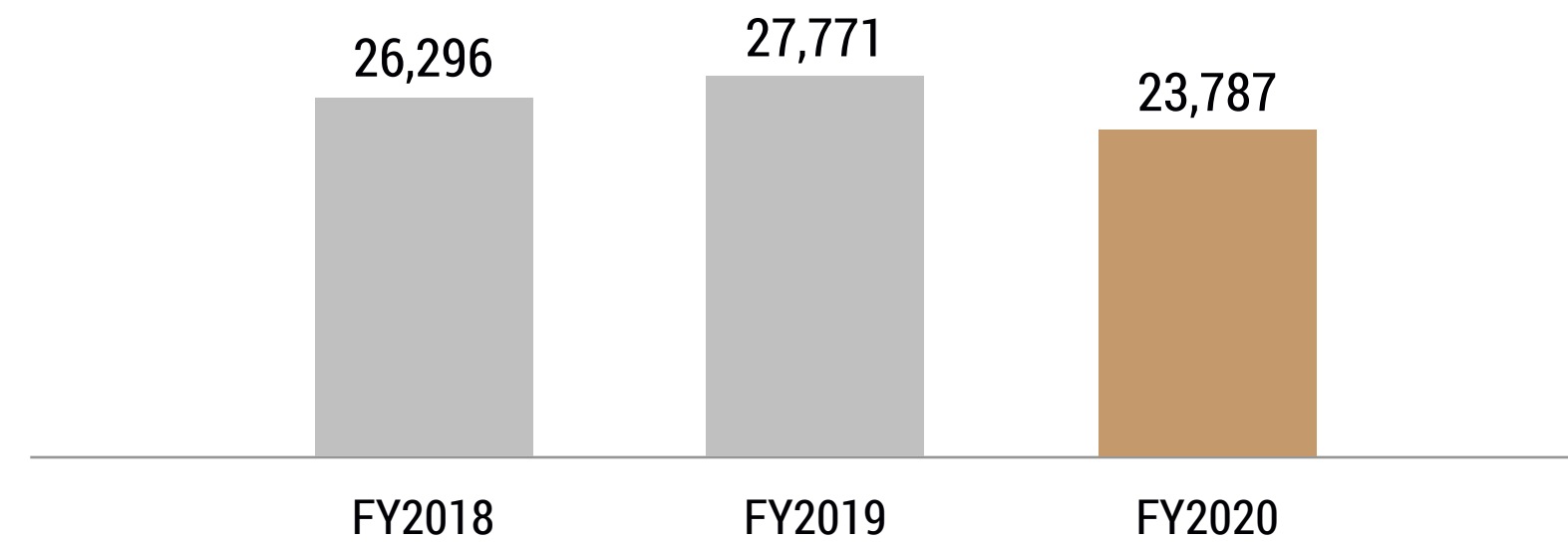


- 1 RESULTS HIGHLIGHT
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**REVENUE
DECLINE**
DUE TO COVID-19 IMPACT

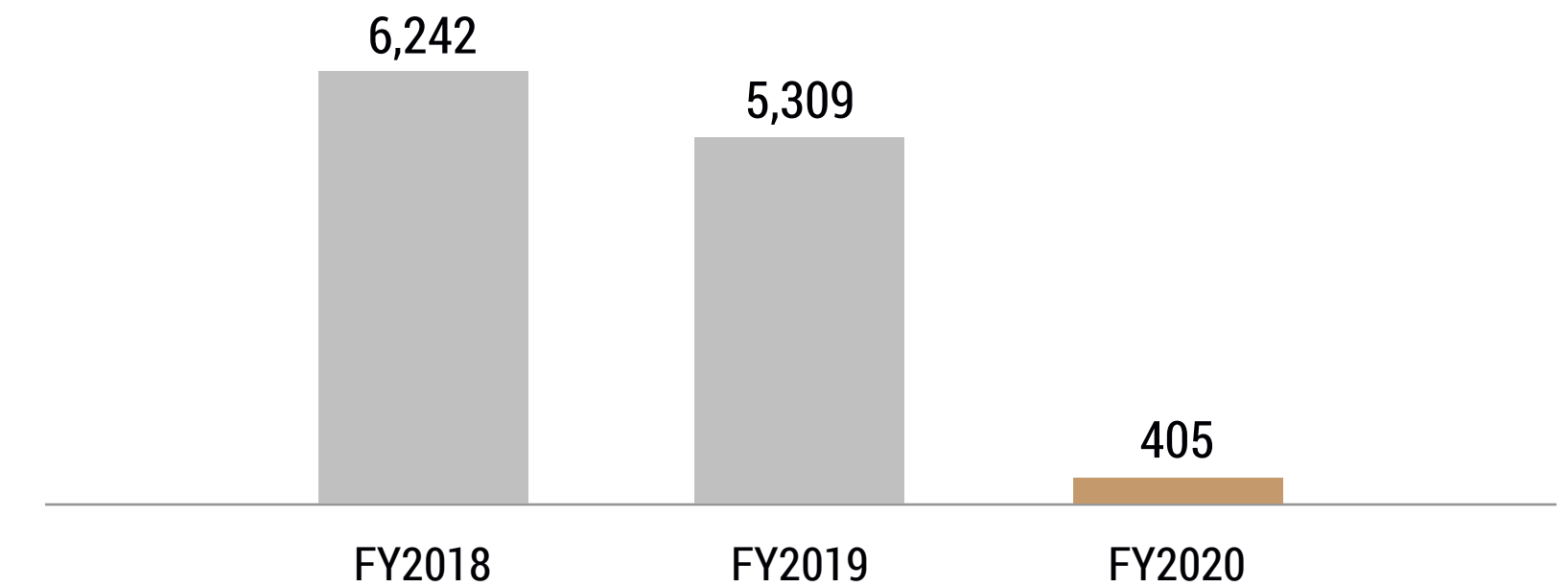
REVENUE

JPY MM



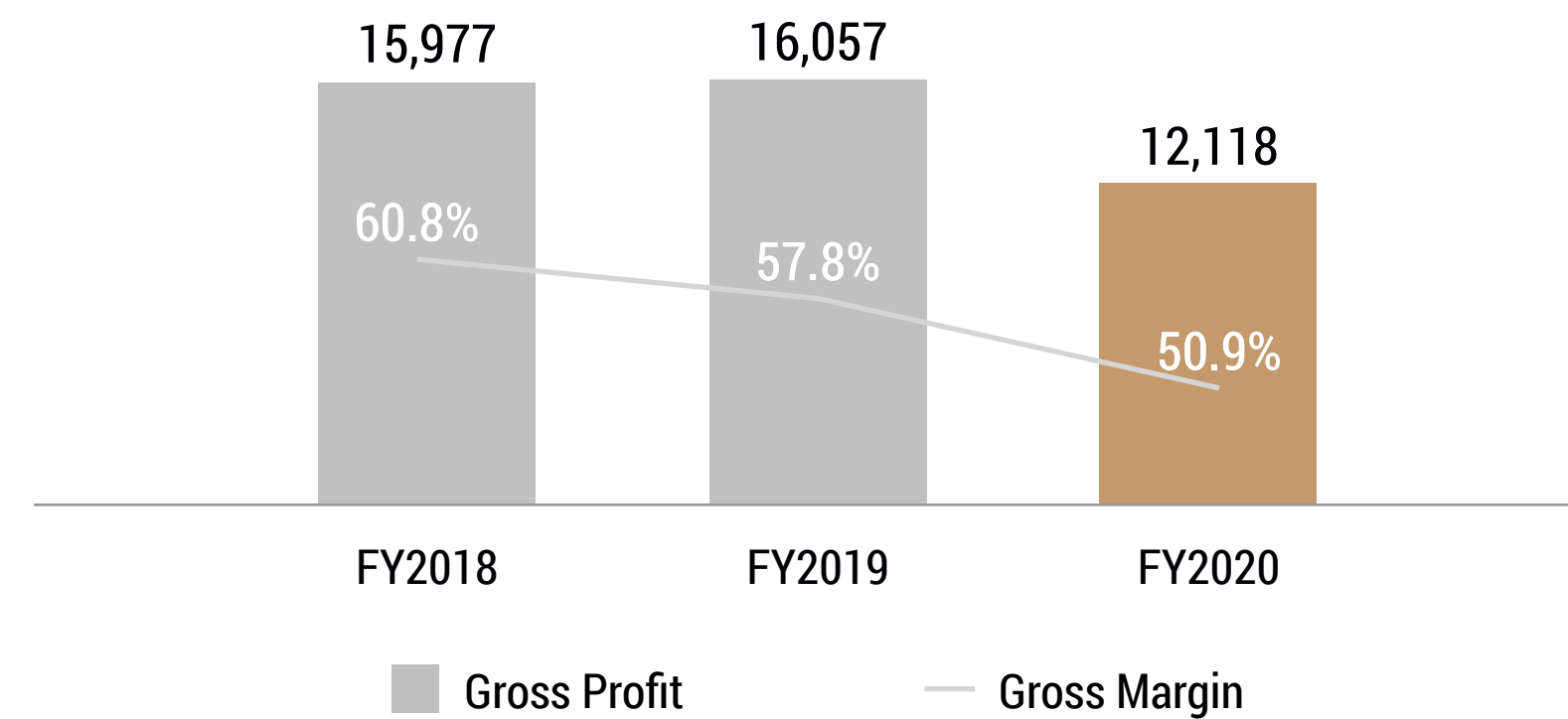
OPERATING PROFIT (1)

JPY MM



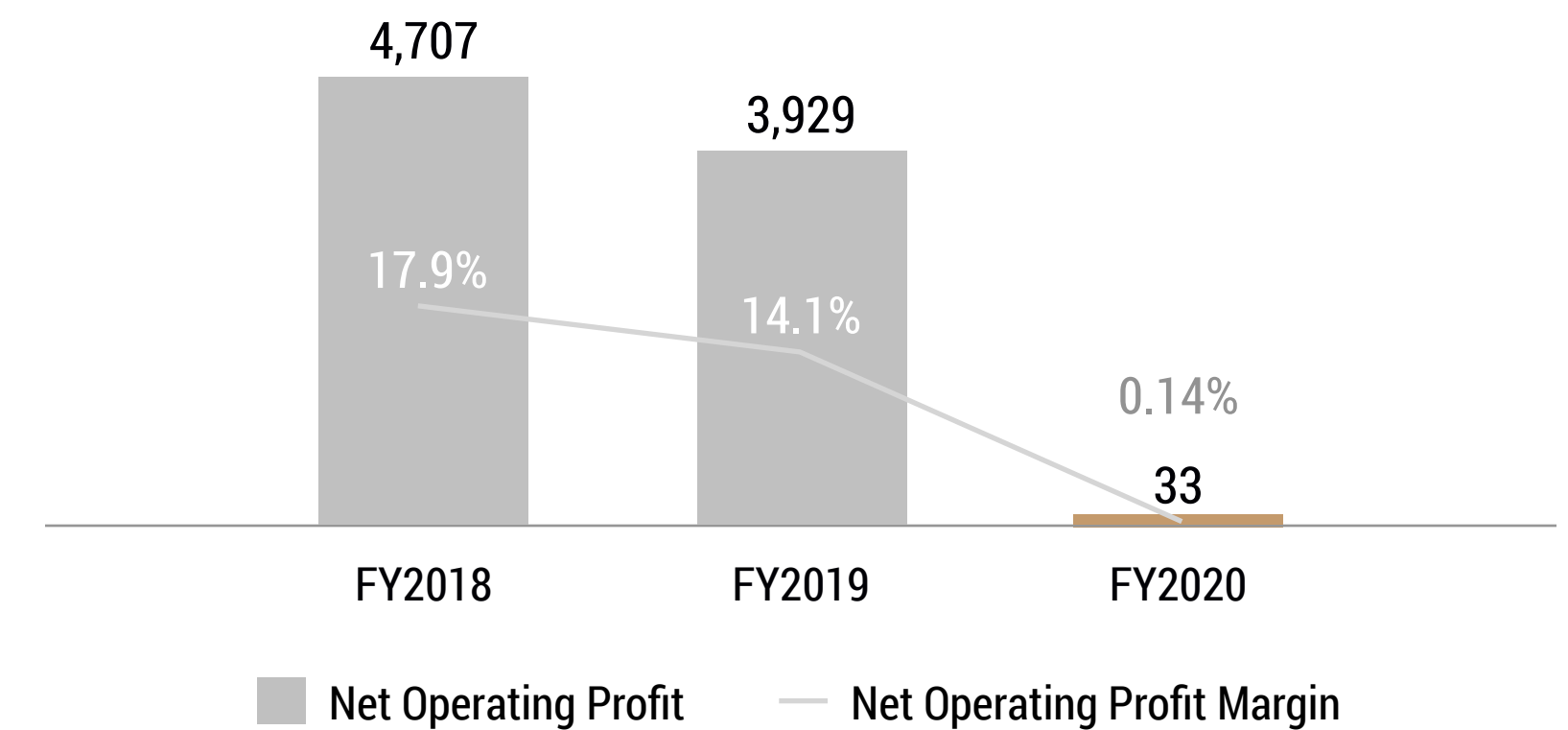
GROSS PROFIT

JPY MM



NET OPERATING PROFIT (2)

JPY MM



Note

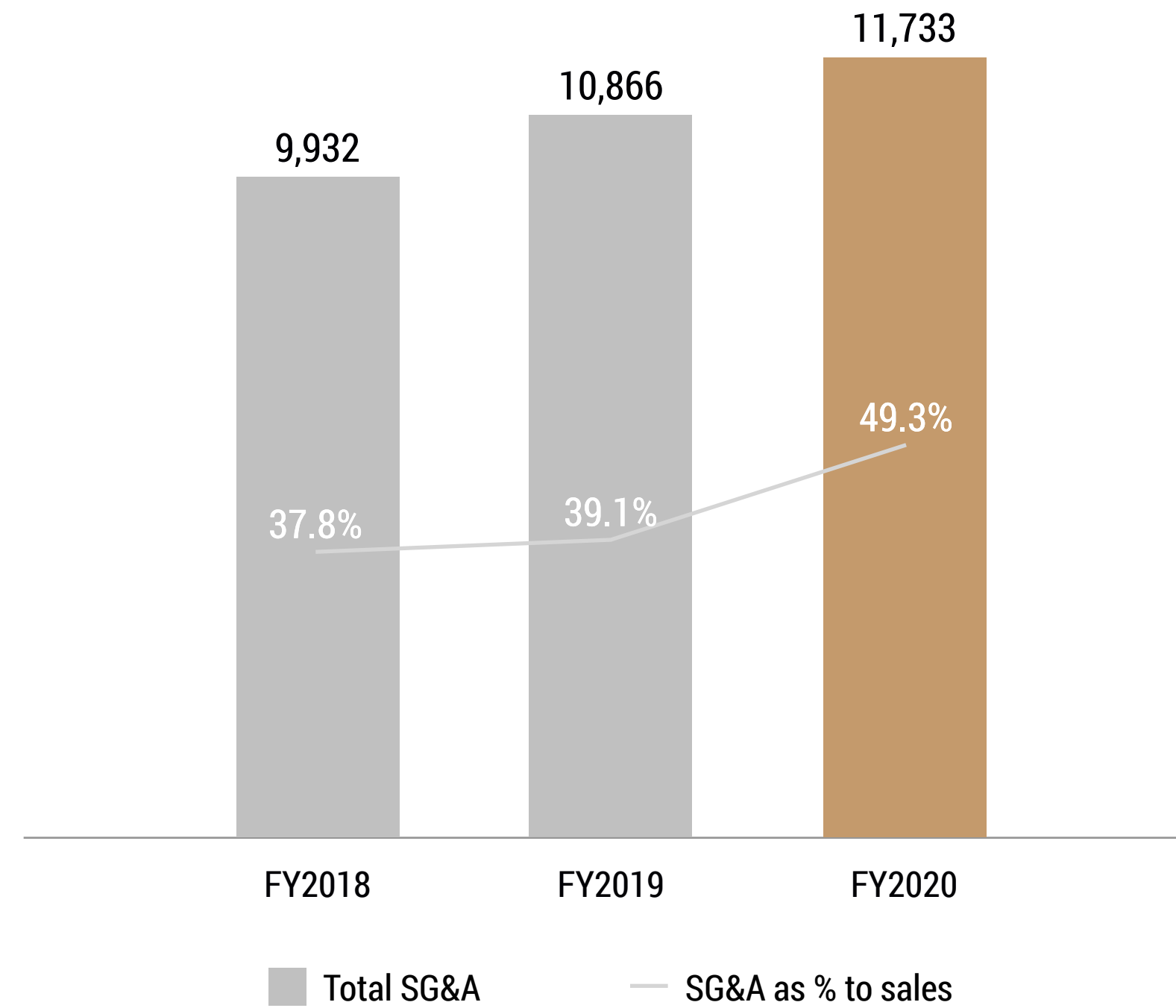
- (1) Operating profit is derived from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses and (iv) adding RSU expenses.
- (2) Net operating profit is derived from net profit by (i) subtracting other income and gains, (ii) adding other expenses and (iii) adding RSU expenses (iv) adding impact on tax.

AHEAD-OF-THE-CURVE INVESTMENT IN DISTRIBUTION FOOT PRINT

TO FUEL GROWTH IN KEY MARKETS AND PRODUCT CATEGORIES

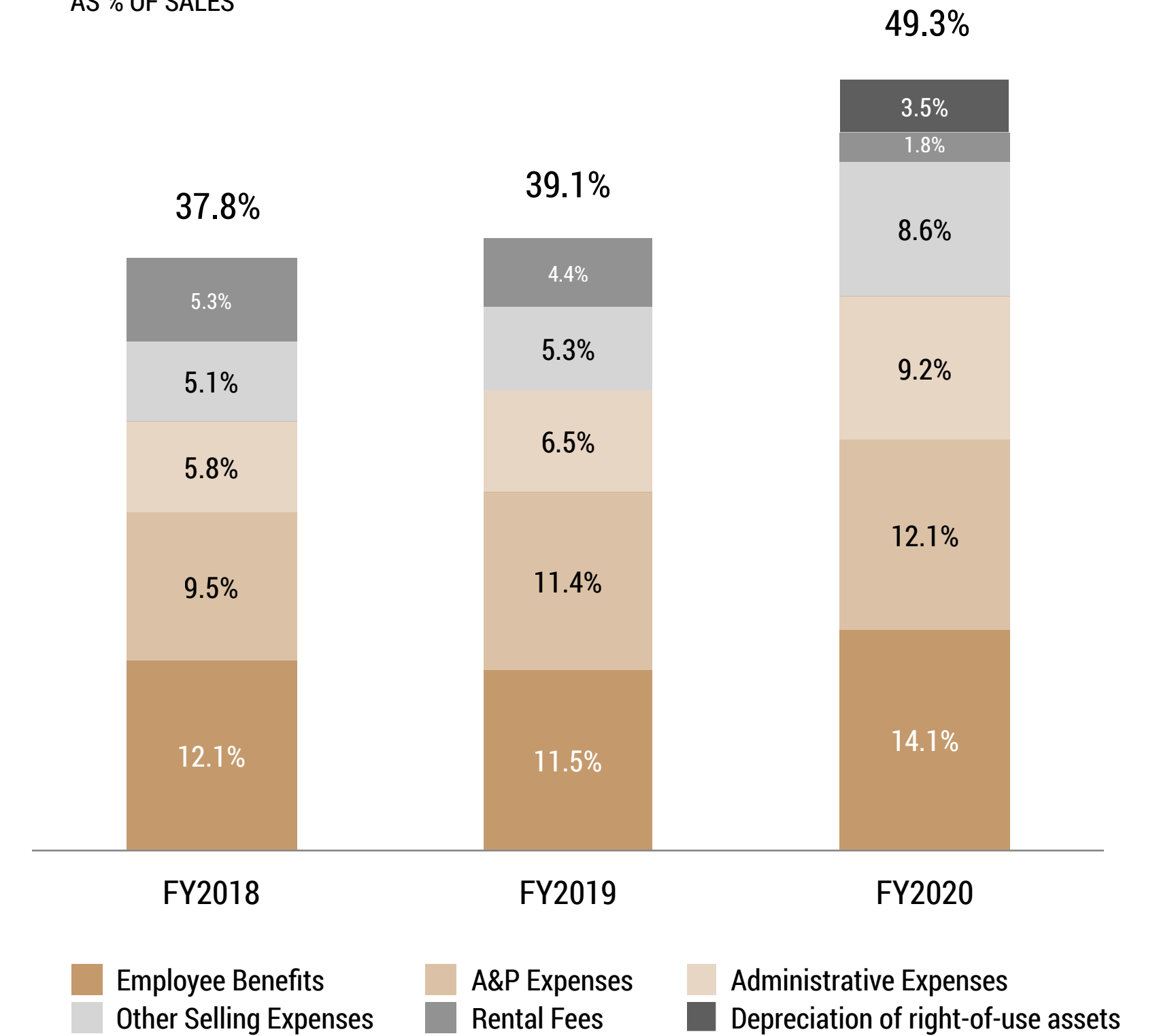
SG&A EXPENSES

JPY MM



SG&A EXPENSES BREAKDOWN

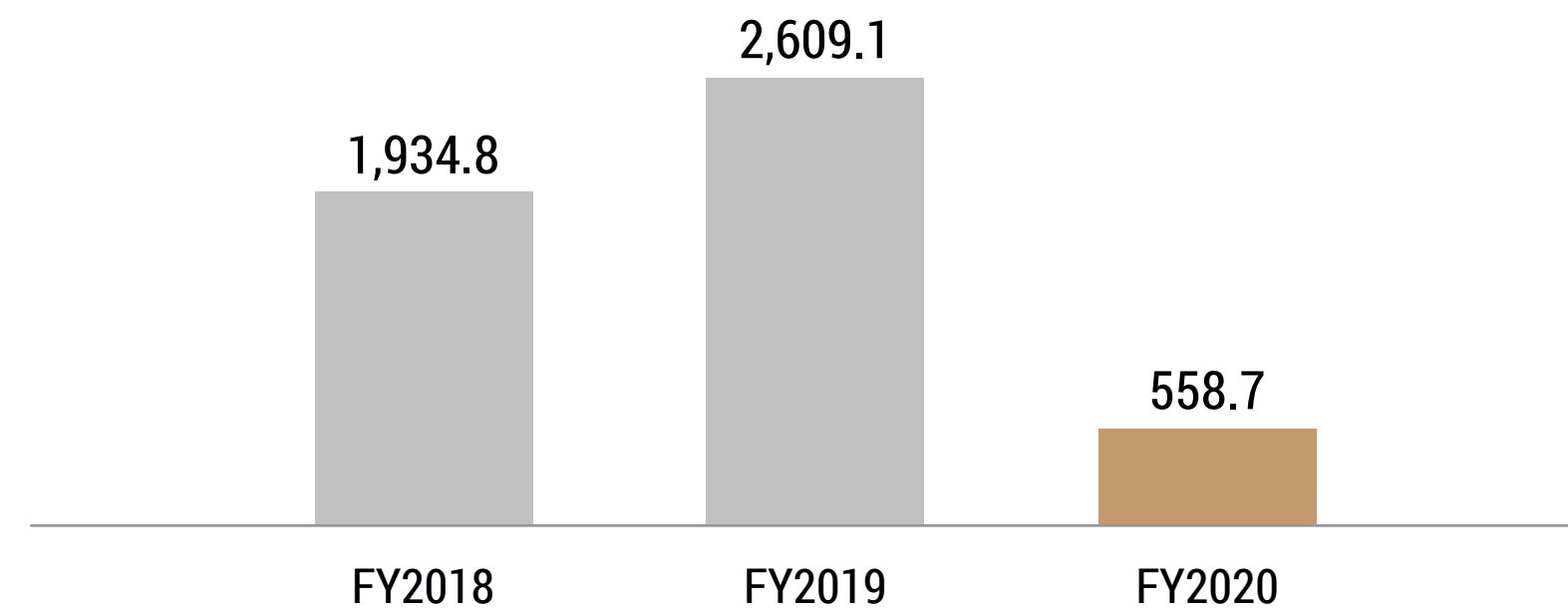
AS % OF SALES



*STRONG
OPERATING
CASH FLOW
AND ROBUST
CAPITAL
STRUCTURE*

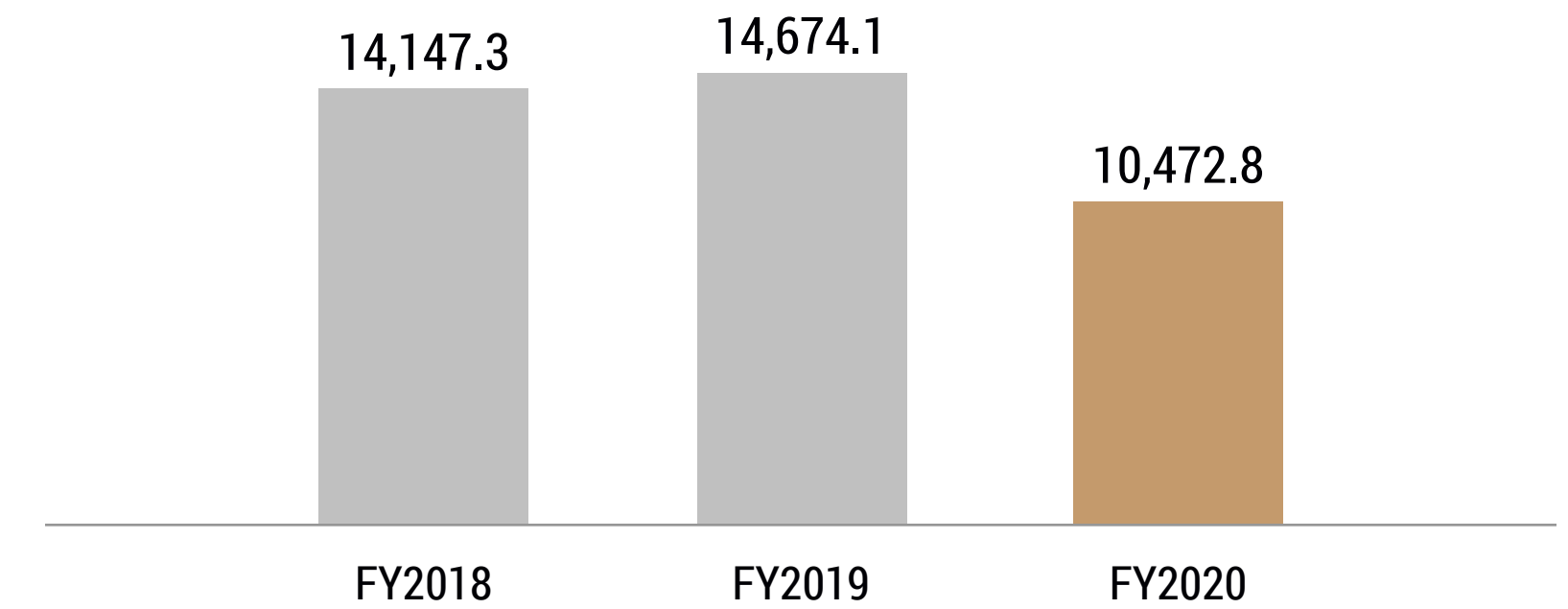
NET OPERATING CASH FLOW

JPY MM



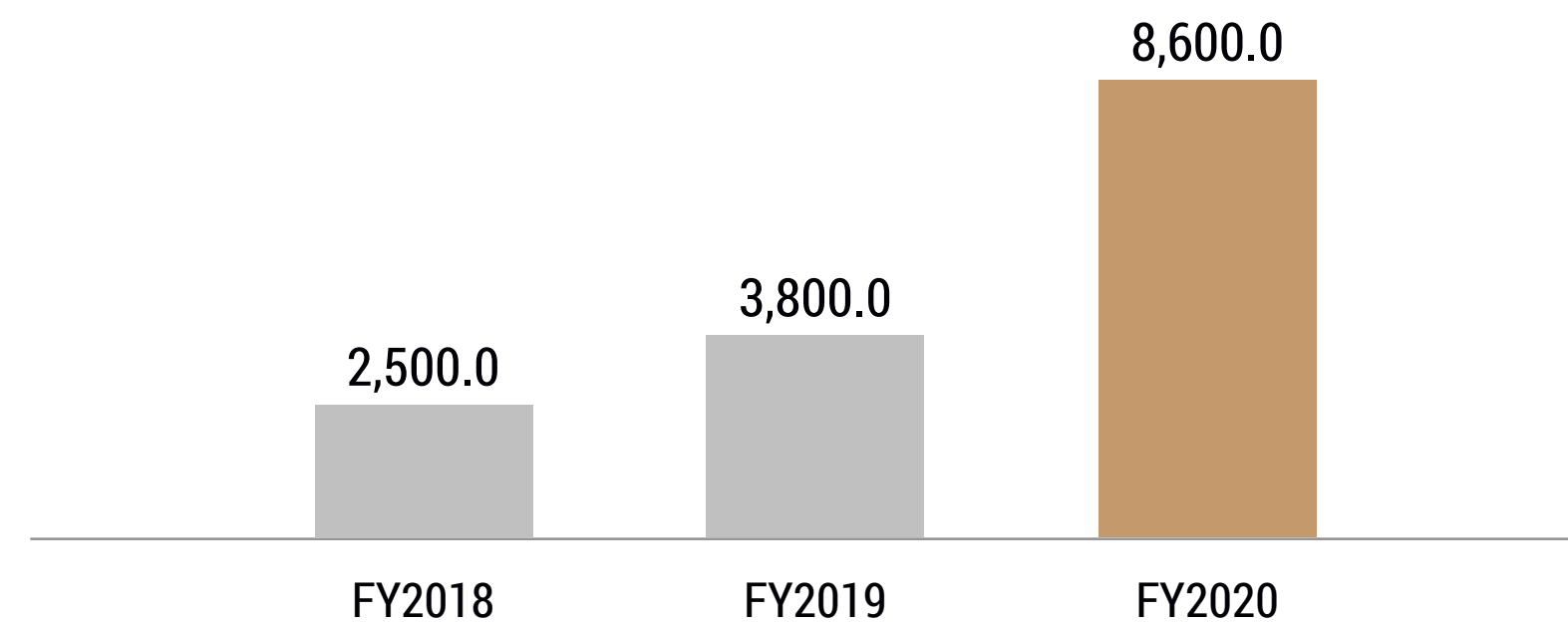
CASH ON HAND

JPY MM



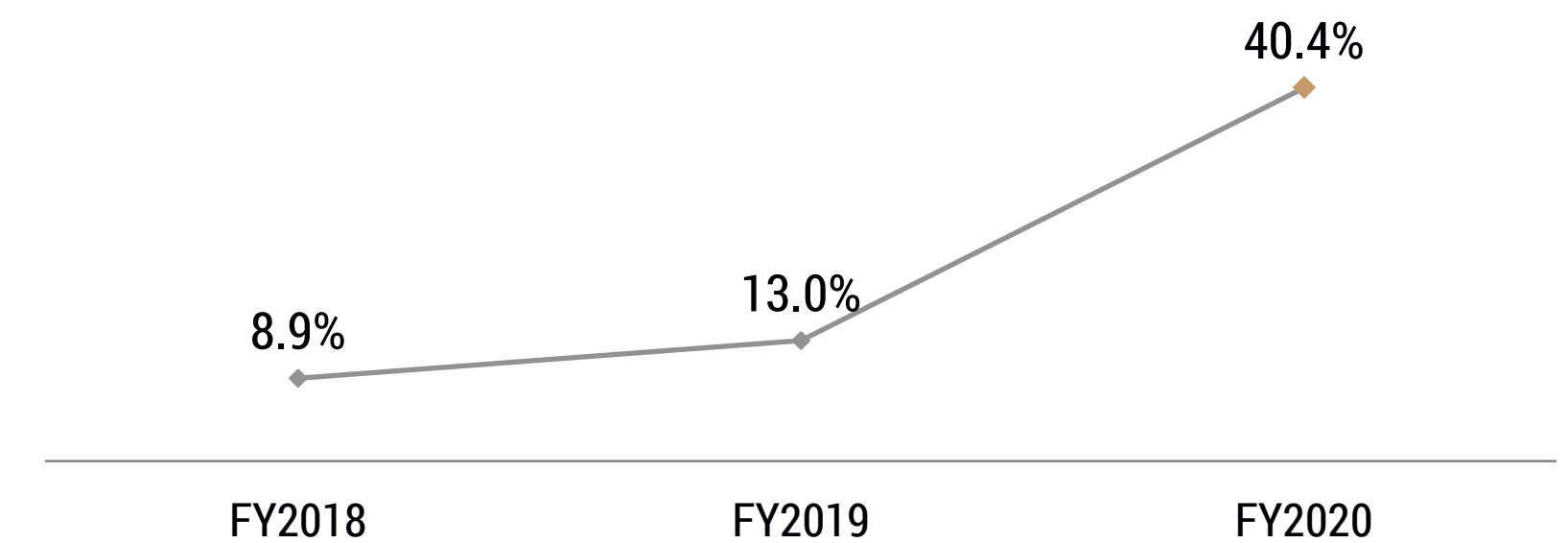
INTEREST-BEARING LIABILITIES

JPY MM



INTEREST-BEARING LIABILITIES / TOTAL EQUITY

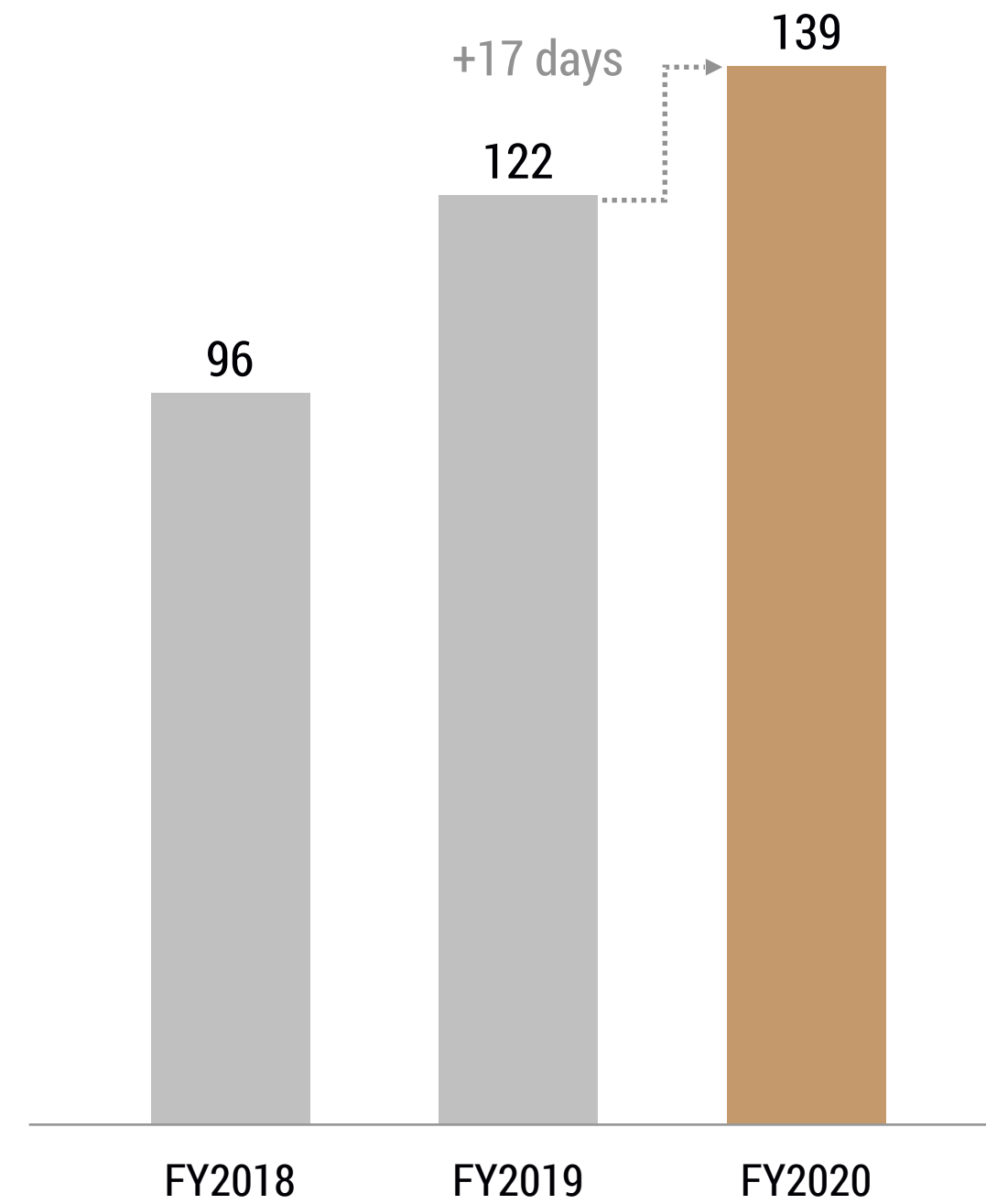
%



CONTINUED
IMPROVEMENT
IN WORKING
CAPITAL
EFFICIENCY

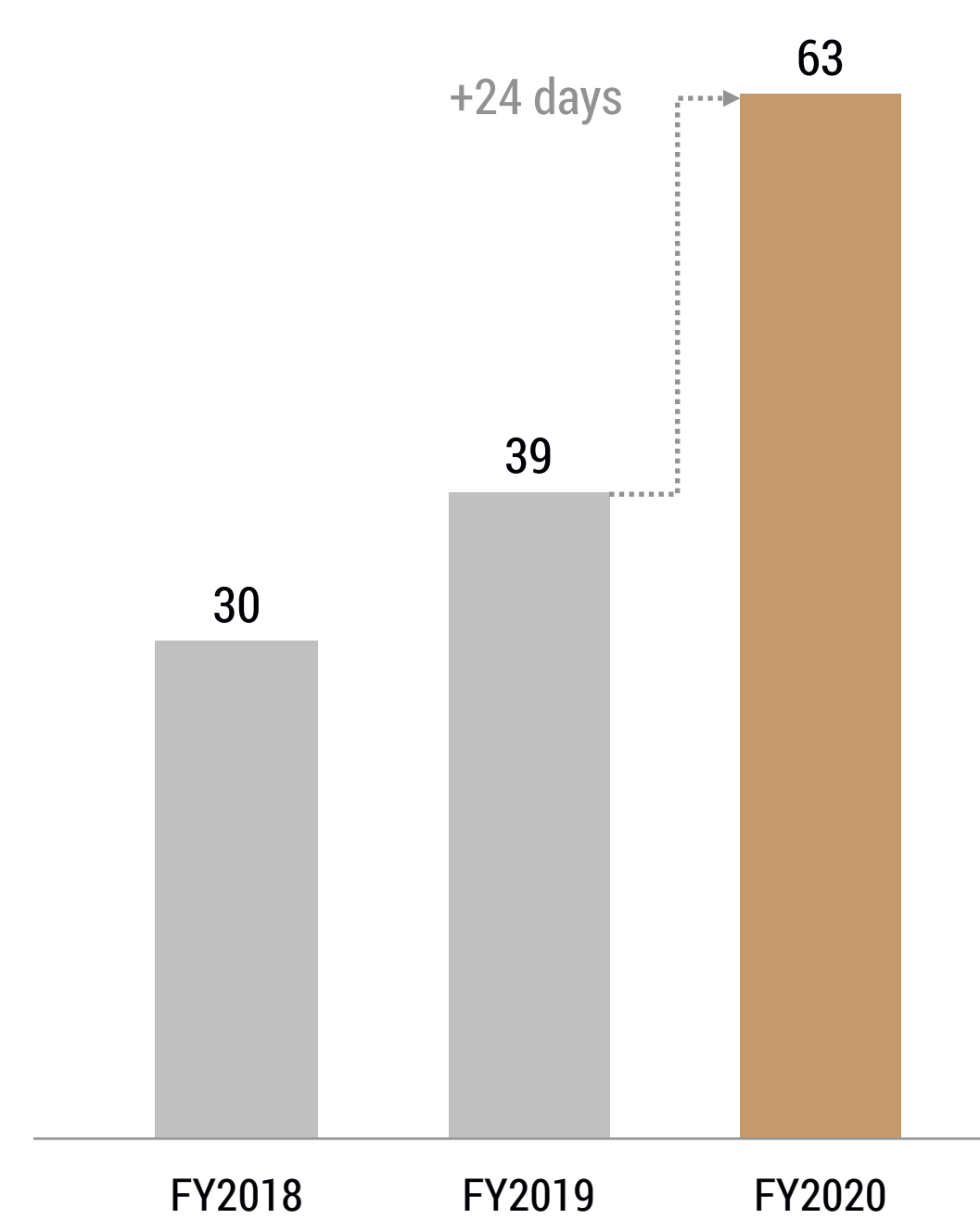
RECEIVABLES TURNOVER DAYS ⁽¹⁾

JPY MM



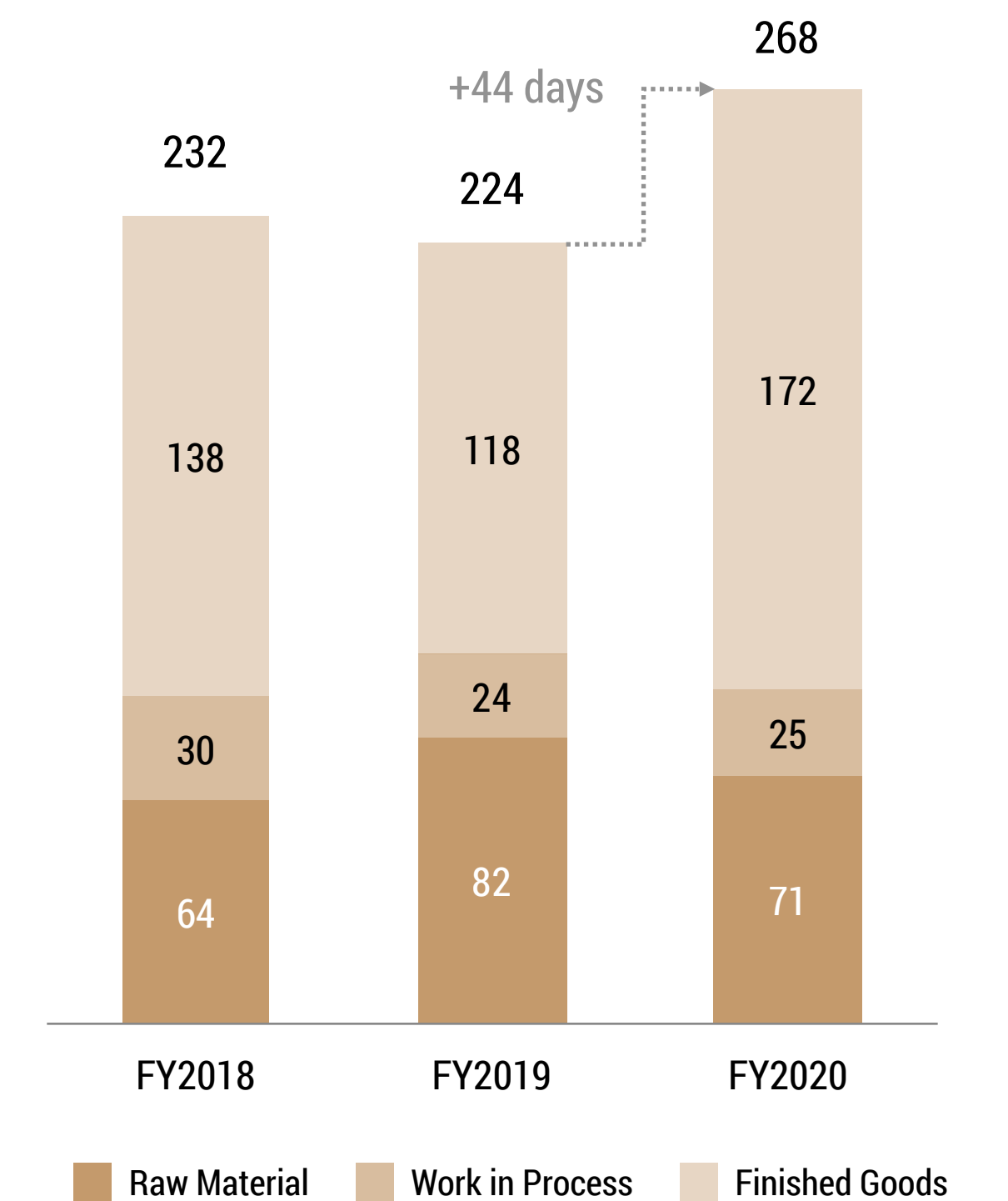
PAYABLES TURNOVER DAYS ⁽²⁾

JPY MM



INVENTORY TURNOVER DAYS ⁽²⁾

JPY MM



Note

- (1) Turnover days are calculated using the average of the opening, mid year and closing balance of the relevant periods
- (2) Turnover days are calculated using the average of the opening and closing balance of the relevant periods.



- 1 RESULTS HIGHLIGHT
- 2 BUSINESS OVERVIEW
- 3 FINANCIAL RESULTS
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Q1FY2021 INDICATORS

Q1FY2021 has seen business in some parts of Asia including Mainland China, Taiwan and South Korea strongly recovering to the level before COVID-19

Sales from e-commerce channels showed steep growth trajectory and is indispensable to sales recovery in China and Japan

As seen across consumer goods industries, demand in premium segment is more resilient during difficult economy environment

We are positive about resuming the expansion plans in Europe and North America as the golf courses and retail activities open up, and achieve our goals in mid- to long-term

FY2021 OUTLOOK

- Given the uncertainty of the COVID-19 resurgence in Fall 2021, we will not be able to provide guidance for FY2021.
- Nevertheless, we believe that FY2021 will be a crucial year to maintain sound financial condition while executing strategies to foster a solid foundation for the mid- and long-term development with respect to our brand, products, distribution channel, employees and supply chain. These includes:

A

Improve and transform HONMA brand value into customer loyalty

B

Further increase the Group's market share in home markets by maintaining its leading position in the super-premium segment while making solid inroads into the fast-growing premium-performance segment

C

Pivoting growth in North America based on the updated product and distribution strategy

D

Nurturing complementary non-club product lines to provide customers with a complete golf lifestyle experience

E

Continue product innovation and development to cater for latest market trends



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CONSOLIDATED P&L

	For the twelve months ended 31 March				Year-on-Year Change
	2020.3.31	%	2019.3.31	%	
	JPY		JPY		%
<i>(In thousands, except for percentages and per share data)</i>					
Consolidated Statement of Profit or Loss					
Revenue	23,787,214	100.0	27,770,704	100.0	-14.3
Cost of sales	-11,669,597	-49.1	-11,713,928	-42.2	-0.4
Gross profit	12,117,617	50.9	16,056,776	57.8	-24.5
Other income and gains	67,908	0.3	422,207	1.5	-83.9
Selling and distribution expenses	-9,546,408	-40.1	-9,060,498	-32.6	5.4
Administrative expenses	-2,186,825	-9.2	-1,805,750	-6.5	21.1
Other (expenses)/income, net	-831,289	-3.5	-96,841	-0.3	758.4
Finance costs	-69,191	-0.3	-15,056	-0.1	359.6
Finance income	90,509	0.4	103,383	0.4	-12.5
Profit before tax	-357,679	-1.5	5,604,221	20.2	-106.4
Income tax expense	-374,734	-1.6	-1,395,382	-5.0	-73.1
Net profit	-732,413	-3.1	4,208,839	15.2	-117.4
Earnings per share attributable to ordinary equity holders of the parent:					
Basic and diluted					
- For profit for the year (JPY)	-1.20		6.91		-117.4
Non-IFRS Financial Measures					
Operating profit ⁽¹⁾	405,095	1.7	5,309,429	19.1	-92.4
Net operating profit ⁽²⁾	33,490	0.1	3,928,898	14.1	-99.1

Note

- (1) Operating profit is derived from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses and (iv) adding RSU expenses.
- (2) Net operating profit is derived from net profit by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses, (iv) adding RSU expenses and (v) adding impact on tax. The Group referred to such measure as adjusted net profit in the Group's Interim Results Announcement for the Six Months Ended 30 September 2019 dated 29 November 2019

CONSOLIDATED BALANCE SHEET

	2020.3.31	Financial Position as at JPY	2019.3.31	JPY
<i>(In thousands, except for percentages and per share data)</i>				
Consolidated Statement of Financial Position				
Assets				
Non-current assets		9,184,866		6,124,873
Current assets		29,712,451		32,962,725
Total Assets		38,897,317		39,087,598
Liabilities				
Non-current Liabilities		2,373,707		1,754,481
Current Liabilities		15,259,813		8,140,390
Total Liabilities		17,633,520		9,894,871
Net current assets		14,452,638		24,822,335
Total assets less current liabilities		23,637,504		30,947,208
Net Assets		21,263,797		29,192,727
Total Equity		21,263,797		29,192,727

CONSOLIDATED CASH FLOWS

	For the twelve months ended 31 March	
	2020.3.31	2019.3.31
	<i>JPY</i>	
	<i>(In thousands, except for percentages and per share data)</i>	
Cash and cash equivalents at the beginning of year	14,674,123	14,147,319
Net cash flows generated from operating activities		2,609,070
Net cash flows generated used in investing activities		-669,397
Net cash flows used in financing activities		-1,755,452
Net increase/(decrease) in cash and cash equivalents		184,221
Cash and cash equivalents at the end of year		14,674,123



For more inquires, please contact
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