



# HONMA 2018 Interim Results

## HONMA Golf

One of the Most Prestigious and Iconic Brands in the Golf Industry

November 2017

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**Company Overview**

**2**

**FY2017 Financial & Operational Highlights**

**3**

**Industry Outlook**

**4**

**Company Outlook**



# Company Overview

- Founded in 1959
- #1 Premium Golf Club Brand <sup>(1)</sup>
- Fastest growing brand among peers, revenue grew at a CAGR of 15.5% between FY2014 & FY2017
- Only vertically integrated golf company
- Market Cap <sup>(2)</sup> : HKD4.84 Billion

Key Financials	As of 30 Sept 2017
Net Sales	JPY10,521.8 Million equivalent HKD 731.7 Million <sup>(3)</sup>
Gross Profit Margin	58.7%
Net Operating Profit Margin	11.7%
EPS	JPY 1.82 /HKD <sup>(3)</sup> 0.13

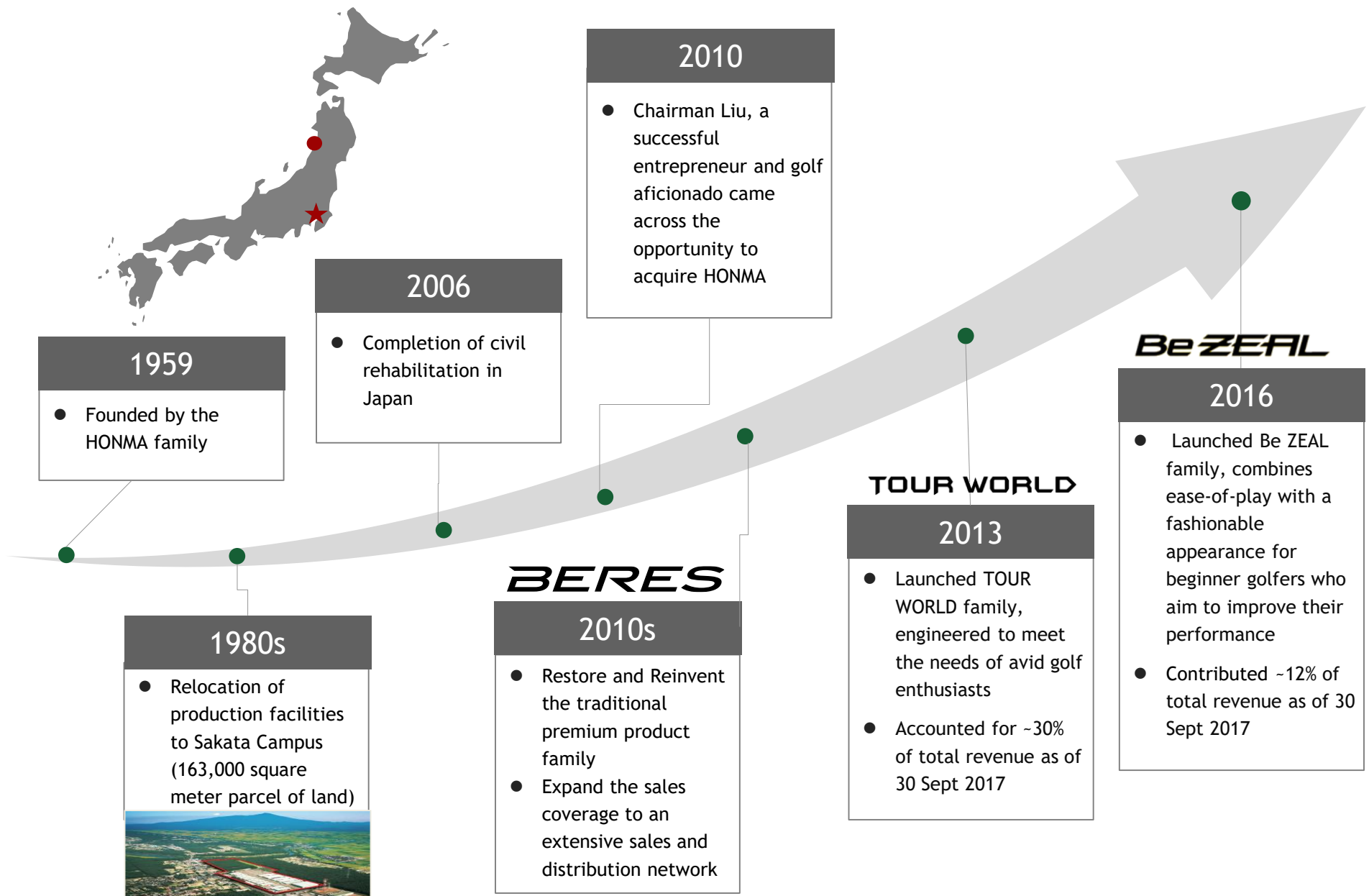


Iconic Golf Brand Built Upon Decades of Dedication Towards Quality and Craftsmanship

**Note**

- (1) Premium golf clubs refers to woods sold at above US\$700 and irons sold at above US\$200 in terms of retail sales value  
(2) Market capitalization as of November 10, 2017  
(3) HKD @ 2017.11.10 Exchange rate 1HKD=14.38JPY

# Key Milestones



# From 2010 to 2017 - 3Rs strategy pivoting growth

## Product Category

**BERES**



**BERES**



**TOUR WORLD**



**BeZEAL**



## Geographic Footprint



## Distribution Channel

### Self-operated Stores



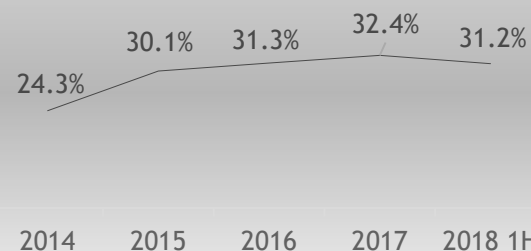
- ~80 HONMA branded self-operated stores, mainly in Japan

- ✓ Self-operated Stores
- ✓ Direct 3<sup>rd</sup> party retailers
- ✓ Whole-sellers

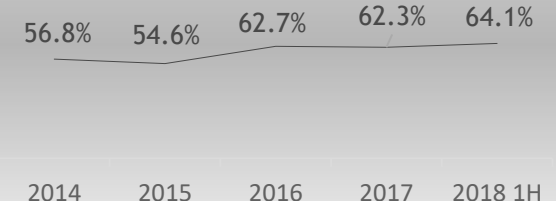
TW/Bezeal sales contribution



China/Korea sales contribution



Non self-operated stores sales contribution



# 2018 marks a year of further transition

## Key Statistics as of 30 Sept 2017

- An iconic brand built on **60** years' dedication to craftsmanship and quality
- **86** HONMA branded self-operated stores
- ~ **2,600** active doors
- ~ **330** skilled craftsmen and R&D personnel
- Products currently sold in approximately **50** countries worldwide
- Over **200,000** HONMA members as of 31 Mar 2017 with a repeat purchase

### Organization

- Infusion of high profile industry experts to groom and nurture DNAs nascent to Honma
- Optimizing supporting functions, supported by integrated ERP system

### Product Portfolio

- First ball with Honma dimple patent
- Seeking strategic partnership to revamp apparel business
- Drive non club sales contribution to reach industry norm

### Marketing and Distribution

- Re-defined brand positioning and launched worldwide campaign
- BeZeal and TW re-designed with clearer marketing claim to improve consumer appeal
- Upgrading professional endorsement
- Repositioning Honma vi-a-vis major retailers in Japan, US and Europe

### New Business

- Active exploration of adjacency

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**Company Outlook**



# P&L at a glance

	1H 2017		1H 2018
Reported Sales	JPY10,205 Million	↑ +3.1%	JPY10,522 Million
	HKD <sup>(1)</sup> 710 Million		HKD <sup>(1)</sup> 732 Million
Gross Profit Margin	57.3%	↑ +1.4PP	58.7%
Operating SG&A <sup>(2)</sup> % age	47.8%	↓ -3.9PP	43.9%
Operating Profit <sup>(2)</sup> Margin	9.4%	↑ +6.0PP	15.4%
Net Operating Profit <sup>(3)</sup> Margin	7.3%	↑ +4.4PP	11.7%

## Notes

(1) HKD @ 2017.5.19 Exchange rate, 1HKD=14.38JPY

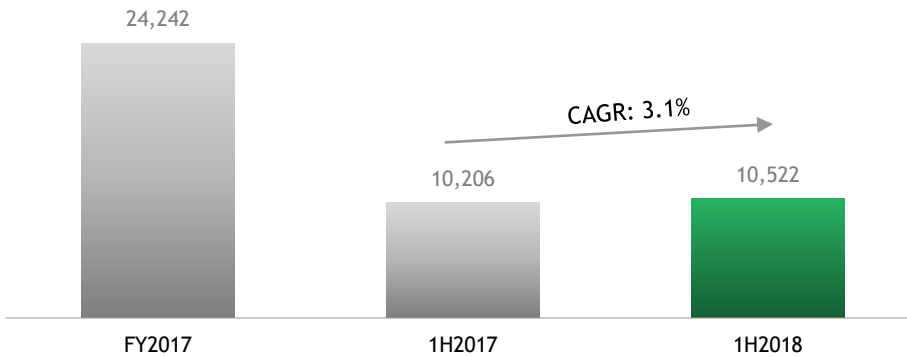
(2) Operating profit is derived from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses and (iv) adding RSU expenses.

(3) 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 2016 dated 16 November 2016

# Track Record of Sustainable Growth and Profitability

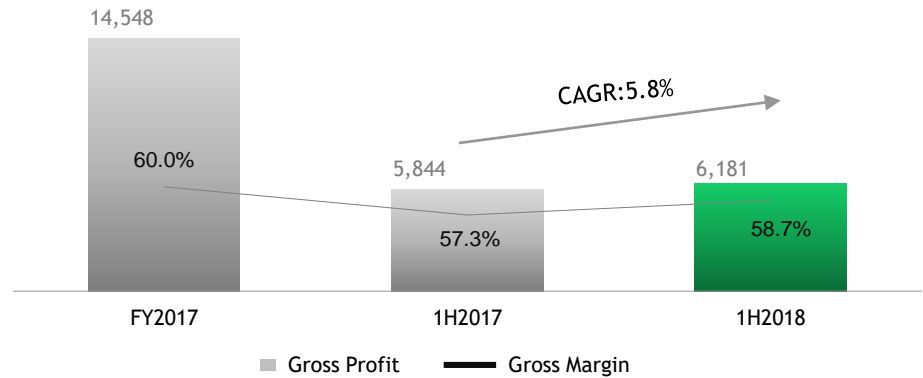
## Revenue

JPY MM



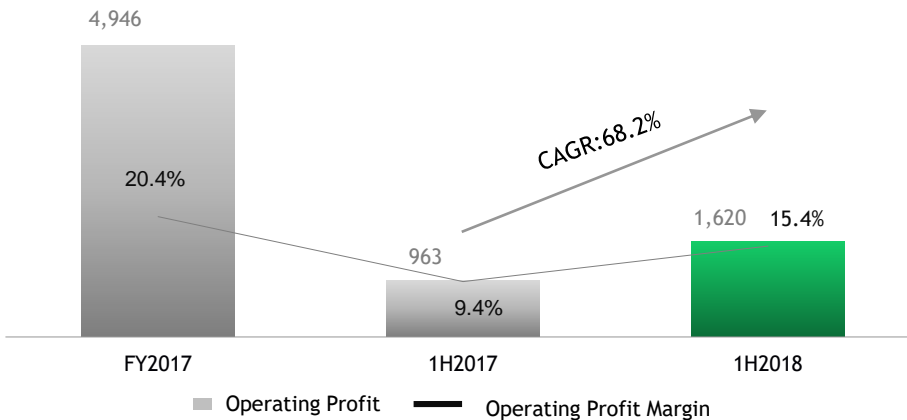
## Gross Profit

JPY MM



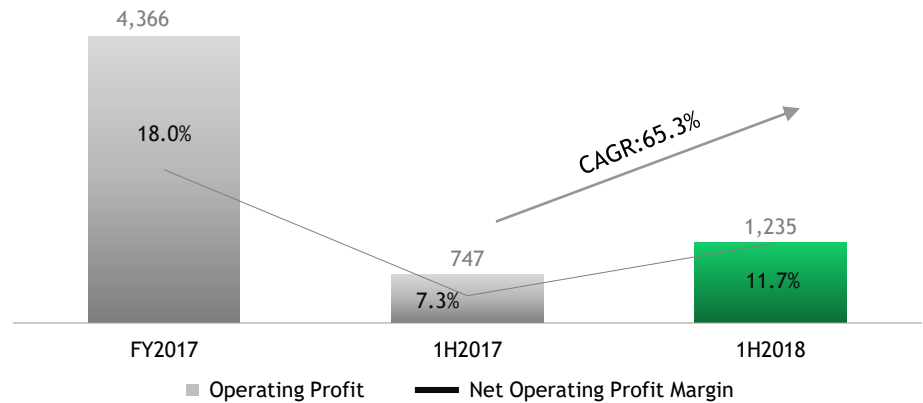
## Operating Profit<sup>(1)</sup>

JPY MM



## Net Operating Profit<sup>(2)</sup>

JPY MM

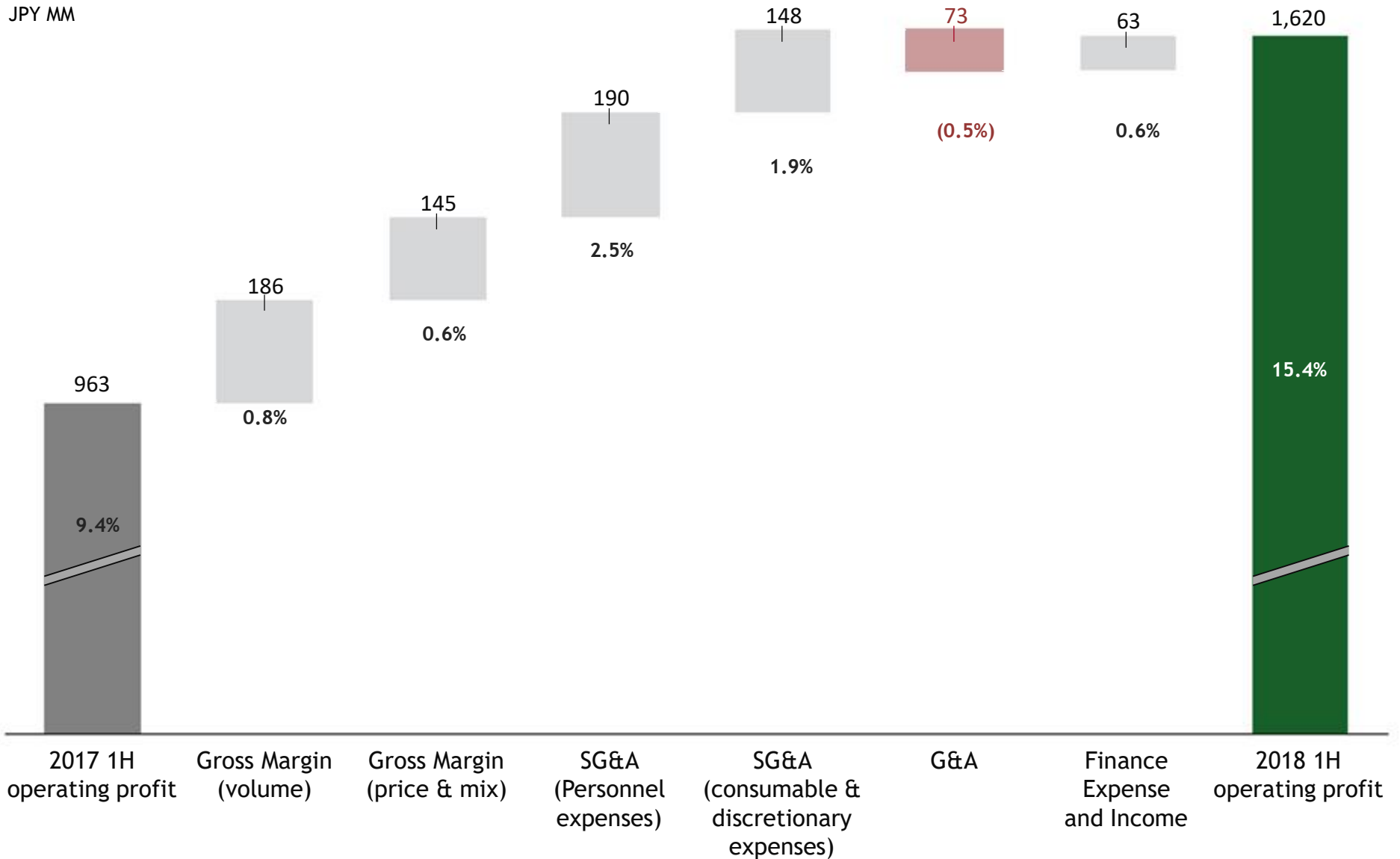


### Notes

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# Operating Profit Bridge

JPY MM

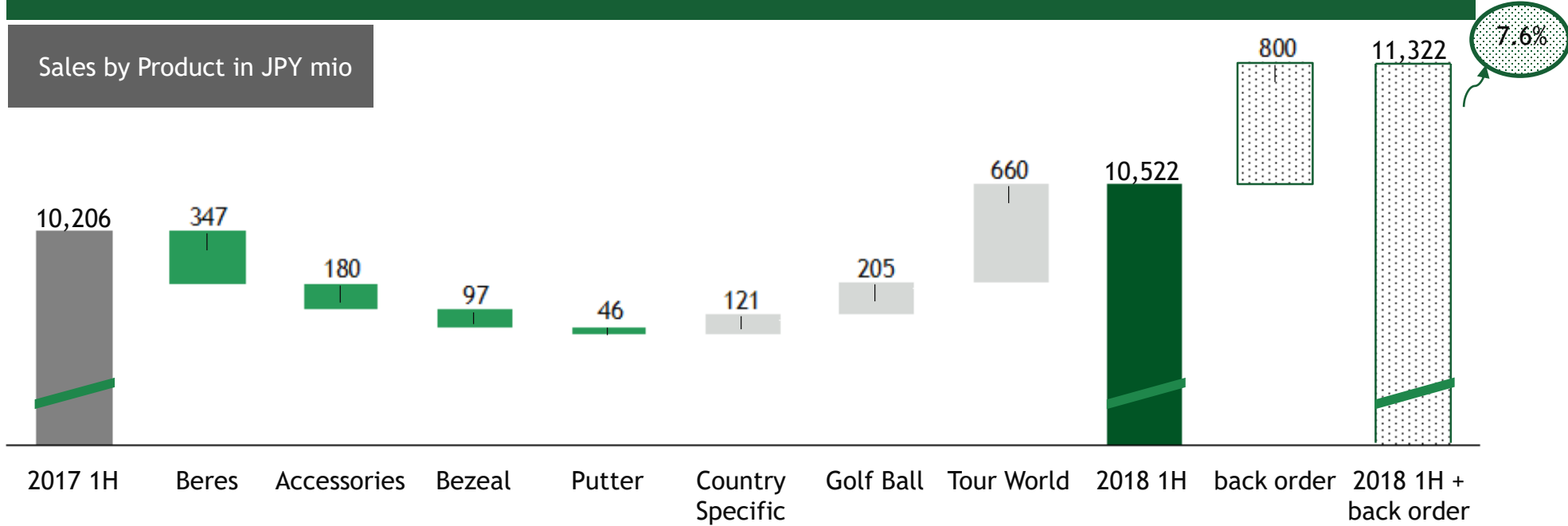


Notes:

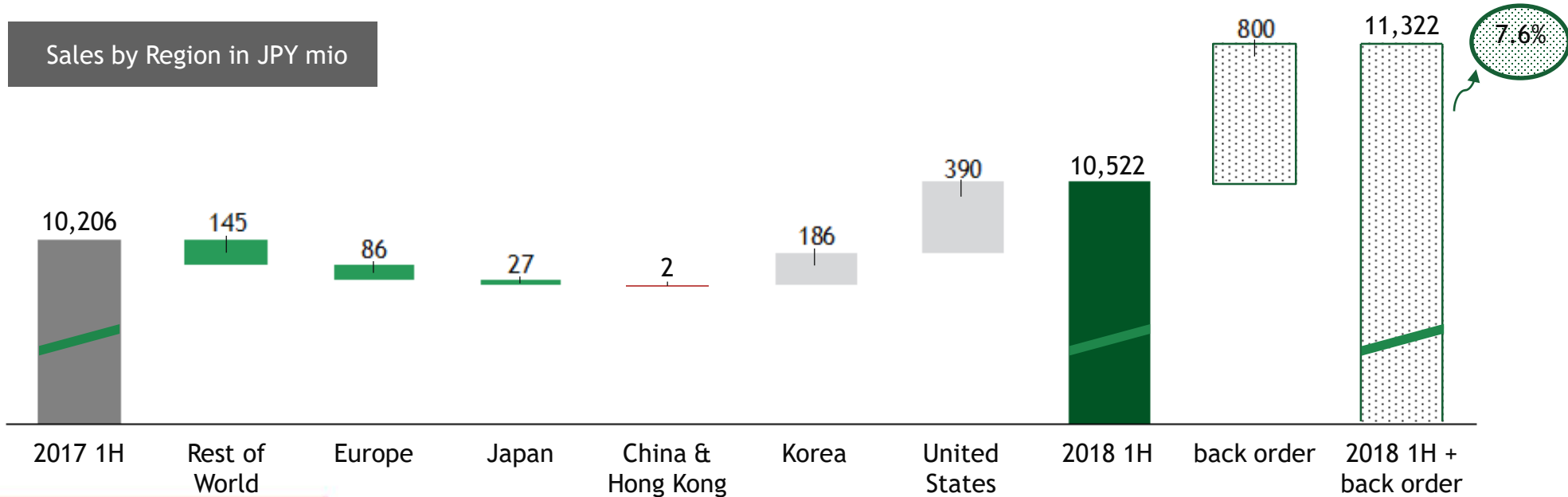
(1) Operating profit is derived from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses and (iv) adding RSU expenses

# Sales Bridge

Sales by Product in JPY mio



Sales by Region in JPY mio



# Revenue by Geography

For the six months ended 30 September 2017

Period-to-Period Change

	1H 2018		1H 2017		on as reported basis	on constant currency basis <sup>(1)</sup>
	JPY	%	%	%	%	%
<i>(In thousands, except for percentages)</i>						
Japan	5,680,039	54.0	5,706,910	55.9	(0.5)	(0.5)
Korea	1,314,180	12.5	1,128,455	11.1	16.5	16.2
China (including Hong Kong and Macau)	1,967,028	18.7	1,968,746	19.3	(0.1)	(2.3)
North America	599,611	5.7	209,460	2.1	186.3	159.5
Europe	169,064	1.6	255,234	3.0	(33.8)	(38.0)
Rest of the World	791,884	7.5	936,907	9.1	(15.5)	(19.9)
<b>Total</b>	<b>10,521,806</b>	<b>100.0</b>	<b>10,205,712</b>	<b>100.0</b>	<b>3.1</b>	<b>1.7</b>

Notes:

(1) For the purpose of calculating constant currency revenue growth, the Group has used the average exchange rate of the six months ended 30 September 2016 to translate sales recorded during the six months ended 30 September 2017, to the extent the original currency for such sales is not JPY



# Revenue by Product

	For the six months ended 30 September 2017				Period-to-Period Change	
	1H 2018		1H 2017		on as reported basis	on constant currency basis <sup>(1)</sup>
	JPY	%	JPY	%	%	%
<i>(In thousands, except for percentages)</i>						
<b>Golf clubs:</b>						
BERES	3,716,990	35.3	4,063,575	39.8	(8.5)	(10.5)
TOUR WORLD	2,548,503	24.2	1,888,933	18.5	34.9	34.0
Be ZEAL	1,022,246	9.7	1,119,165	11.0	(8.7)	(9.1)
Others						
Specialized models <sup>(2)</sup>	1,150,955	11.0	1,030,009	10.1	11.7	9.9
Putters	227,589	2.2	273,617	2.7	(16.8)	(18.2)
<b>Golf clubs subtotal</b>	<b>8,666,283</b>	<b>82.4</b>	<b>8,375,299</b>	<b>82.1</b>	<b>3.5</b>	<b>2.0</b>
<b>Golf Balls</b>	<b>438,226</b>	<b>4.2</b>	<b>232,950</b>	<b>2.3</b>	<b>88.1</b>	<b>87.1</b>
<b>Apparel, accessories and other related products<sup>(3)</sup></b>	<b>1,417,297</b>	<b>13.4</b>	<b>1,597,463</b>	<b>15.6</b>	<b>(11.3)</b>	<b>(12.3)</b>
<b>Total</b>	<b>10,521,806</b>	<b>100.0</b>	<b>10,205,712</b>	<b>100.0</b>	<b>3.1</b>	<b>1.7</b>

Notes:

- (1) For the purpose of calculating constant currency revenue growth, the Group has used the average exchange rate of the six months ended 30 September 2016 to translate sales recorded during the six months ended 30 September 2017, to the extent the original currency for such sales is not JPY
- (2) Consist of golf clubs that are produced for specific geographic regions or events.
- (3) Include apparel, golf bags, golf club head covers, footwear, gloves, headwear and other golf-related accessories.

# Revenue by Channel

	For the 6 months ended 30 September 2017				Period-to-Period Change	
	1H 2018		1H 2017		on as reported basis	on constant currency basis <sup>(1)</sup>
	JPY	%	JPY	%	%	%
<i>(In thousands, except for percentages)</i>						
Self-operated stores	3,779,743	35.9	3,944,704	38.7	(4.2)	(5.3)
Distributors	6,742,063	64.1	6,261,008	61.3	7.7	6.2
<b>Total</b>	<b>10,521,806</b>	<b>100.0</b>	<b>10,205,712</b>	<b>100.0</b>	<b>3.1</b>	<b>1.7</b>

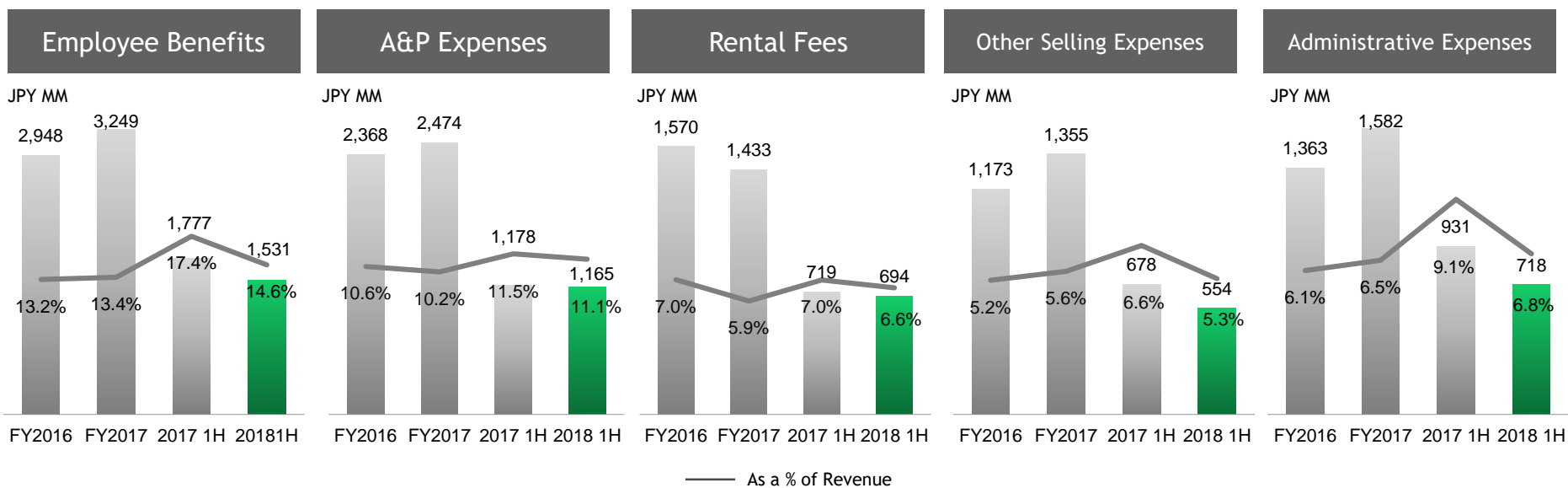
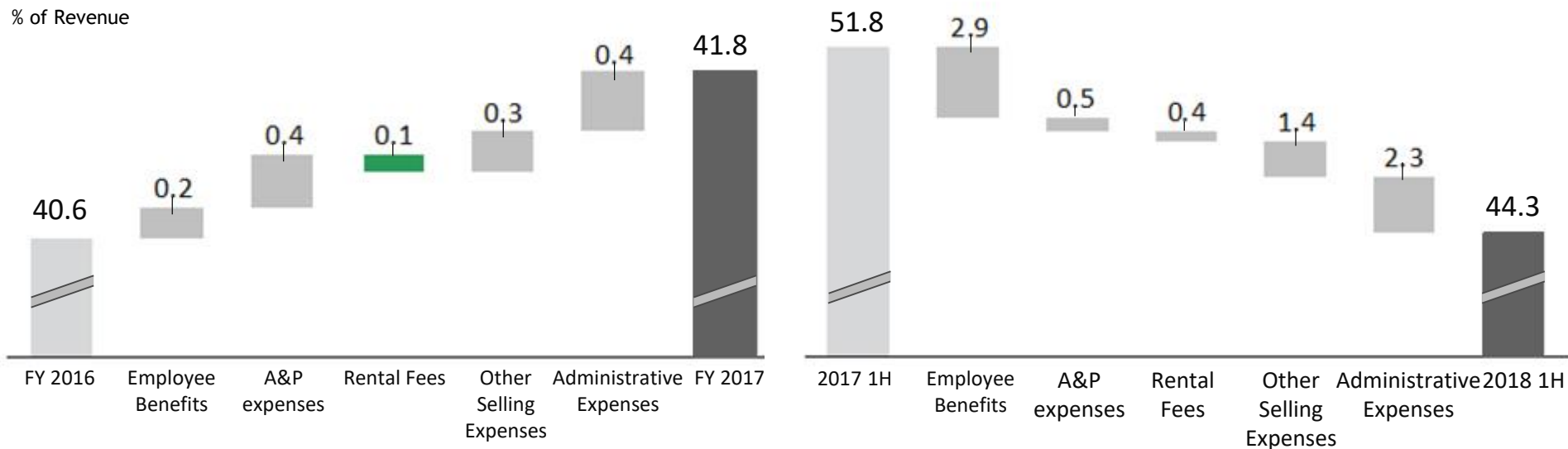
Notes:

(1) For the purpose of calculating constant currency revenue growth, the Group has used the average exchange rate of the six months ended 30 September 2016 to translate sales recorded during the six months ended 30 September 2017, to the extent the original currency for such sales is not JPY

# Driving SG&A Efficiency based on “Resource-to-win”

## Selling and Administrative Expenses Analysis

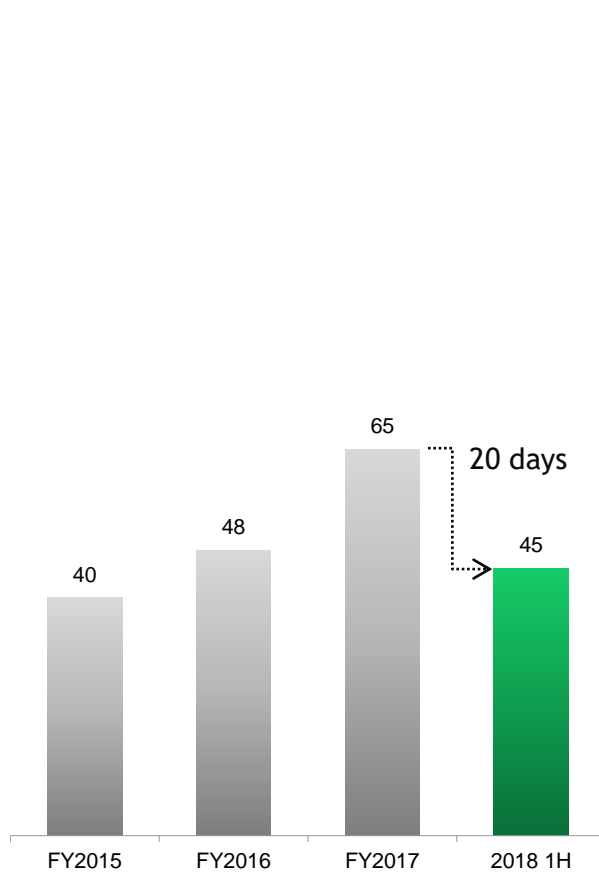
% of Revenue



# Continued Improvement in Working Capital Efficiency

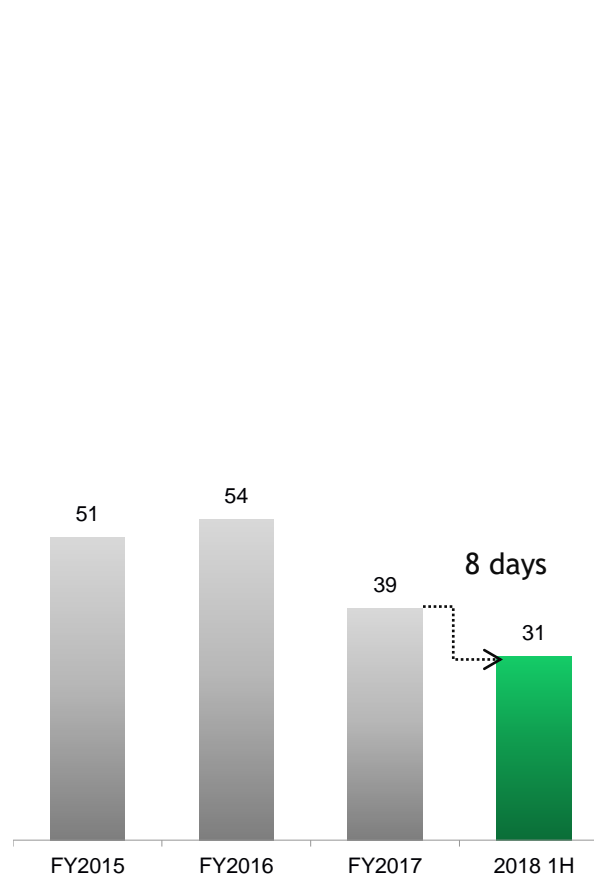
## Receivables Turnover Days

(Days)



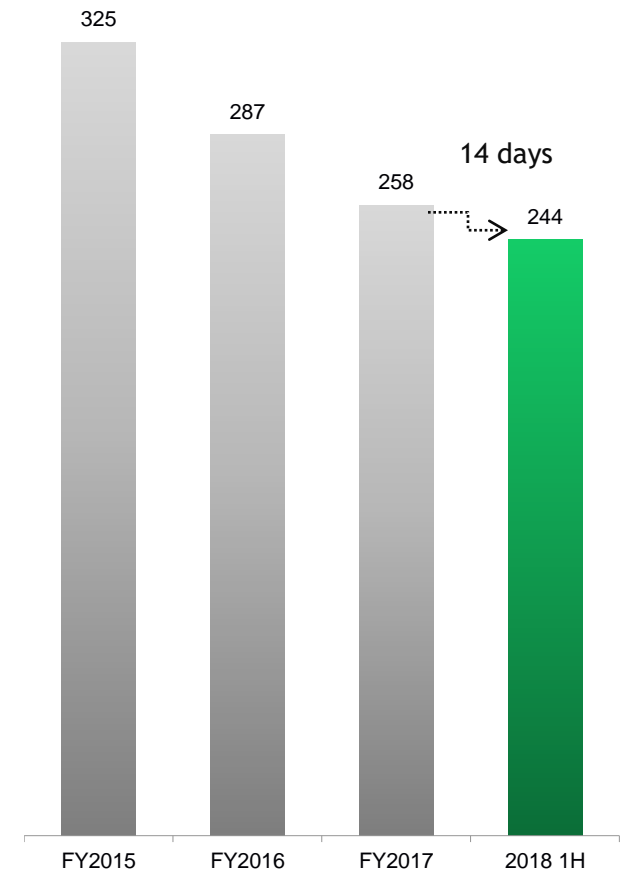
## Payables Turnover Days

(Days)



## Inventory Turnover Days

(Days)



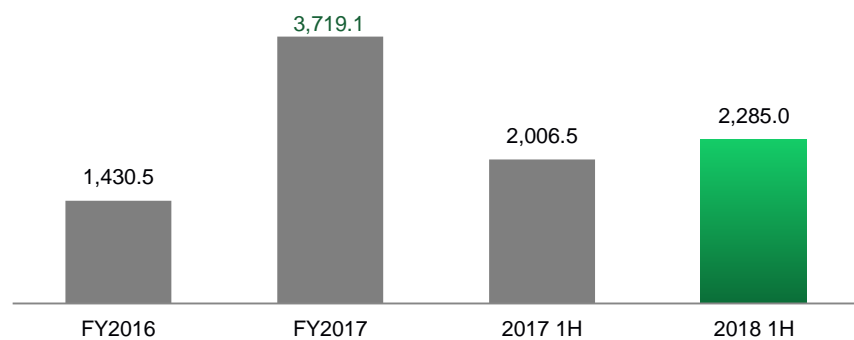
### Notes

Turnover days are calculated using the average of the opening and closing balance of the relevant periods

# Strong Cash Flow and Improved Capital Structure

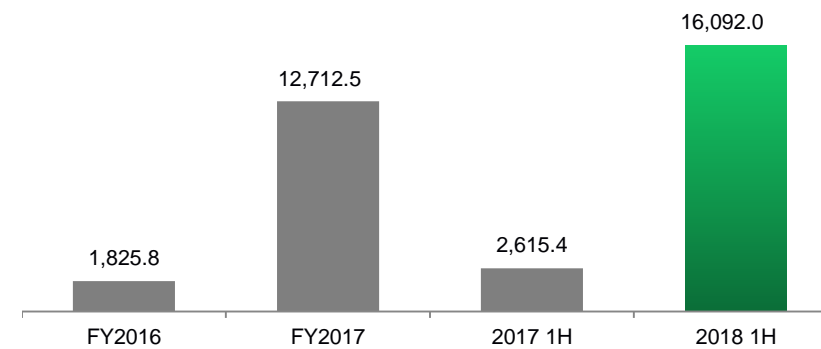
## Net Operating Cash Flow

(JPY MM)



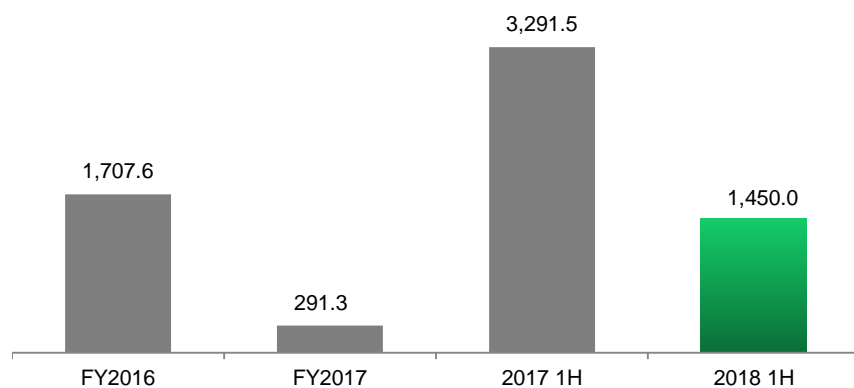
## Cash on Hand

(JPY MM)



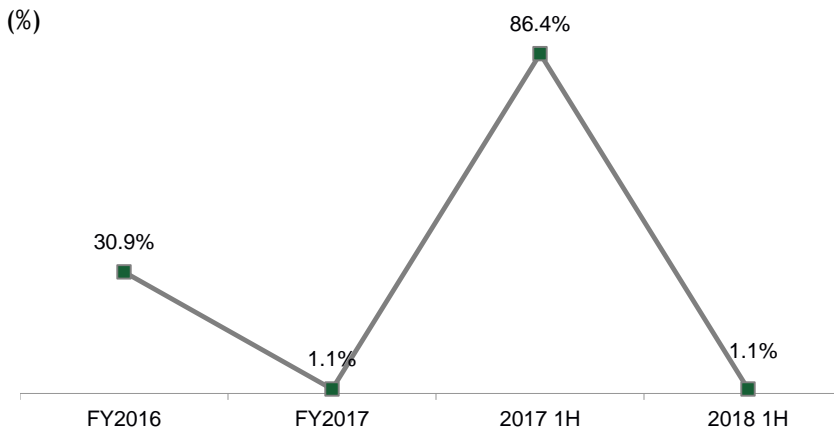
## Interest-bearing Liabilities

(JPY MM)



## Interest-bearing Liabilities/Total Equity

(%)





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**Industry Outlook**

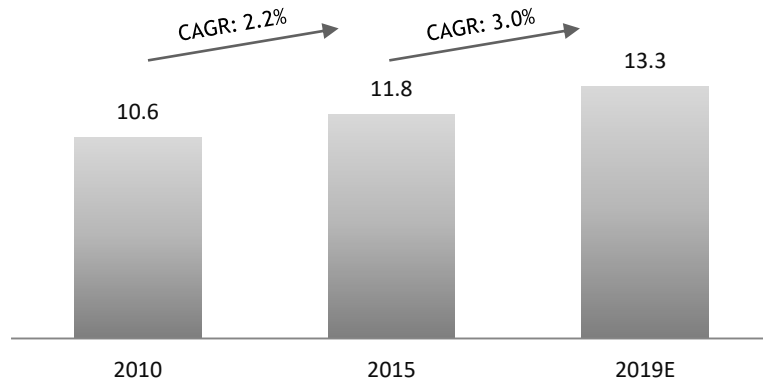
4

**Company Outlook**

# Golf is still one of the most popular sports globally

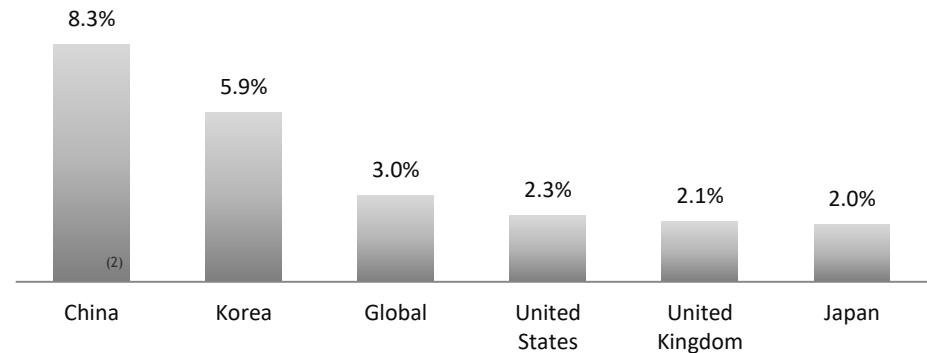
## Global Retail Sales Value

( US\$ Bn )



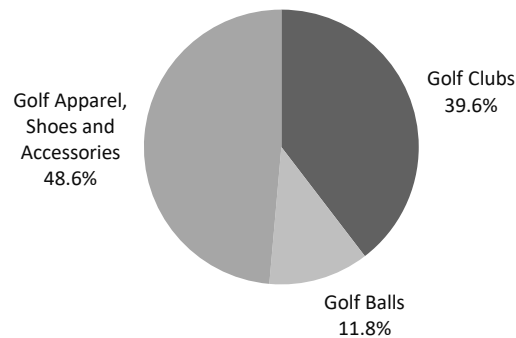
## Growth Comparison by Region (1)

2015-2019E CAGR



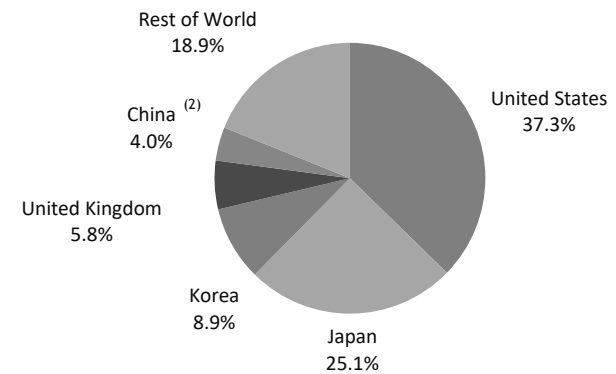
## Breakdown by Product Type (1)

2015



## Breakdown by Region (1)

2015



### Notes

(1) By retail sales value; Premium golf clubs refers to woods sold at above US\$700 and irons sold at above US\$200 in terms of retail sales value

(2) Including Hong Kong and Macau

Source Frost & Sullivan Report

# Overall Golf Clubs market transiting from volume to value and value segments experiencing high growth

## Golf Clubs Main Segments Breakdown by Region by Retail Sales Value in 2015 and 2015 - 2019 CAGR



- Mature and professional golf players
- Favored higher priced, premium brands



- Participation skewed towards the upper class
- Usually members of private clubs



- Average skill levels of golf players gradually improve
- Expected to witness shift in segment market representation



- Mature market with participation across different income groups
- Mass market and accessible nature

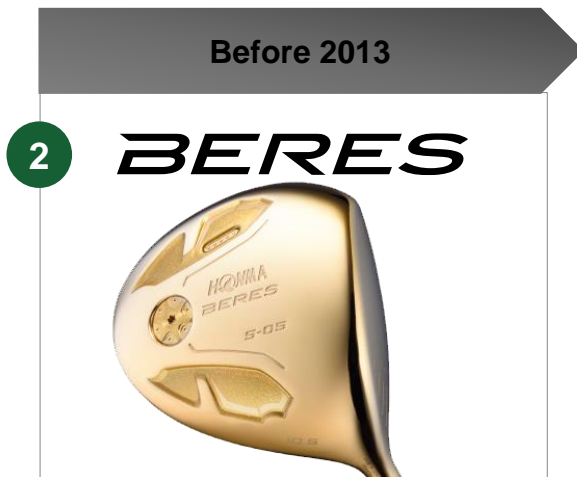
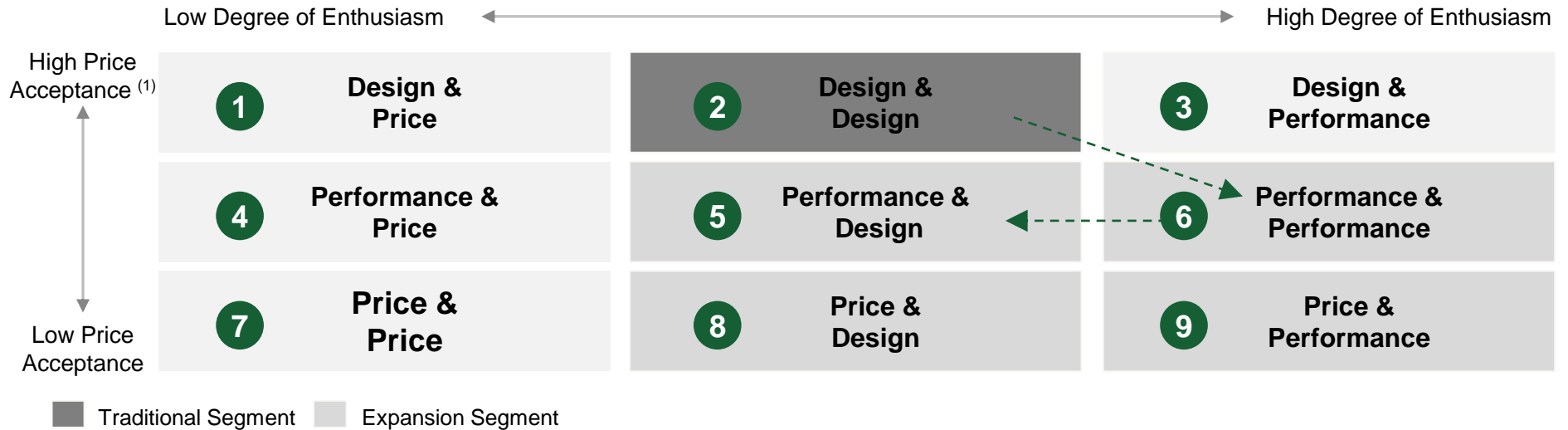
	Japan	Korea	China	United States
Total Market Size <sup>(1)</sup>	USD2,968MM	USD1,049MM	USD470MM	USD4,409MM
Total Club Market Size <sup>(1)</sup>	US\$1,346MM	US\$461MM	US\$200MM	US\$1,608MM
FY 2017 Sales <sup>(2)</sup>	US\$116MM	US\$31MM	US\$32MM	US\$6MM

### Notes

(1) Based on 2015 retail value.

(2) 1USD=112JPY

# Unique product strategy targeting high growth segments where design and quality matter



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**Company Update and Outlook**



# Continued geographic & POS expansion to fuel growth

## Brand

- Superior craftsmanship
- Unrivalled product quality



## Business Model

- Vertically Integrated
- R&D and manufacturing under one roof



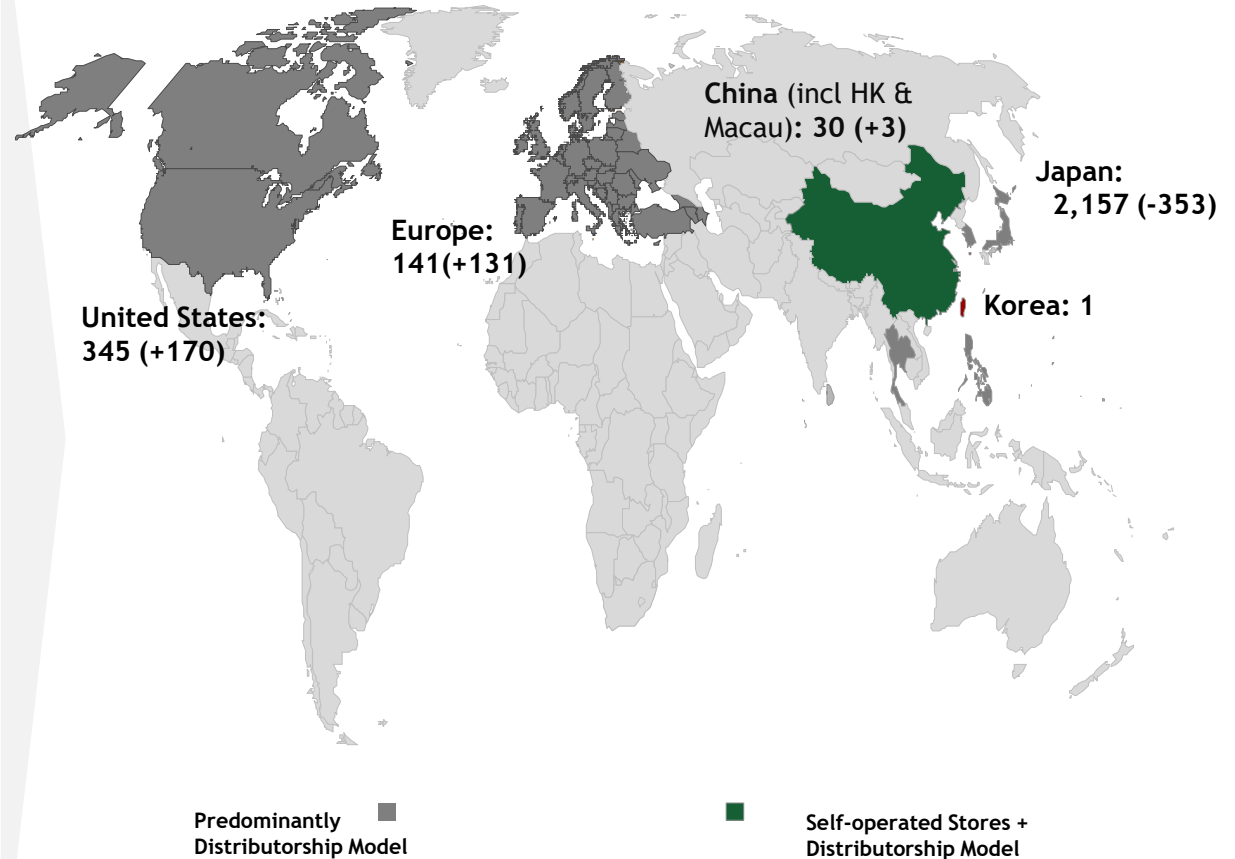
## Since Acquisition

- Retain, Restore and Reinvent (3Rs)
- Track record of growth and profitability

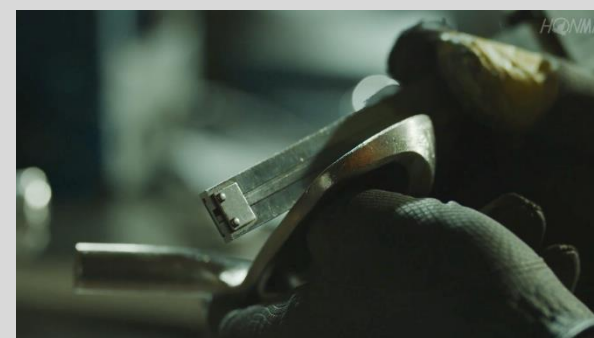


## Growth Strategies


- Expanded product portfolio targeting high growth segments
- Diversifying sales and distribution channels



# Worldwide brand campaign - “Craftsmanship”



# New product launch for 2H based on clearer and consumer centric marketing claims



THERE IS AN ART  
TO MASTERING  
THE CRAFT.



**BERES S-06**

The BERES S-06 Driver represents the ultimate in beauty and technology. Featuring Key Groove Technology and mastercrafted head/shaft combination design for maximum performance - The BERES S-06 Driver delivers on the essence of premium performance.

[HONMAGOLFUSA.COM/BERES06](http://HONMAGOLFUSA.COM/BERES06)



MORE SPEED.  
MORE DISTANCE.  
MORE ZEAL.



**Be ZEAL 535**

Introducing the **Groove Power Area**, a compression technology that maximizes distance while delivering ultimate forgiveness.

[HONMAGOLFUSA.COM/BEZEAL535](http://HONMAGOLFUSA.COM/BEZEAL535)



LESS WEIGHT.  
GREATER DISTANCE.



**Be ZEAL 535**



# 1,613 demo days in 1H 2018 driving product and brand awareness



mygolftway.com

PLATAFORMA ONLINE DEL GOLF ESPAÑOL | SPANISH GOLF ONLINE PLATFORM

HOME MATERIAL TEST AMATEURS COMPETICIÓN LIFE STYLE DESTINOS AREA PRO BLOG



## EMPRESAS

Honma Golf - La marca premium japonesa se establece en Europa y nombra jefe de ventas en España



27 Abril 2017 - Cualquiera palos 'Made in Japan' por e gustaría jugarlos y lucirlos tecnológicos, sofisticados, i



Das Wichtigste ist ein Golfschläger, der passt



Wichtigste die größte Flexibilität zwischen...  
Wichtigste die größte Flexibilität zwischen...  
Wichtigste die größte Flexibilität zwischen...

Wann hat SRIXON seinen Sitz? ...  
Wann hat SRIXON seinen Sitz? ...  
Wann hat SRIXON seinen Sitz? ...

Was ist das typische HONMA-Logo? ...  
Was ist das typische HONMA-Logo? ...  
Was ist das typische HONMA-Logo? ...

Können oder Srixon bei SRIXON den für die ge...  
Können oder Srixon bei SRIXON den für die ge...  
Können oder Srixon bei SRIXON den für die ge...

Soll man sich in Honma? ...  
Soll man sich in Honma? ...  
Soll man sich in Honma? ...

gg Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed diam nonummy nibh euismod tincidunt ut laoreet dolore magna aliquam erat volutpat.





For 2H 2018

1

We will activate a **global brand campaign** via social media and in store presence to re-define HONMA brand

2

We will **drive visible sales and market share growth** in US and Europe based on the new sales and distribution models

3

We will drive sales growth in our home markets using the launch window of **Beres 06** and **BeZeal 535**



4

We will **upgrade professional endorsement** by optimizing team structure to attract avid and young golfers

5

We will continue to **increase operational and working capital efficiency** using SAP enabled solutions

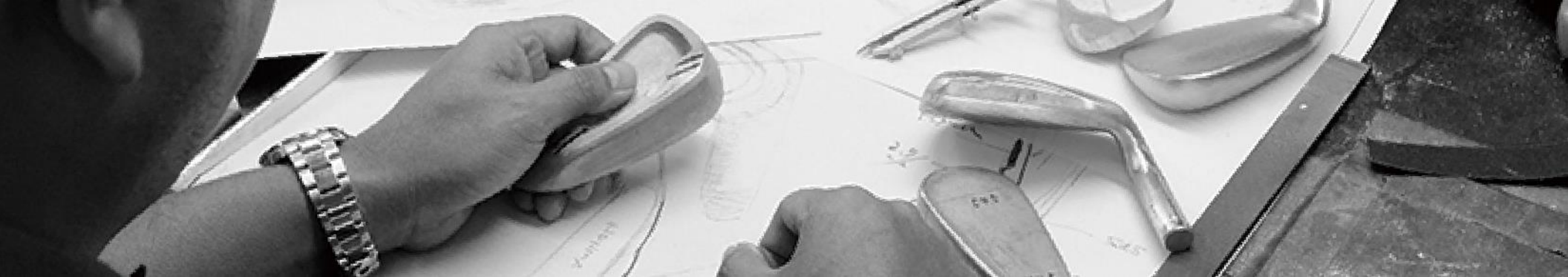
6

We will make effort to **improve retail efficiency** via digital solution

7

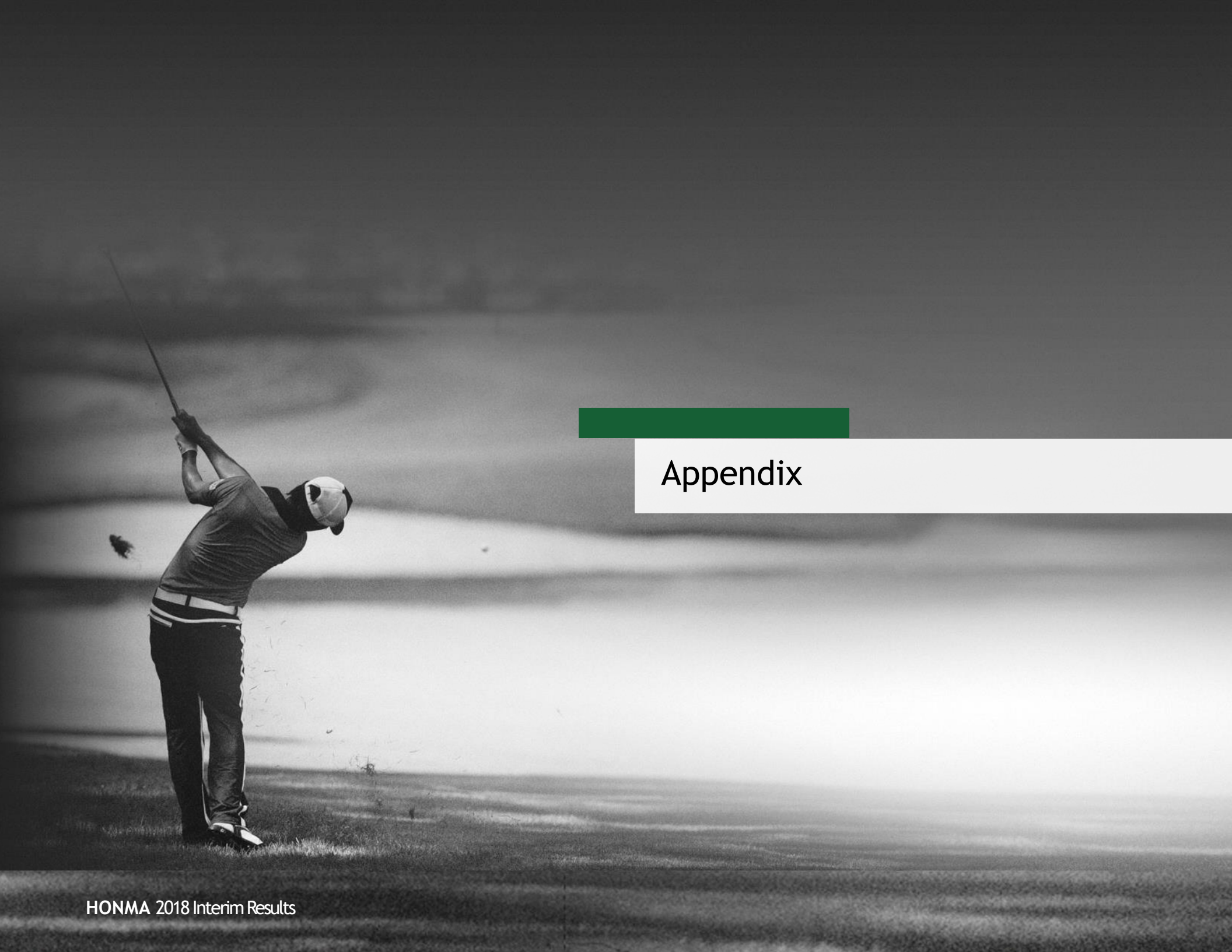
We aim to provide customers with a complete golf lifestyle experience by growing **complementary product categories**





## FY2018 as Another Year to Create Shareholder Value

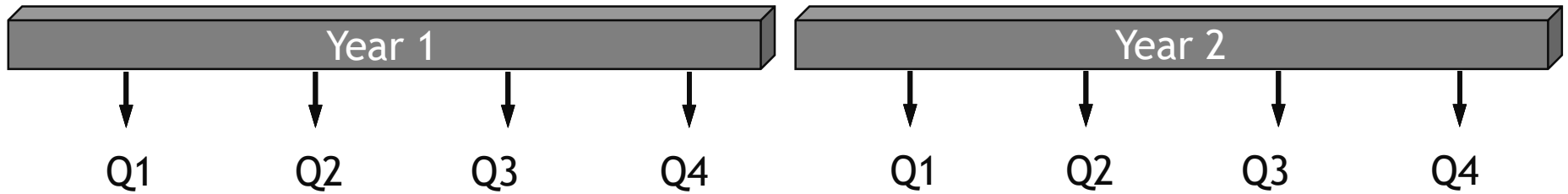
- Industry and targeted segments are growing
- Major markets showed increase in golf population  
(Stable # of avid golfers and increasing # of new players) and changes in play preferences
- HONMA is increasingly well-positioned to gain market share in home and new markets on the back of its growth momentum, brand equity and proven product quality
- We will continue to differentiating ourselves via technically and functionally differentiated products and will strive to fuel growth in the sales of non-club products in line with industry trend



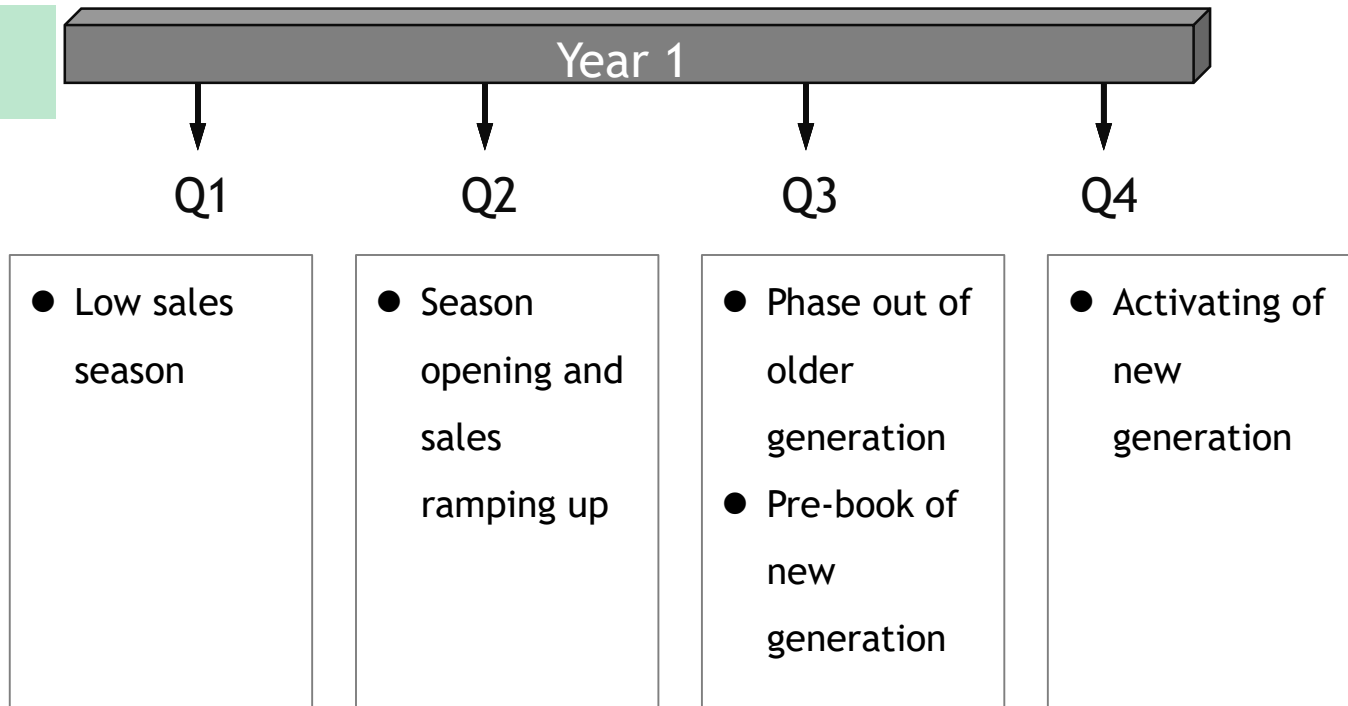
## Appendix

# Business Cycle and Seasonality

Calendar Year



Financial Year



# Consolidated P&L

	For the six months ended 30 September				Change %
	2017.9.30 JPY	%	2016.9.30 JPY	%	
<i>(In thousands, except for percentages and per share data)</i>					
<b>Consolidated Statement of Profit or Loss</b>					
Revenue	10,521,806	100.0	10,205,712	100.0	3.1
Cost of sales	(4,340,410)	(41.3)	(4,361,779)	(42.7)	(0.5)
Gross profit	6,181,396	58.7	5,843,933	57.3	5.8
Other income and gains	140,354	1.3	42,879	0.4	227.3
Selling and distribution expenses	(3,943,688)	(37.5)	4,351,570	(42.6)	(9.4)
Administrative expenses	(717,730)	(6.8)	(930,646)	(9.1)	(22.9)
Other (expenses)/income, net	(253,431)	(2.4)	(96,873)	(0.9)	161.6
Finance costs	(18,061)	(0.2)	(13,806)	(0.1)	30.8
Finance income	72,707	0.8	5,867	0.1	1,139.3
<b>Profit before tax</b>	<b>1,461,547</b>	<b>13.9</b>	<b>499,784</b>	<b>5.1</b>	<b>192.4</b>
Income tax expense	(351,219)	(3.3)	(199,309)	(2.0)	76.2
<b>Net profit</b>	<b>1,110,328</b>	<b>10.6</b>	<b>300,475</b>	<b>3.1</b>	<b>269.5</b>
<b>Earnings per share attributable to ordinary equity holders of the parent:</b>					
Basic and diluted					
- For profit for the year (JPY)	1.82		0.65		180.0
<b>Non-IFRS Financial Measures</b>					
Operating profit <sup>(1)</sup>	1,620,130	15.4	962,981	9.4	68.2
Net operating profit <sup>(2)</sup>	1,234,988	11.7	747,008	7.3	65.3

Notes:

(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 2017 dated 16 November 2016

# Consolidated Balance Sheet

For the six months ended 30 September  
2017.9.30 2016.3.31

JPY

JPY

(In thousands, except for percentages and per share data)

## Consolidated Statement of Financial Position

### Assets

Non-current assets	6,141,890	6,379,692
Current assets	26,727,839	24,554,102
Total Assets	32,869,729	30,933,794

### Liabilities

Non-current Liabilities	1,807,496	2,216,654
Current Liabilities	4,059,247	2,987,862
Total Liabilities	5,866,743	5,204,516

Net current assets	22,668,592	21,566,240
Total assets less current liabilities	28,810,482	27,945,932
Net Assets	27,002,986	25,729,278
Total Equity	27,002,986	25,729,278

# THANKS!

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