



Honma Golf Limited

本間高爾夫有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6858)

Honma Golf Limited Announces 2017/18 Interim Results Net Profit Rose Significantly by 269.5% to JPY1,110.3 Million

Financial Highlights:

- Revenue rose by 3.1% to JPY10,521.8 million as compared to the same period last year;
- Gross profit margin improved by 1.4 percentage points to reach 58.7%;
- Net profit rose significantly by 269.5% to JPY1,110.3 million and net operating profit increased by 65.3% to JPY 1,235.0 million; and
- Net cash flows generated from operating activities amounted to JPY2,285.0 million, representing a 13.9% improvement from the six months ended 30 September 2016.

(13 November 2017 – Hong Kong) Honma Golf Limited (“Honma Golf” or the “Company”; together with its subsidiaries, the “Group”, stock code: 6858), one of the most prestigious and iconic brands in the golf industry, announces its unaudited consolidated interim results for the six months ended 30 September 2017 (the “Period”).

During the Period, the Group’s revenue rose by 3.1% on reported basis and 1.7% on constant currency basis to JPY10,521.8 million. Sales from US, Korea and balls grew by 186.3%, 16.5% and 88.1%, respectively, reconfirming the Group’s strategy to drive growth in new markets and non-club business. Other home markets showed modest growth due to raw material shortage in the first quarter and the migration to an integrated ERP system in the second quarter whose impacts are expected to be short term in nature.

After adjustments for non-recurring listing expenses, net operating profit recorded a significant increase of 65.3% to JPY 1,235.0 million and net operating profit margin rose by 4.4 percentage points to 11.7%, thanks to improved gross profit margin and continued optimisation of selling and distribution expenses. The Board resolved not to declare any interim dividend.

During the Period, the Group continued executing its U.S. growth strategies, re-organised its sales and distribution in Europe and infused a number of high profile industry experts to drive sales growth in its home markets and to strengthen its brand and product marketing capabilities. For the period ending 30 September 2017, the Group's points of sales ("POSs") in North America and Europe has increased to 345 POSs and 141 POSs, up by 170 POSs and 131 POSs, respectively, as compared to 31 March 2017.

The Group's products are sold in approximately 50 countries worldwide, primarily in Asia and also across North America, Europe and other regions. As the Group's home markets, revenue for Japan, Korea and China (including Hong Kong and Macau) collectively accounted for 85.2% of the Group's total revenue. During the Period, revenue for Korea increased by 16.5% to JPY1,314.2 million, thanks to the strength of the Group's product portfolio, successful cooperation with its exclusive distributor in the country and intensive TV campaigns to drive sales of BERES and Be ZEAL product families. Revenue for North America increased significantly by 186.3% to JPY599.6 million, primarily due to a complete reorganisation of the Group's distribution channels and continued marketing activities to promote brand and products awareness.

The Group offers customers a complete golf lifestyle experience through an extensive portfolio of HONMA-branded golf clubs, golf balls, bags, apparels and other accessories. During the Period, the Group recorded modest revenue growth in golf clubs. Golf clubs comprise the majority of the Group's business, and revenue for golf clubs increased by 3.5% to JPY8,666.3 million. The relatively low growth rate was mainly attributable to a modest decrease in sales of BERES resulting from a temporary shortage of raw materials in the first quarter of 2017 which was largely offset by a 34.9% increase in the sales of TOUR WORLD, following the activation of TW737 in October 2016. Revenue for golf balls increased significantly by 88.1% to JPY438.2 million.

The Group has an extensive sales and distribution network consisting of HONMA-branded self-operated stores as well as distributors that allows the Group to reach a broad customer base in its target markets. During the Period, revenue for sales to distributors increased by 7.7% to JPY6,742.1 million. Going forward, the Group expects that sales to distributors will continue to increase as the Group plans to penetrate new markets by partnering with quality distributors. As of 30 September 2017, the Group had 86 HONMA-branded self-operated stores, all of which were located in Asia. At the meantime, The Group develops and manages its sales and distribution network on a country-by-country basis to cater to the specific retail landscape and consumer demographics, in order to optimise the operational efficiency in its long term development.

Looking ahead, **Mr. Liu Jianguo, Chairman of the Board, President and Executive Director of Honma Golf Limited** said, "The Group will continue its efforts to build a world-leading golf lifestyle

company on the foundation of its craftsmanship heritage through optimising the product mix by further penetrating high growth consumer segments and continuous product innovation and development to cater to the latest market trends. We will also penetrate new markets in North America and Europe and further increase market share and enhance brand awareness in existing markets. Meanwhile, we will constantly invest in the marketing and promotion of the HONMA brand, raise operational efficiency, optimise the cost structure, and let our customers experience a golf lifestyle thoroughly by providing them with more complementary product lines. In the future, the Group will spare no effort to develop itself into a leading golf lifestyle company in the world by building on its heritage of craftsmanship.”

About Honma Golf Limited

HONMA is one of the most prestigious and iconic brands in the golf industry, synonymous with intricate craftsmanship, dedication to performance excellence and distinguished product quality. Honma Golf was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited on 6th October 2016 (Stock Code: 6858). The Company predominantly designs, develops, manufactures and sells a comprehensive range of aesthetically-crafted and performance-driven golf clubs, under three major product families, namely BERES, TOUR WORLD and Be ZEAL, each targeting specific consumer segments. Honma Golf also offers customers a complete golf lifestyle experience through an extensive portfolio of golf balls, bags, apparels and other accessories. According to Frost & Sullivan, HONMA ranks among the top ten golf product brands in the world and is the number one brand for premium golf clubs, in each case in terms of retail sales in 2015. It was also the fastest growing brand within the top 10 golf products brands as measured by year-on-year retail sales growth from 2014 to 2015. Honma Golf’s products are sold in approximately 50 countries worldwide, primarily in Asia and also across North America, Europe and other regions.

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