

FY2018/19 ANNUAL RESULTS

HONMA GOLF (6858.HK)

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

MAY 2019



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1 FINANCIAL HIGHLIGHTS

2 BUSINESS REVIEW

3 COMPANY OUTLOOK

4 APPENDIX





#1 PREMIUM GOLF BRAND FOUNDED IN 1959

DECADES OF DEDICATIONS TOWARDS QUALITY AND CRAFTSMANSHIP

LISTED ON THE HKEX SINCE
OCT 2016

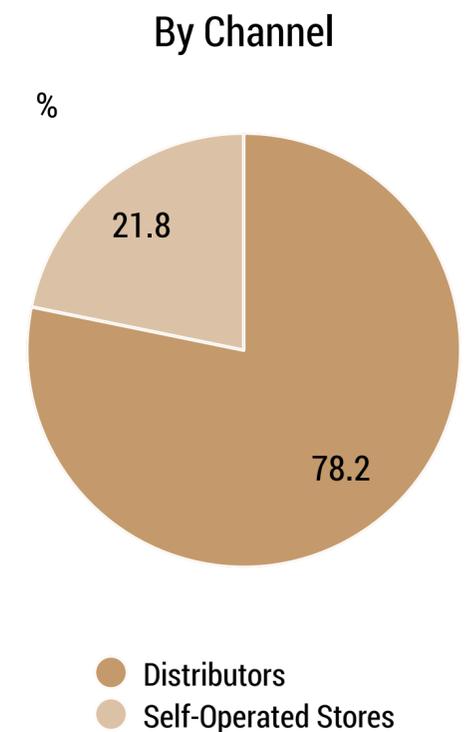
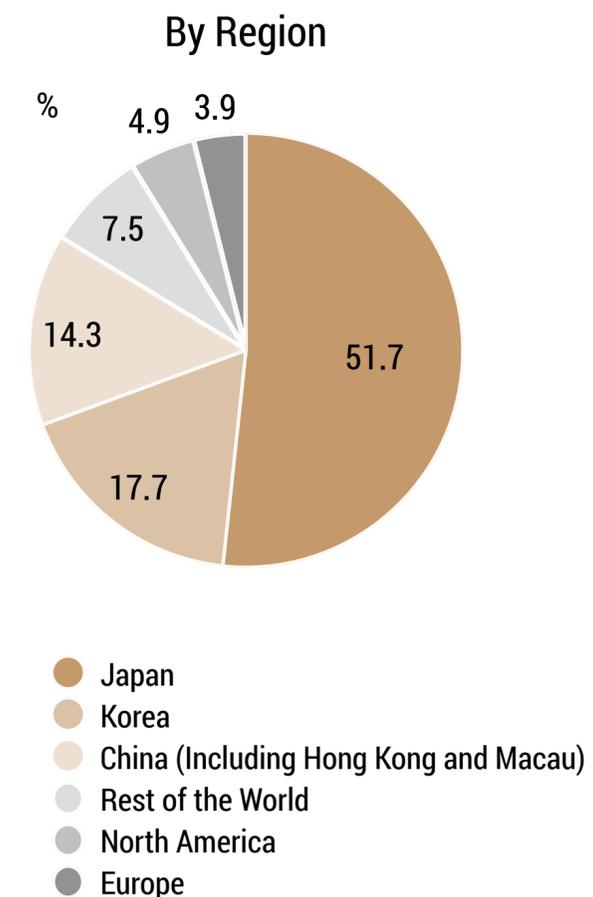
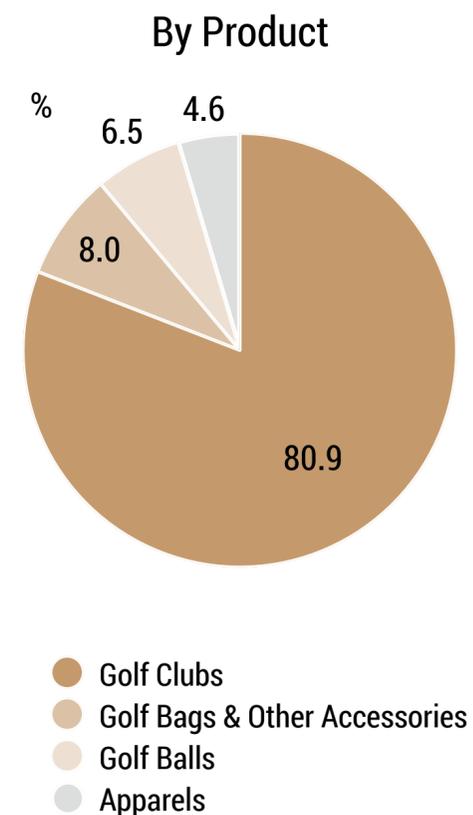
MARKET CAP AS OF 27 MAY 2019
HKD 4.6 BILLION

KEY STATISTICS AS OF
31 MAR 2019

- **296** skilled craftsmen and R&D personnel
- products sold in approximately **50** countries worldwide
- **68** HONMA branded self-operated stores
- **3,700+** doors via third party retailers & wholesalers

*AS WE STAND
TODAY*

FY2019 REVENUE MIX – JPY 27,771 MILLION / USD 251 MILLION



KEY FINANCIALS

FULL YEAR ENDED 31 MAR 2019

YOY CHANGE (JPY BASE)

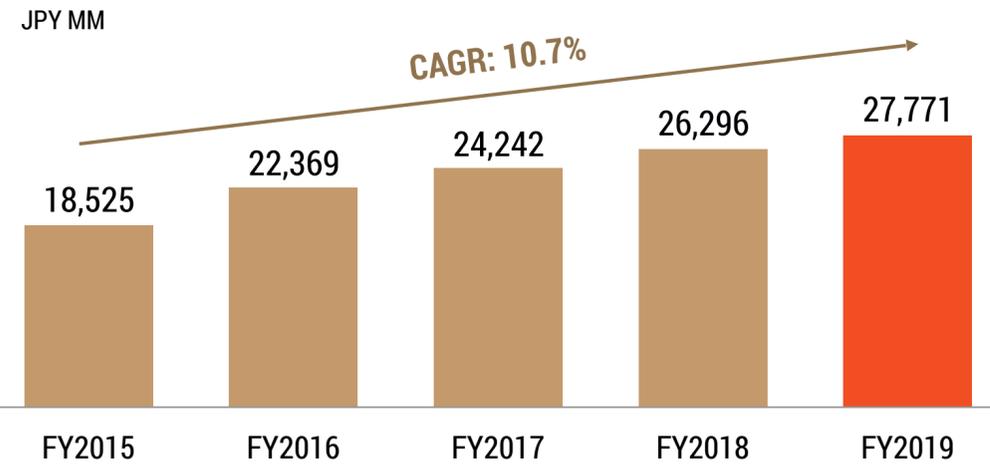
Net Sales	JPY 27,770.7 Million / USD 251.1 Million ⁽¹⁾	+5.6%
Gross Profit Margin	57.8 %	-3 percentage points
Operating Profit ⁽²⁾	JPY 5,309.4 Million / USD 48.0 Million ⁽¹⁾	-14.9%
Net Profit	JPY 4,208.8 Million / USD 38.1 Million ⁽¹⁾	+7.0% ⁽⁴⁾
Reported Earnings Per Share	JPY 6.91 / HKD 0.49 ⁽¹⁾	+7.0% ⁽⁴⁾
Net Operating Cash flow	JPY 2,609.1 Million / USD 23.6 Million ⁽¹⁾	+34.9%
Net Cash Position	JPY 10,874.1 Million / USD 98.3 Million ⁽¹⁾	
Proposed Dividend	Interim: JPY 1.75 / share (distributed in Dec 2018)	Total Payout Ratio: 50%
	Final: JPY 1.70 / share	
	Total: JPY 3.45 / share	

Note

- (1) Exchange rate: 1USD = 110.6 JPY; 1HKD = 14.1 JPY
 (2) Operating profit is derived from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses and (iii) adding RSU expenses
 (3) Net profit increased as opposite to drop in operating profit growth due to favorable translation results.

**ROCK-SOLID
REVENUE GROWTH
AMIDST
CONTINUOUS
TRANSFORMATION**

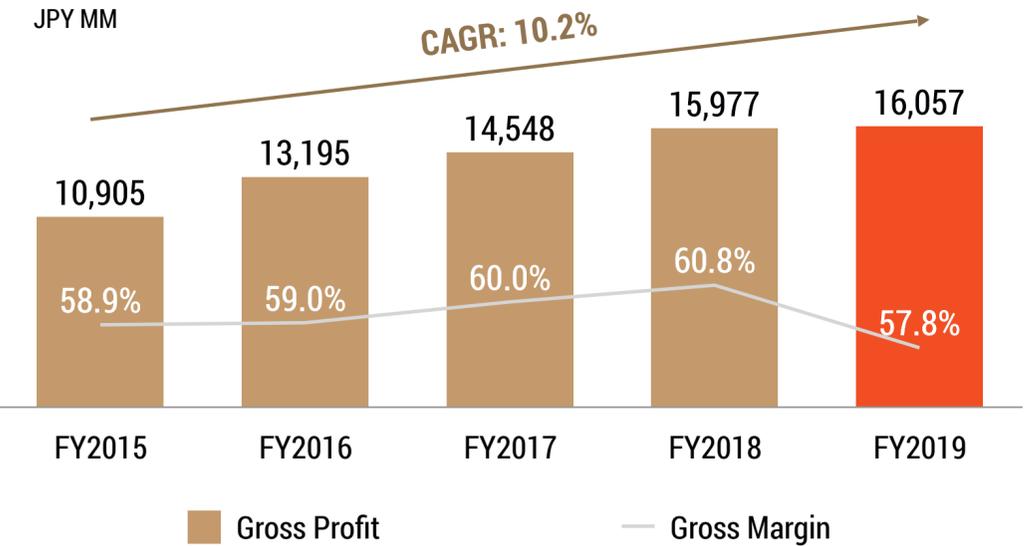
REVENUE



ROCK-SOLID REVENUE GROWTH DRIVEN BY

- Successful TW747 activation: TW sales up by 30.3%
- Golf ball category expansion: golf ball sales up by 57.2%
- Pivoting growth via omnibus distribution model: third party sales up by 28%
- Europe and North America growth strategy: sales up by 65% and 17.4% respectively

GROSS PROFIT

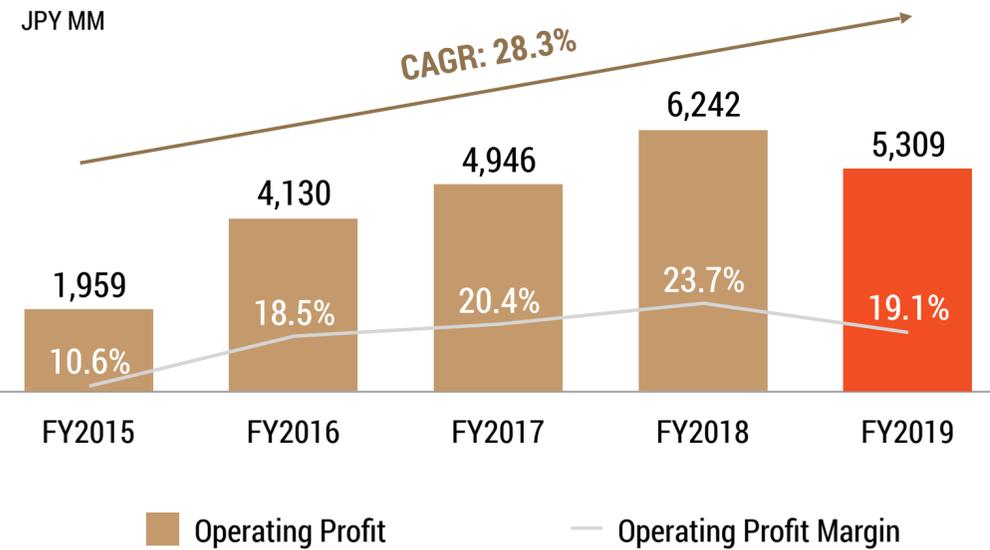


GROSS PROFIT MARGIN DROPPED DUE TO

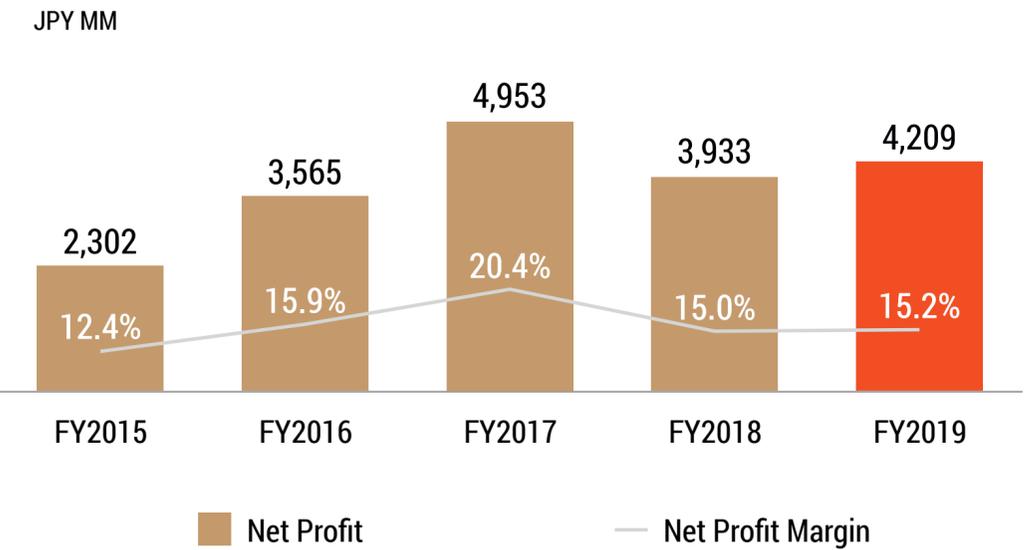
- Deeper penetration into third party retailer channels for all categories
 - 78.2% of total sales, up 13.6 percentage points
- Clearance of old season inventories, mainly apparel
- One-off price repositioning of BeZeal models following the decision to expand TW family

**CONTINUED SG&A
REPRIORITIZATION
TO NURTURE
GROWTH MARKETS
AND PRODUCT
CATEGORIES**

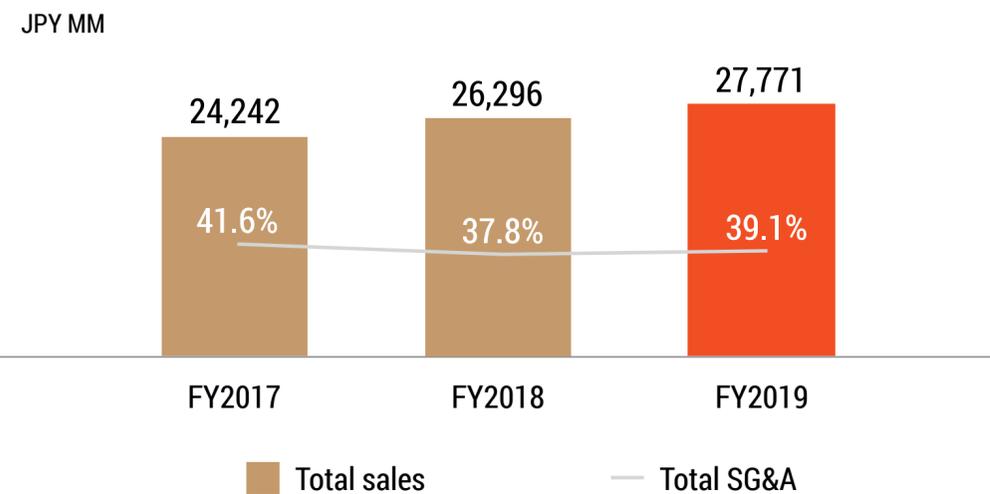
OPERATING PROFIT (1)



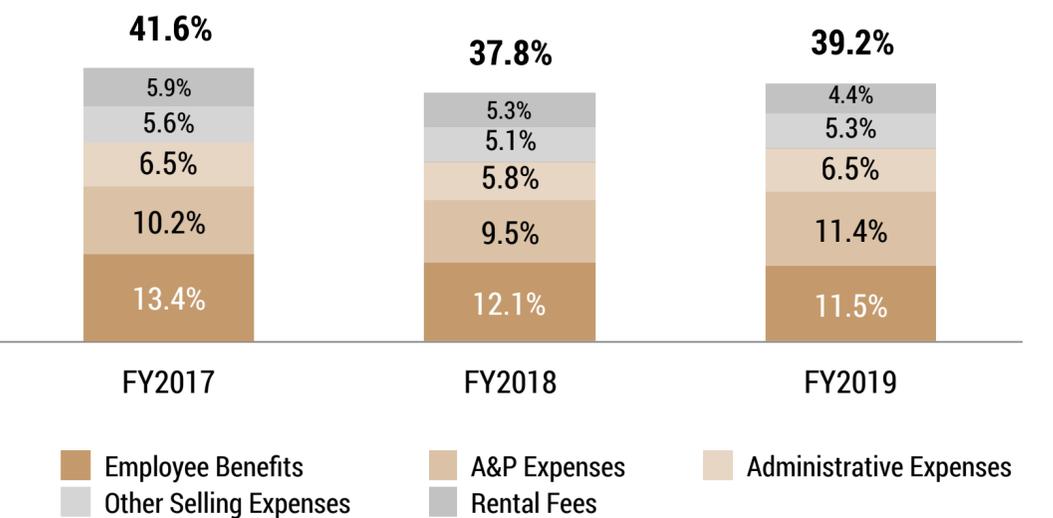
NET PROFIT



SG&A EXPENSES PERCENTAGE TO REVENUE



SG&A EXPENSES BREAKDOWN



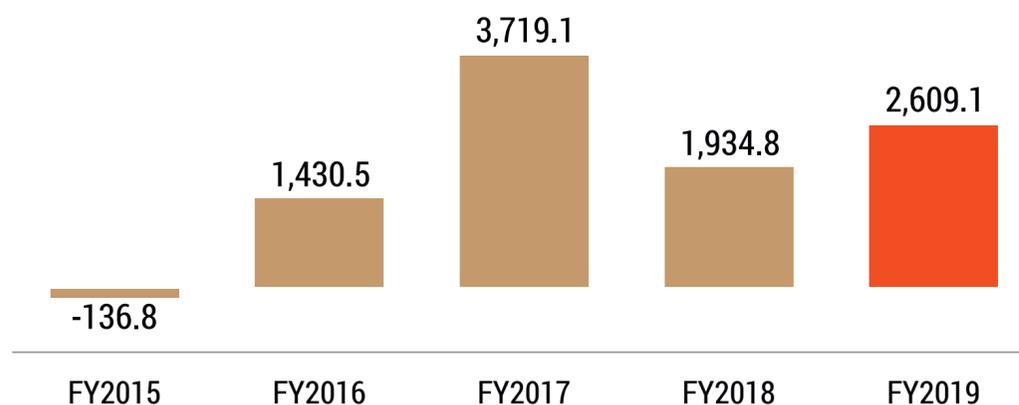
Note

(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.

**STRONG
OPERATING
CASH FLOW AND
ROBUST CAPITAL
STRUCTURE**

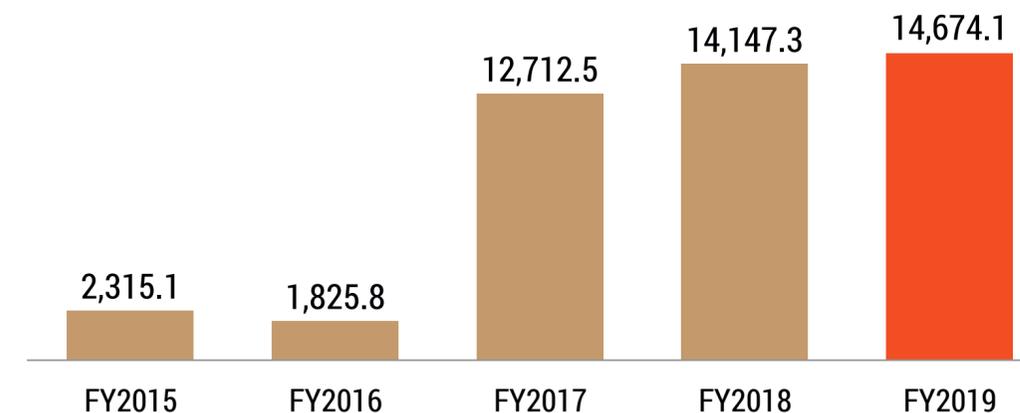
NET OPERATING CASH FLOW

JPY MM



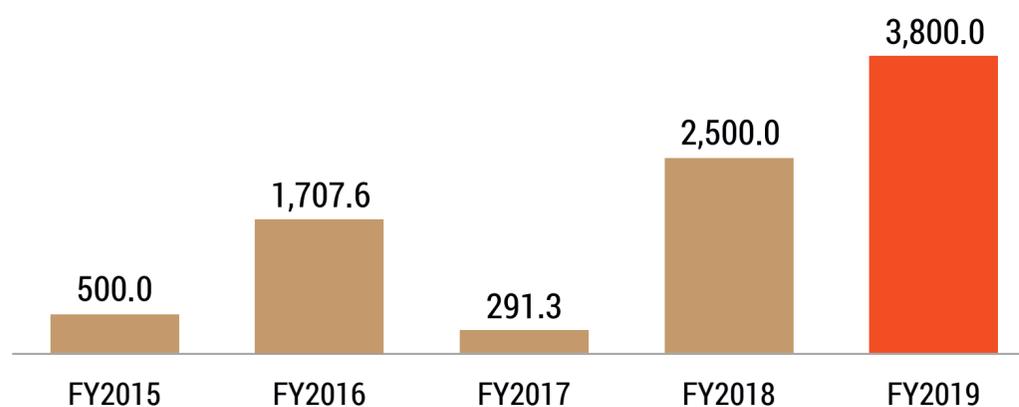
CASH ON HAND

JPY MM



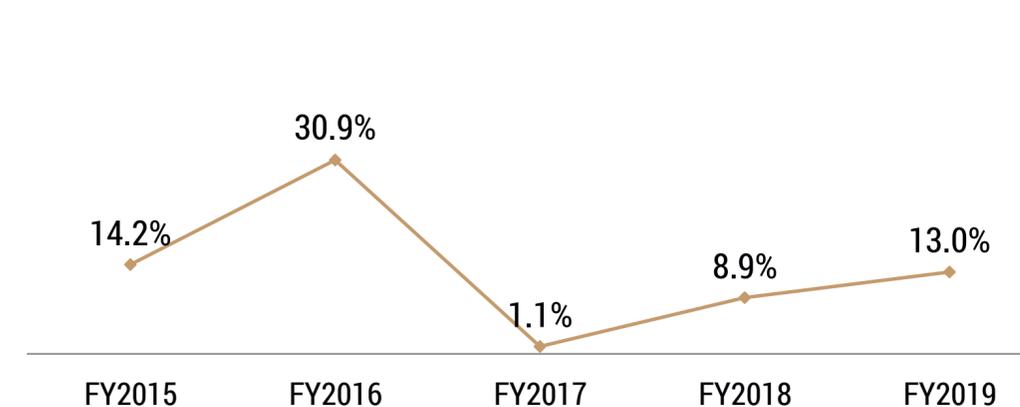
INTEREST-BEARING LIABILITIES

JPY MM



INTEREST-BEARING LIABILITIES / TOTAL EQUITY

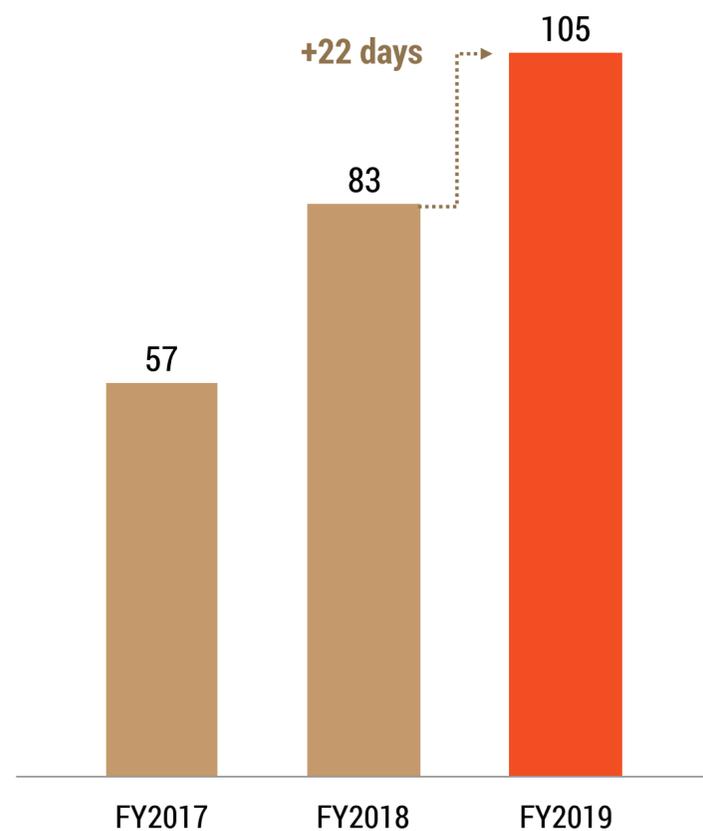
%



**CONTINUED
IMPROVEMENT
IN WORKING
CAPITAL
EFFICIENCY**

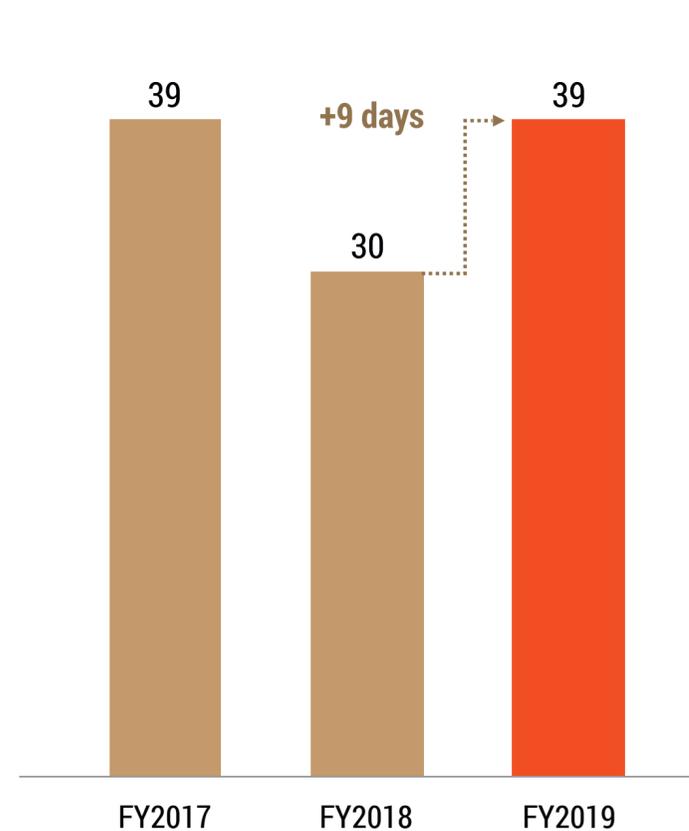
RECEIVABLES TURNOVER DAYS (1)

JPY MM



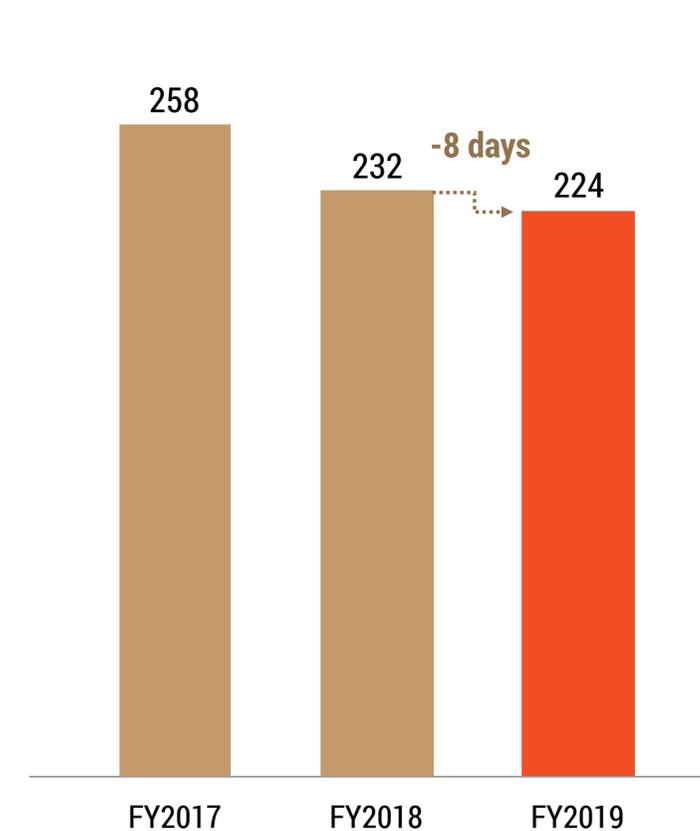
PAYABLES TURNOVER DAYS (2)

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 *FINANCIAL HIGHLIGHTS*

2 ***BUSINESS REVIEW***

3 *COMPANY OUTLOOK*

4 *APPENDIX*



FIRMLY ON TRACK TO EXECUTE AND DELIVER AGREED GROWTH STRATEGIES

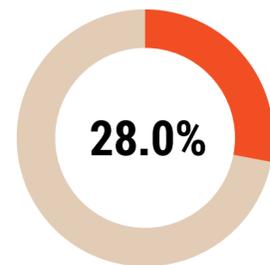
PURE HONMA, PURE GOLF



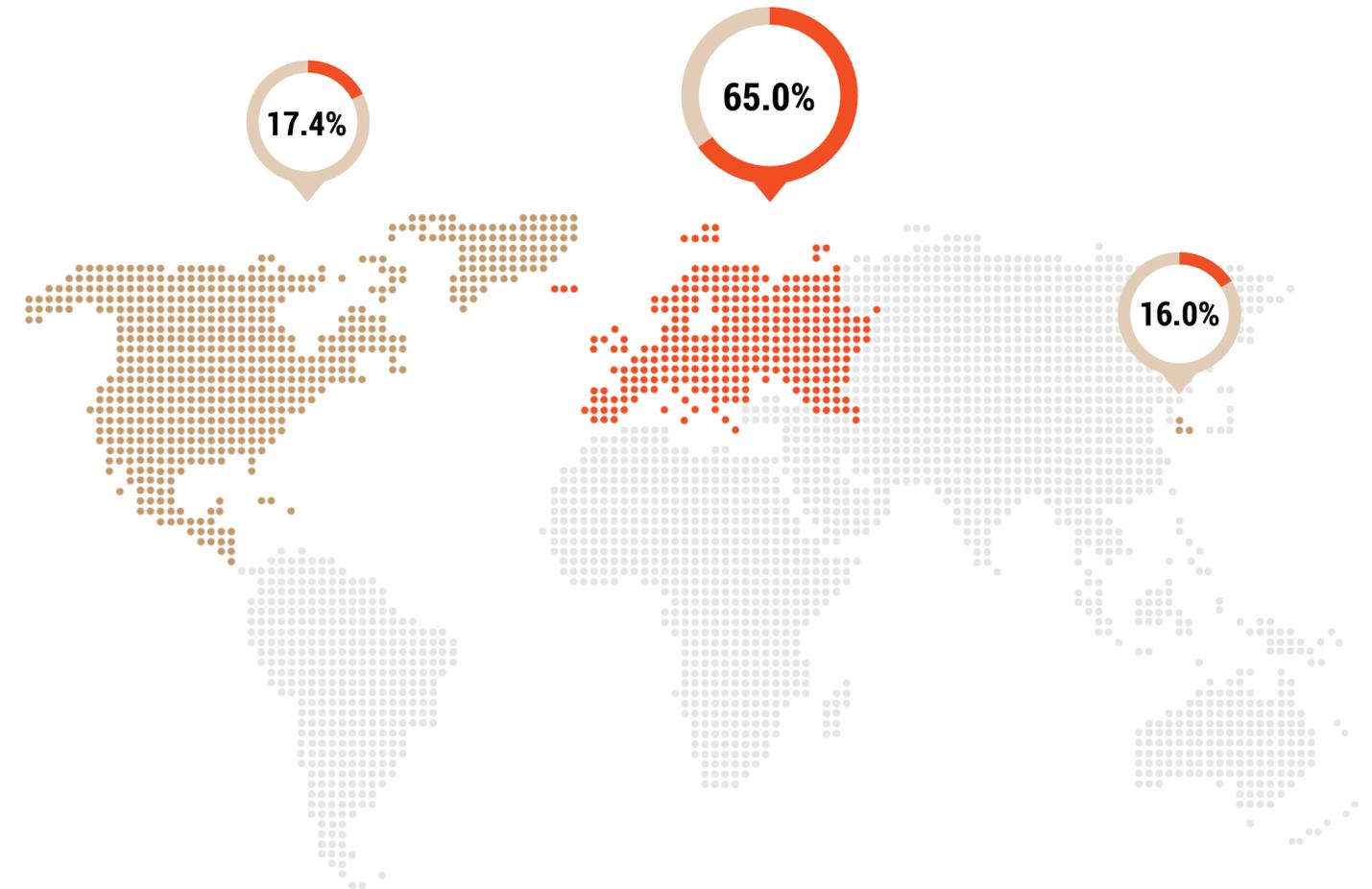
Tour World sales was up by **30.3%**, thanks to successful TW747 global activation



Golf ball sales grew by **57.2%** following effective portfolio optimization and channel expansion



Sales from third-party channels increased by **28.0%**, revenue contribution increased to **78.2%**



Europe, North America and Korea continued to lead the sales growth with **65.0%**, **17.4%** and **16.0%** respectively

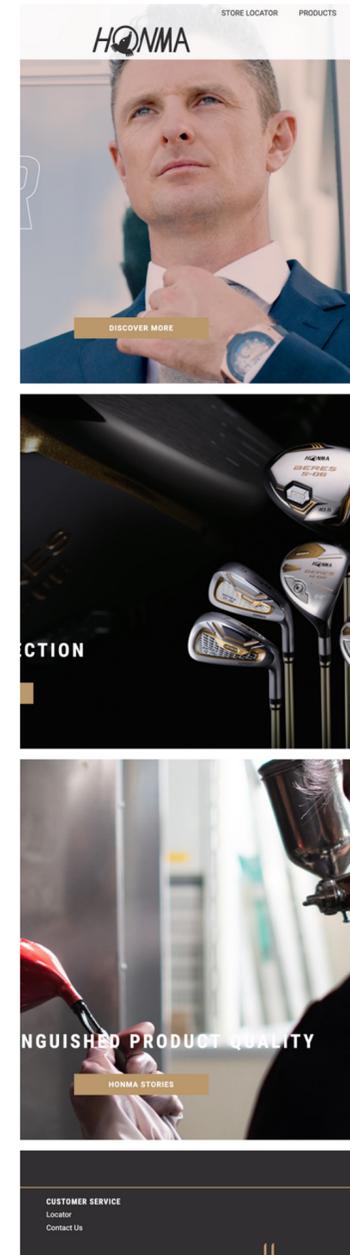
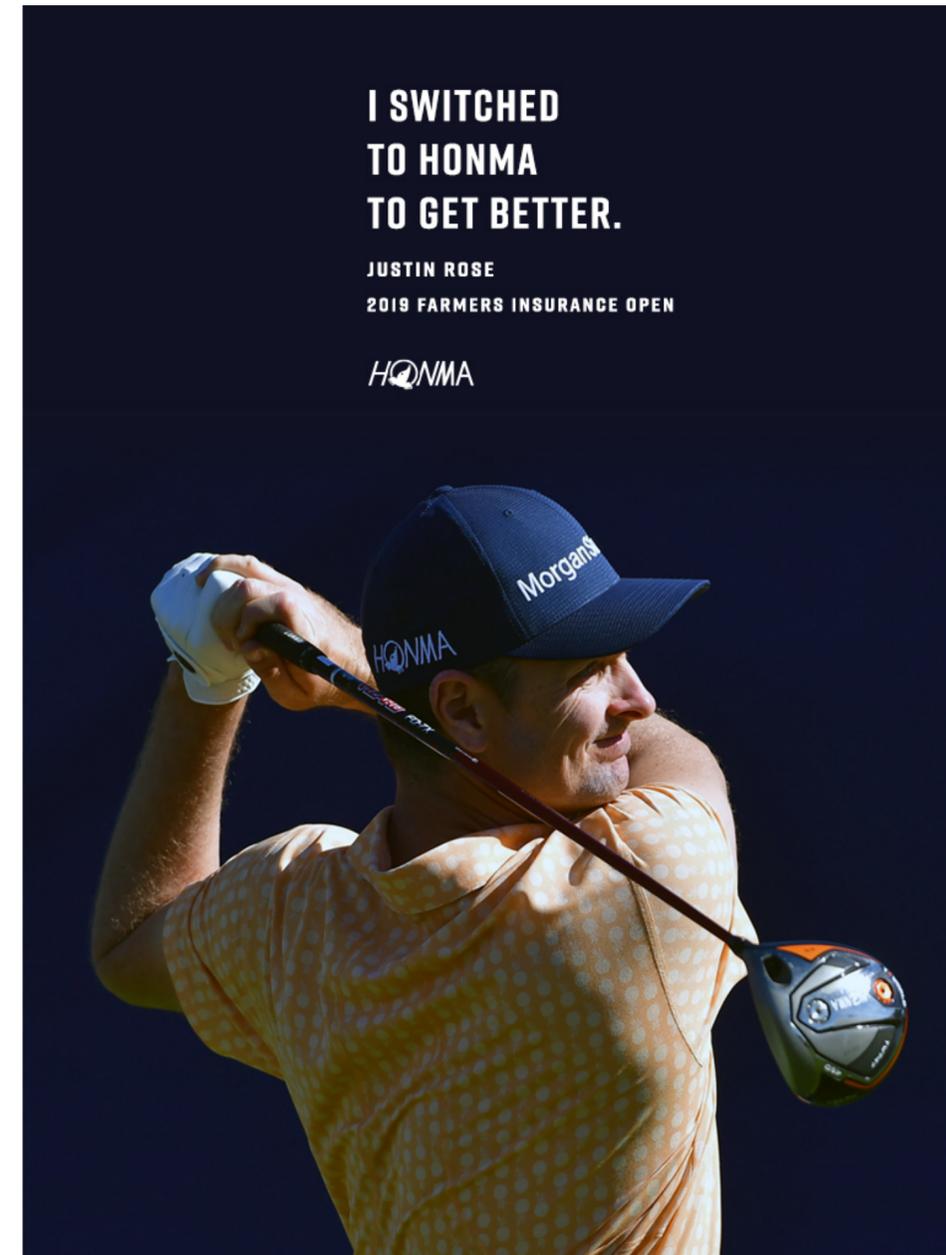
FY2019 BUSINESS HIGHLIGHTS

FY2019 BUSINESS HIGHLIGHTS (CONT'D)

RE-DEFINING HONMA: DYNAMIC, MODERN AND GLOBAL

TARGETING: INTERNET-SAVVY, PASSIONATE AND AVID GOLFER

- Enhancing Tour presence: World#1 PGA golfer Justin Rose as HONMA's Global Brand Ambassador
- Regaining control over all consumer touch points
 - 360 degree retail experience
 - Relunched HONMA's global website in Nov 2018 and social media accounts in Jan 2019
 - Revamping CRM and other e-commerce capabilities in key markets
 - Title sponsor of 2018 HONMA Hong Kong Open



CLUB SALES GREW BY 6.4% IN SPITE OF NEGATIVE CHANNEL IMPACT

BERES FOR AFFLUENT GOLFERS

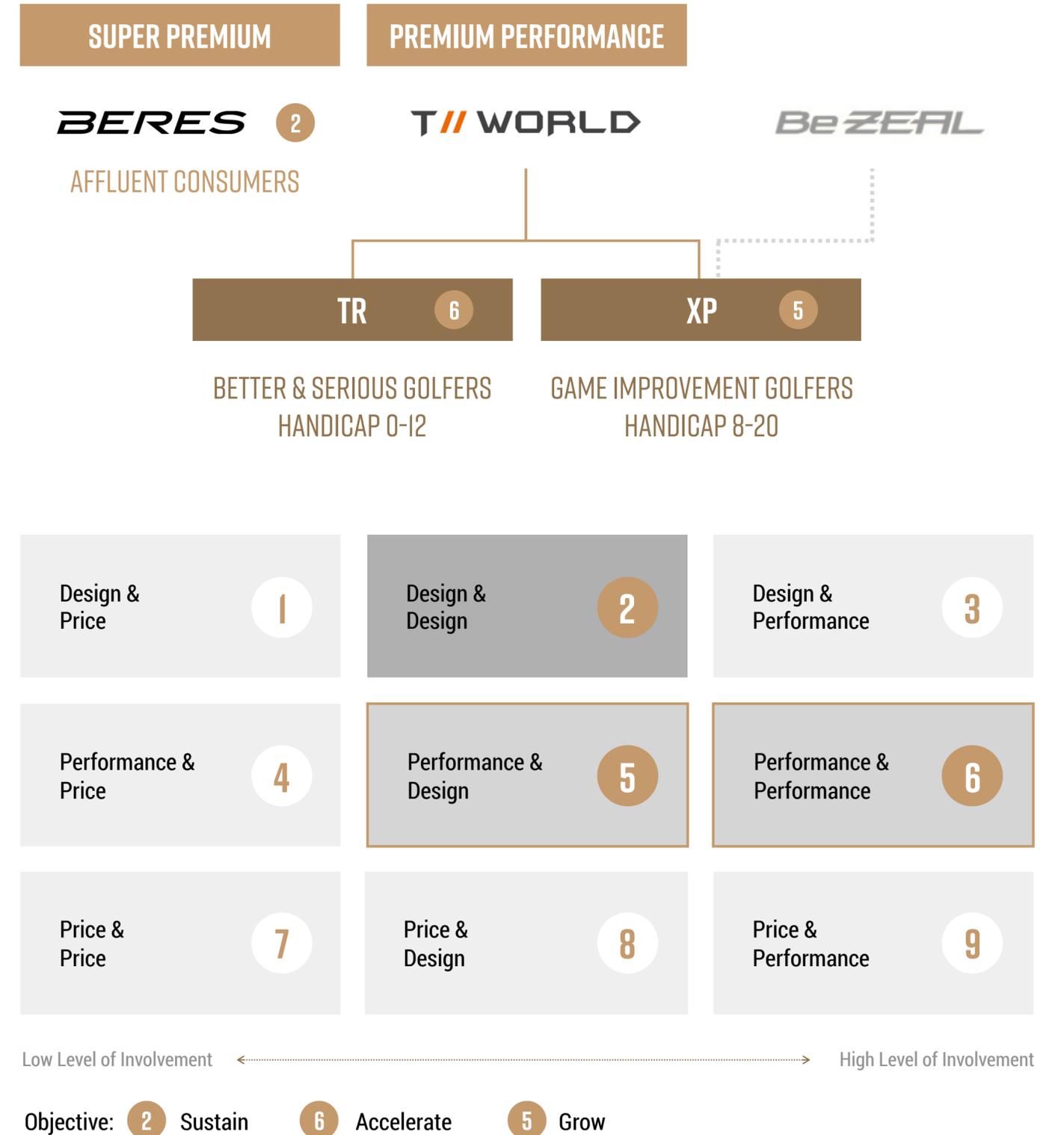
- Latest version (Beres 06) was launched in FY2018 (Jan 2018)
- YOY sales up by 0.2%

TOURWORLD FOR AVID GOLFERS

- Latest version (TW747) launched first in FY2019 (Nov 2018)
- YOY sales up by 30.5%
- To be extended to include a performance enhancement series (XP)

BEZEAL FOR YOUNG AND BEGINNERS

- To be kept as special maintenance unit (SMU)
- Latest version (BeZeal 535) was launched in FY2018 (Jan 2018)



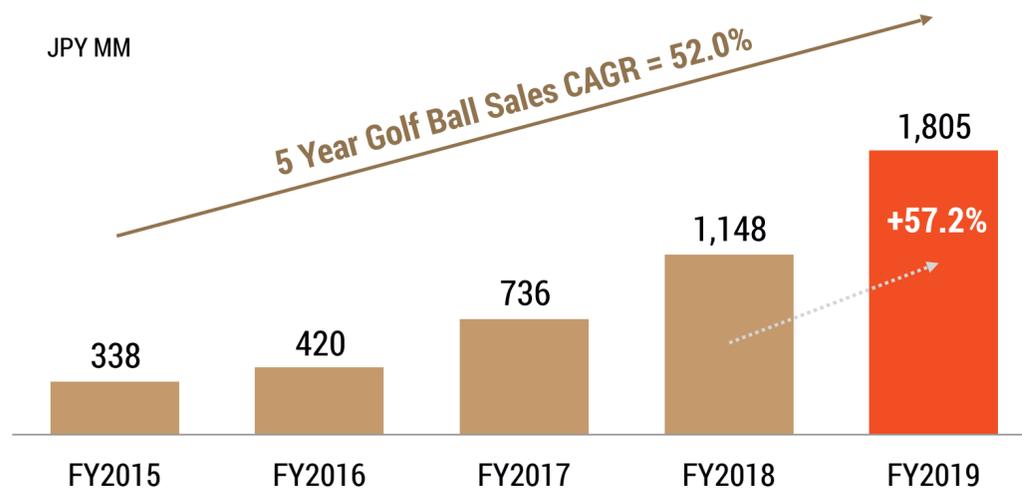
A. UPDATED PRODUCT STRATEGY

THAT PIVOTS GROWTH TO SUPER PREMIUM AND PREMIUM PERFORMANCE CONSUMERS SEGMENTS

B.
**NURTURING
 NON-CLUB
 PRODUCT
 CATEGORIES**
 IN HOME MARKETS

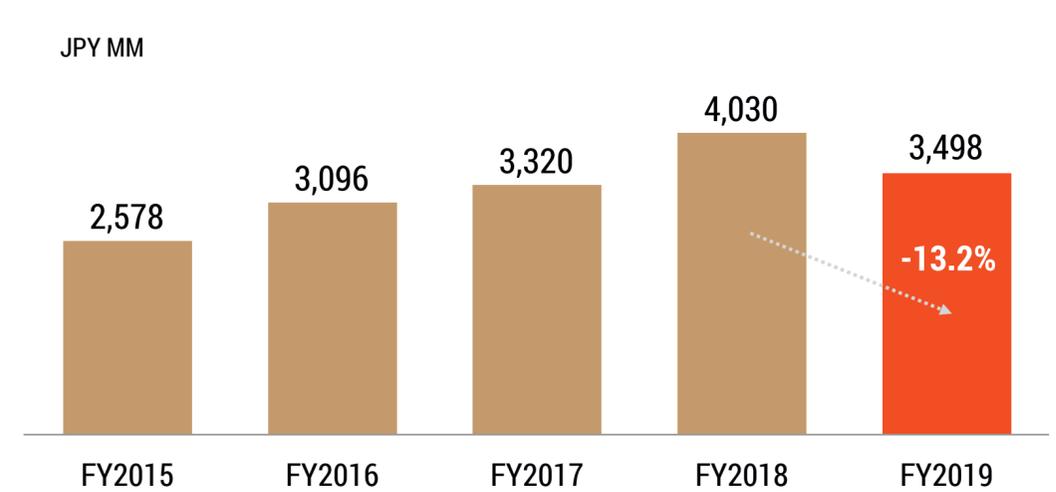
GOLF BALL SALES GREW SIGNIFICANTLY BY 57.2%

- Product portfolio: redesigned to resonate positioning of club lines and performance characters
- Dedicated sales force and go-to-market in Japan and China

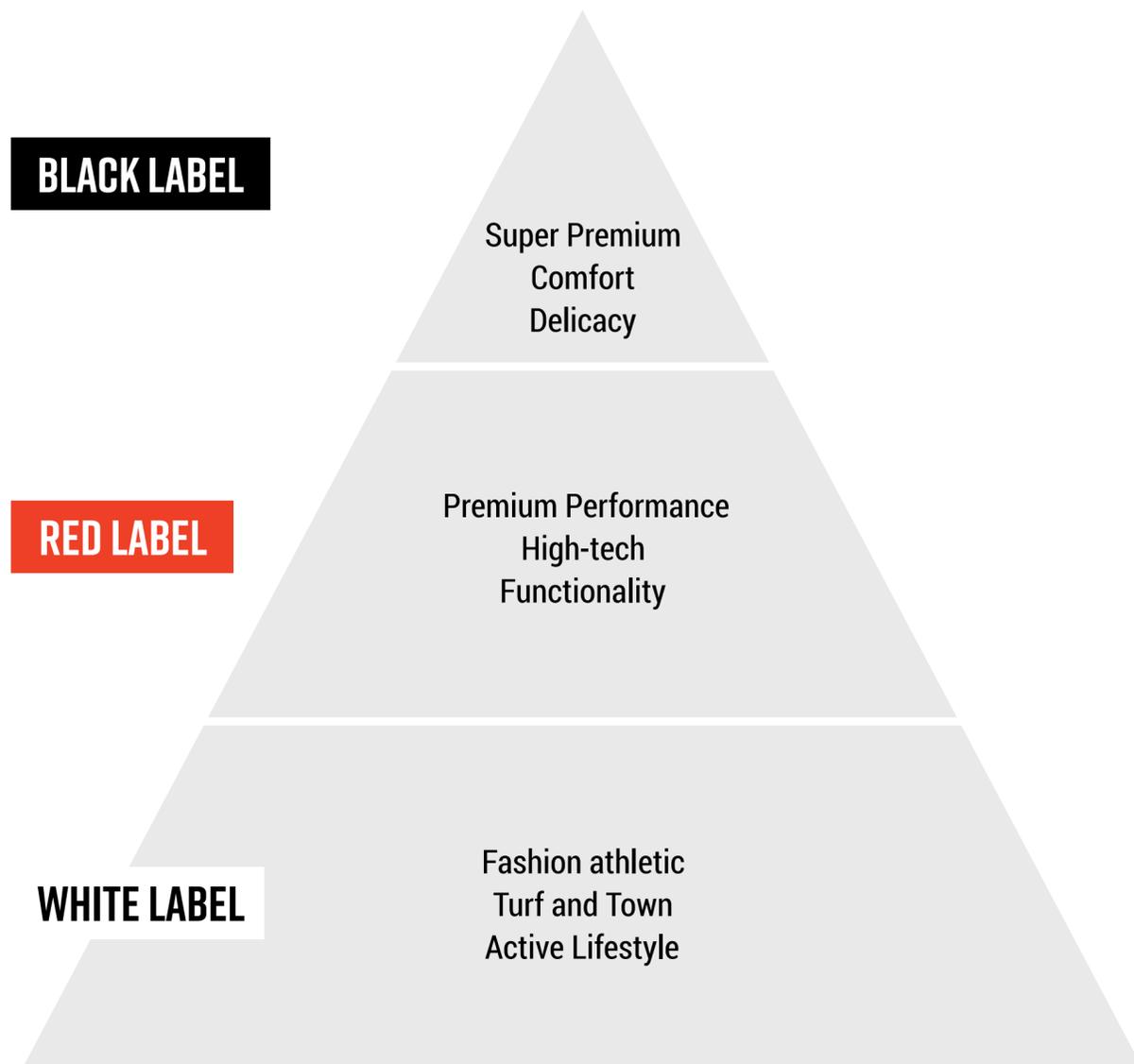


APPAREL & ACCESSORIES SALES DECREASE BY 13.2%

- Sales down due to clearance of previous apparel collections
- New 2019 Spring/Summer collection debut in Jan 2019 → only 3 months impact to the FY2019 result
- Strategic partnership with Itochu to revamp HONMA's apparel businesses



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



B.
**NURTURING
NON-CLUB
PRODUCT
CATEGORIES**
IN HOME MARKETS
(CONT'D)



C.
**360 DEGREE
BRAND
EXPERIENCE**
THROUGH OMNI CHANNELS

SELF-OWNED STORES

TO UPGRADE AS BRAND EXPERIENCE HUBS ACROSS ALL MARKETS

- Total # of stores decreased by 16 to **68**, mainly in the Mainland China as part of the apparel channel re-design
- Newly-designed retail space rolling out in all markets to offer ultimate brand experience and customizable consumer journey

THIRD-PARTY RETAILERS AND WHOLESALERS

CONTINUED TO DRIVE PENETRATION AND GAIN MIND SHARE

- POS increased by 128 to **3,734** as at 31 Mar 2019
- YOY sales increased by **28.0%**



Seoul Gallery Store
re-opened in Feb 2019



Shanghai Dong Jiang Golf Club
opened in May 2019



Chiba Store Rendering
to open in 2019

WORLD #1 PLAYER JUSTIN ROSE BECOMING HONMA'S GLOBAL BRAND AMBASSADOR ON 1 JAN 2019

D.
RE-DEFINING HONMA
DYNAMIC,
MODERN,
GLOBAL



阳光明媚的周二早晨，
离在多利松举行的农夫
公开赛正赛还有两天，
身材高大而彬彬有礼
的英国职业高尔夫球手
贾斯汀·罗斯正站在球
具店，正在测试球杆并
记录他身后的成绩的是
10名团队成员。
教练、体能教练、球童、
来自他的新球具赞助商
1名来自日本的 Honma
产品经理、1名测试员。
练习如同一次会诊，为
精益求精。五天之后，他
在古老的赛事中夺冠，但
球杆测试直到转战球
才全部结束。
在落日的余晖中，罗斯
才注意到从早上开始就
产品经理和测试员。他
从球场走去，罗斯只能
向他们跑去，追上之后
今天所做的一切。”
故事开头吗？当然不是。
可以很好地体现接下
来三人的性格特点。

贾斯汀换了全新球包

当罗斯在今年一月与 Honma 高尔夫签订了数年的合约时，很多人猜测他是为了更多的金钱才与合作 20 年的泰勒梅告别。但除了钱之外还有更多的原因。罗斯想要一个参与球杆设计过程中的机会，这也是他决定加入 Honma 的原因之一。“罗斯原型 (Rose Proto) 球杆和握把的圆形和杆底打磨就由他直接参与设计。罗斯还发现了一个将球速提升 3.4 英里/小时的秘密，就



WHO IS JUSTIN ROSE

- Renowned English professional golf player
- **24** tournament wins across the PGA and European Tours
- Ranked **world number one** for a total of 13 weeks in 2018

WHAT HE BROUGHT/WILL BRING TO HONMA

- Increased media coverage in most of our markets
- Immediate and elevated awareness and exposure on HONMA in the US and Europe through Justin Rose's international influence
- Over **1.5M followers** on social media
- Sales of Tour World family clubs that he is using during tours was up by **124.7%** in 2HFY2019

D.
RE-DEFINING HONMA
**DYNAMIC,
MODERN,
GLOBAL**
(CONT'D)

ENHANCED TOUR PRESENCE: TEAM HONMA AND PROFESSIONAL TOUR SPONSORSHIP

SPONSORSHIP TO GOLF CHAMPIONSHIPS



- **Justin Rose** won one **victory** in 2019 Farmers Insurance Open (PGA Tour) and 9 weeks' **World No. 1** male player

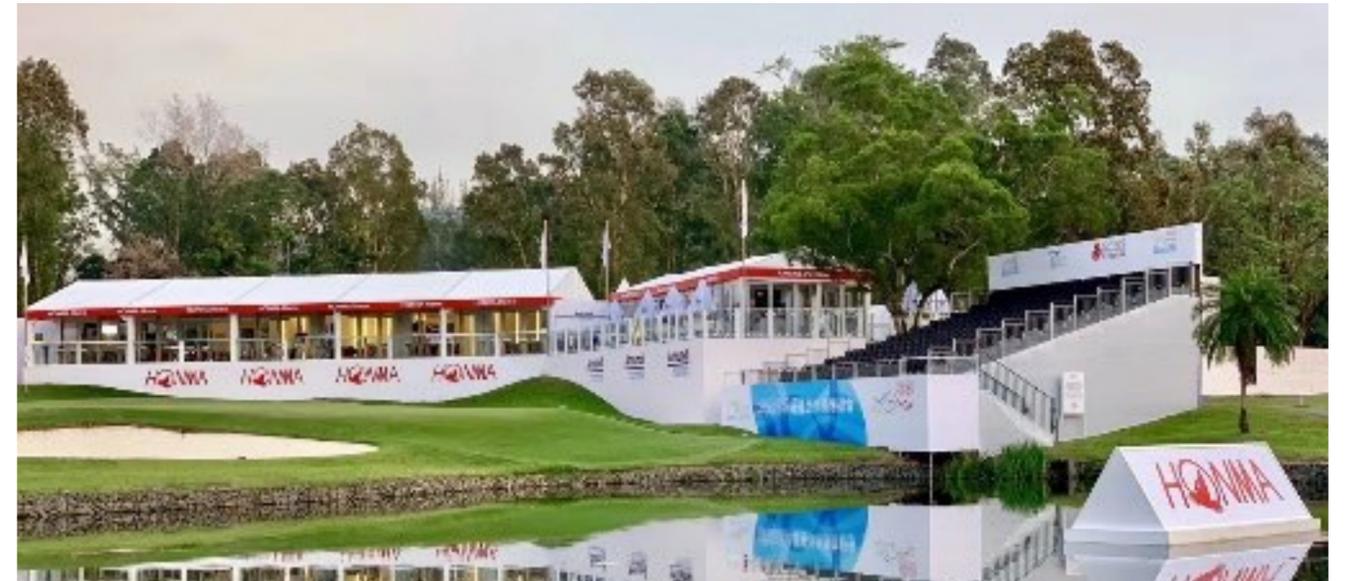


- **Park Gyoel** won one **victory** in 2018 SK Networks ·Seoul Economy Ladies Classic (KLPGA)



- **Ryu So-yeon** won two **victories** in 2018 Meijer LPGA Classic for Simply Give (USLPGA) and Japan Women's Open Golf Championship (JLPGA)

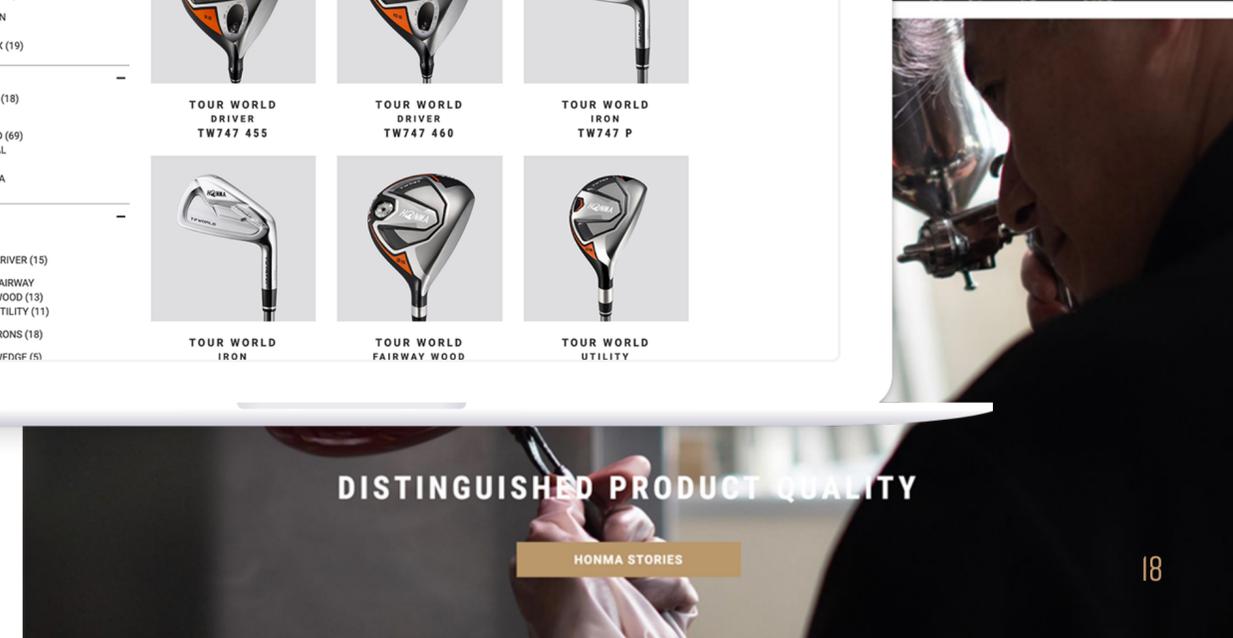
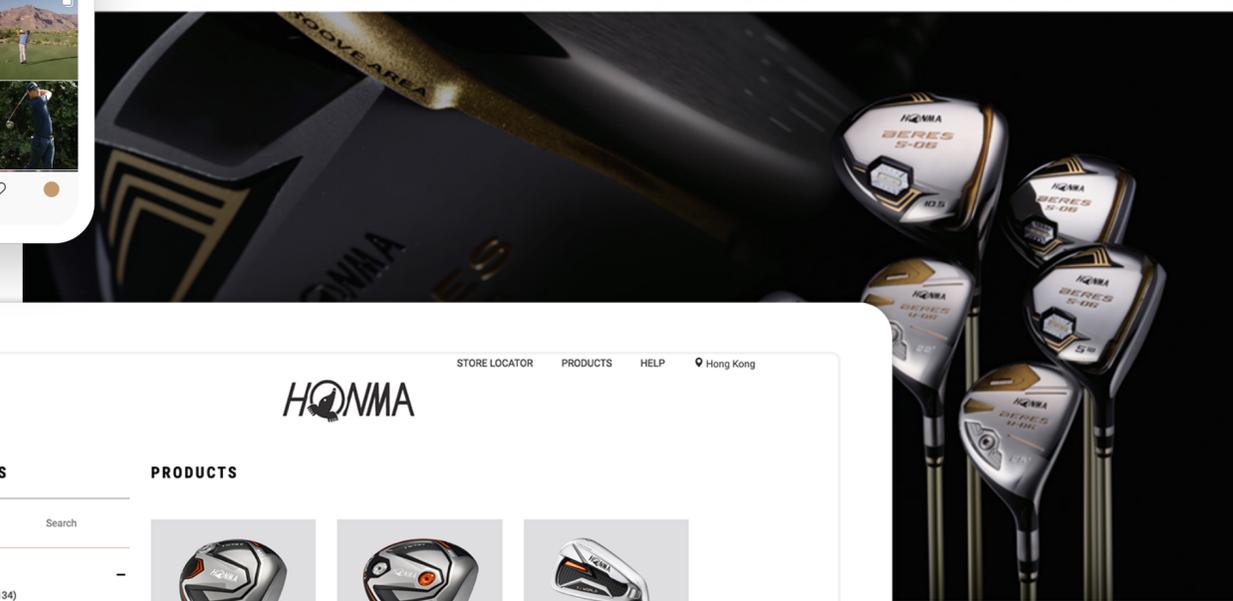
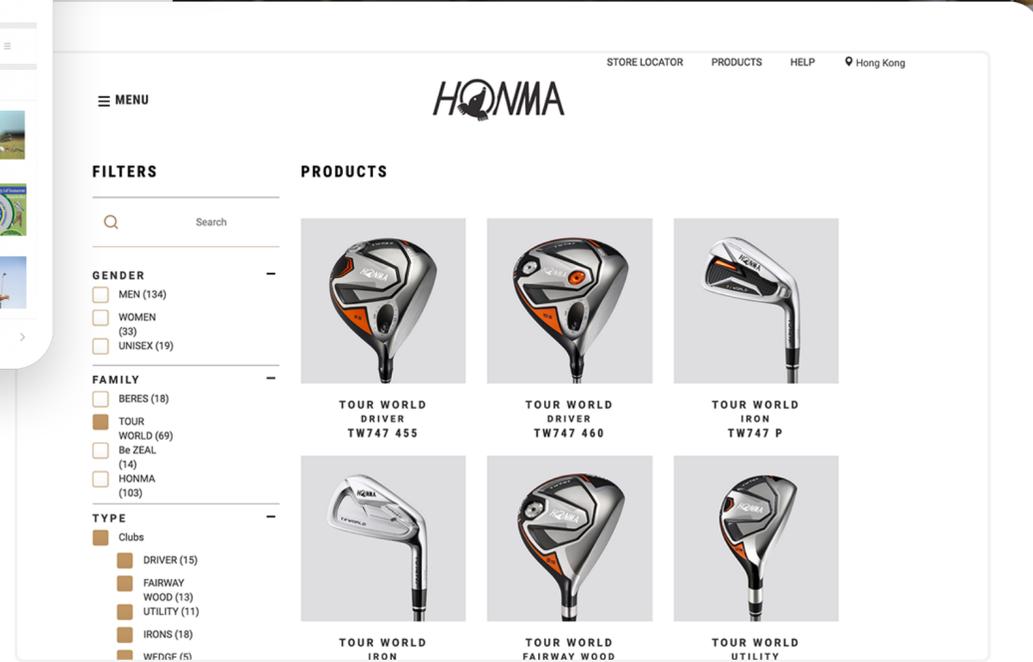
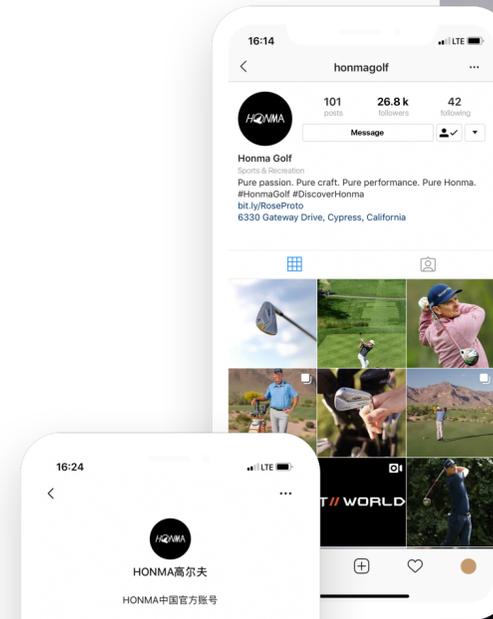
TITLE SPONSOR OF 2019 HONMA HONG KONG OPEN



D.
 RE-DEFINING HONMA
 DYNAMIC,
 MODERN,
 GLOBAL
 (CONT'D)

RELAUNCHED GLOBAL WEBSITE AND SOCIAL MEDIA ACCOUNTS

- Consolidated regional accounts and relaunched HONMA global website in Nov 2018 and social media accounts in Jan 2019
- To convey consistent brand image and enhance brand awareness across all markets
- To connect digital platform with retail activities, owning the entire consumer experience and relevant data
- Month-on-month double digit growth in the organic traffic, conversion, bounce rate, time on site among other matrixes



DISTINGUISHED PRODUCT QUALITY

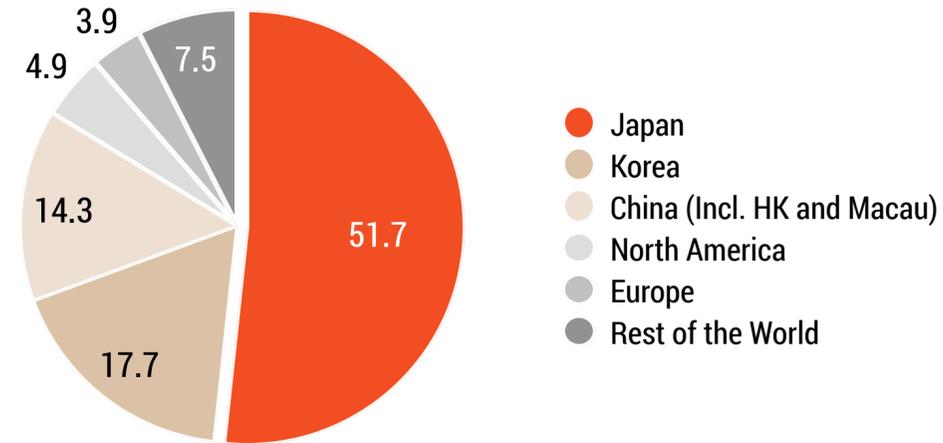
HONMA STORIES

E. BUSINESS REVIEW BY MARKET

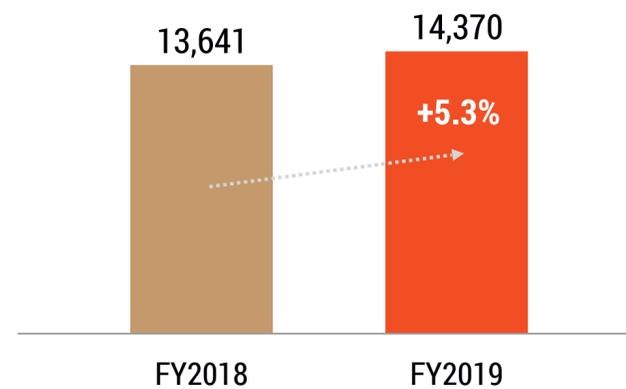
HOME MARKET / JAPAN



CONTINUED GAINING SHARE IN THE WORLD'S 2ND LARGEST GOLF MARKET



NET SALES
JPY MM



MARKET

- **2nd** largest golf equipment market in the world
- Total equipment market size in 2018 approximates to **USD 1.2 billion** by forecast ⁽¹⁾
- **2290** golf facilities, representing half of the total facilities in Asia ⁽²⁾
- Around **12 million** golf population ⁽³⁾

PRODUCT

- Golf club sales grew by **5.9%**
 - Tour World family sales grew by **24.5%**
- Golf ball sales surged by **53.6%**
 - Optimized product portfolio
 - dedicated sales and marketing strategy.

CHANNEL

- Third-party retail and wholesale channels together grew by **30.8%**

Note

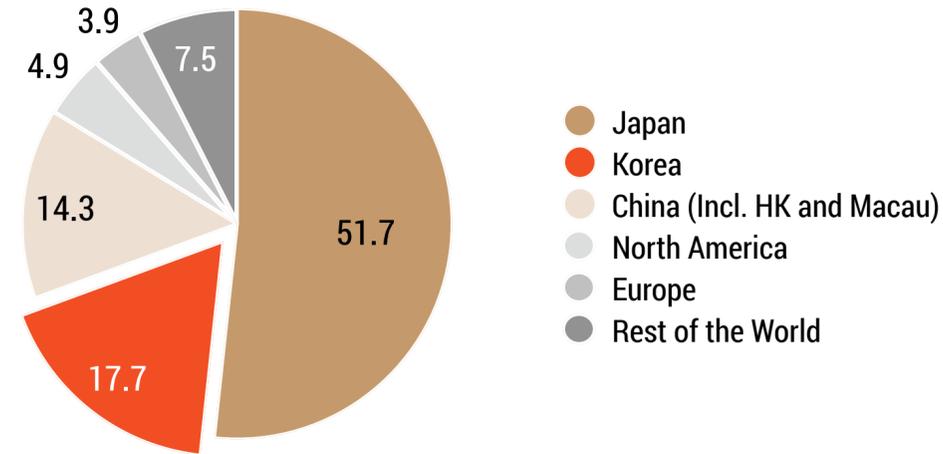
(1) Source : Golf Around the World 2017, the R&A
 (2) 2018 Yano's White Paper on Golf Industry, Japan
 (3) Frost & Sullivan

E.
**BUSINESS
 REVIEW BY
 MARKET**

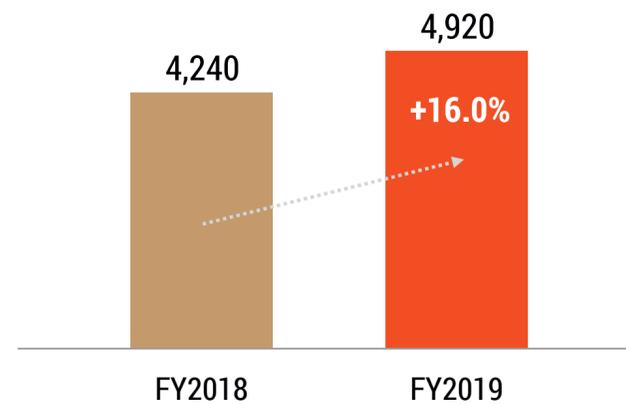
HOME MARKET 2
KOREA



**DOUBLE DIGIT GROWTH FOR THE 6TH
 CONSECUTIVE YEAR**



NET SALES
 JPY MM



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 activity population, close to **15%** of total population in Korea ⁽¹⁾

PRODUCT

- Golf club sales was up by **16.7%**
 - Tour World family sales grew by **102.1%**
 - Intensive TV and social media campaigns to drive HONMA brand as well as product awareness

CHANNEL

- Exclusive partnership with Kolon for club distribution
- Assembled a strong local team to lead and drive a direct to consumer distribution model for the ball and apparel businesses

Note

(1) Source : KGPA, Korea Golf Association 2017

E. BUSINESS REVIEW BY MARKET

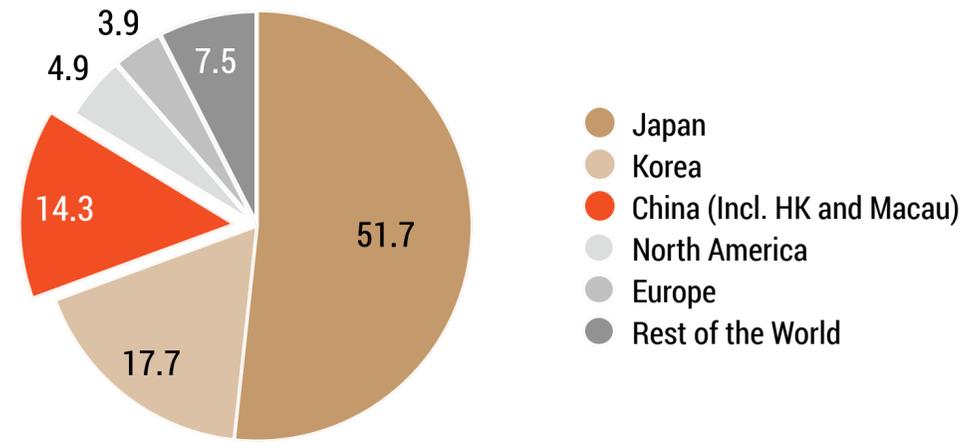
HOME MARKET 3

CHINA

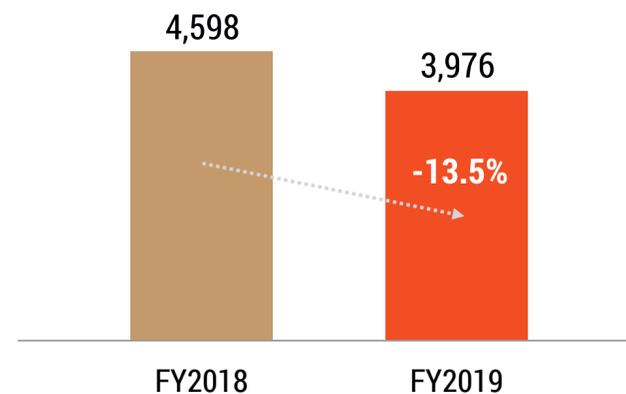
(INCL. HK AND MACAU)



CONTINUED CHANNEL SHIFT TOWARDS SELECTIVE THIRD PARTY DISTRIBUTORS IN NON-CLUB CATEGORIES



NET SALES
JPY MM



MARKET

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

PRODUCT

- Golf ball sales surged by **101.8%**
 - streamlined product portfolio
 - dedicated sales and marketing strategy
- Sales from Apparel and Accessories was down together by **27.7%**
 - Clearance of inventories from past seasons before new collection launch

CHANNEL

- Sales from third parties was up by **56%**
- Sales from self-operated stores was down by **52%**
 - Closure of 20 self-operated stores, primarily apparel stores in Mainland China ahead of the re-launch of HONMA's new apparel lines
- New self-owned and third parties stores with updated interior to open in FY2020

Note

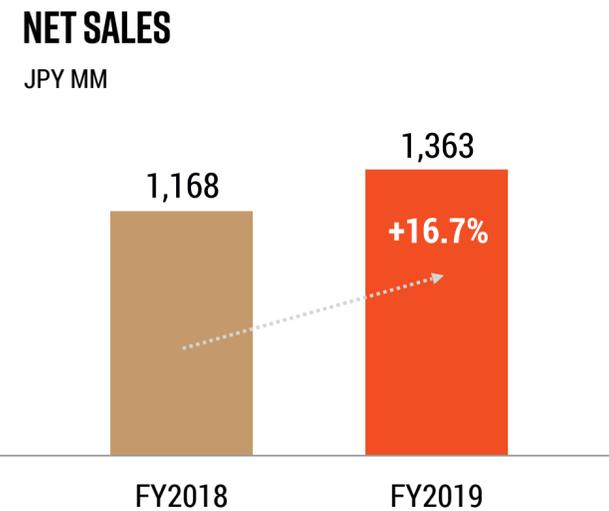
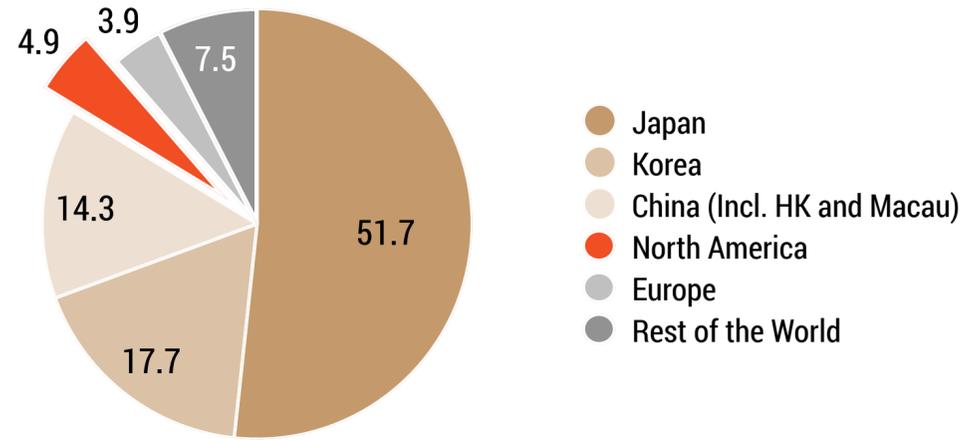
(1) Source : Forward Golf White Paper Report 2017

E.
**BUSINESS
 REVIEW BY
 MARKET**

NEW MARKET /
**NORTH
 AMERICA**



**BUILDING A SOLID PATH TO CAPTURE HONMA'S
 UNIQUE OPPORTUNITY IN SUPER PREMIUM
 AND PREMIUM PERFORMANCE SEGMENT**



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⁾

GROWTH STRATEGY

- Upgraded management team with profound industry experience
- Unique distribution model to capture opportunities specifically in **premium performance** and **super-premium** consumer segments

PRODUCT

- Sales from Tour World club family grew by **36.9%**
- Apparels and accessories sales increased by **106%**, more than doubled

Note

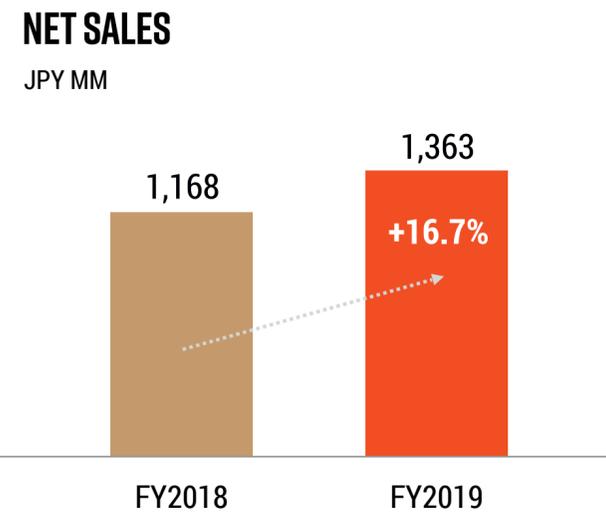
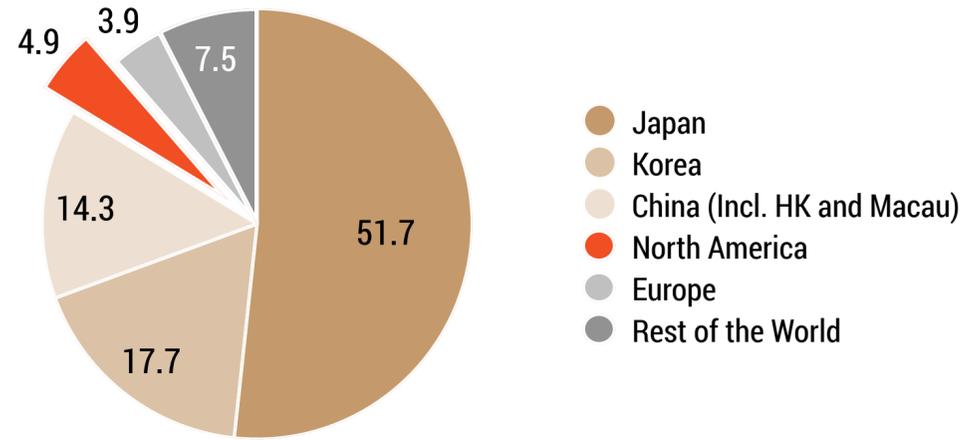
(1) Source : Golf DataTech's 2018 research report

E.
**BUSINESS
 REVIEW BY
 MARKET**

NEW MARKET /
**NORTH
 AMERICA**
 [CONT'D]



**RELENTLESSLY EXECUTING HONMA'S US
 GROWTH STRATEGY**



IN THE NEXT 24 MONTHS

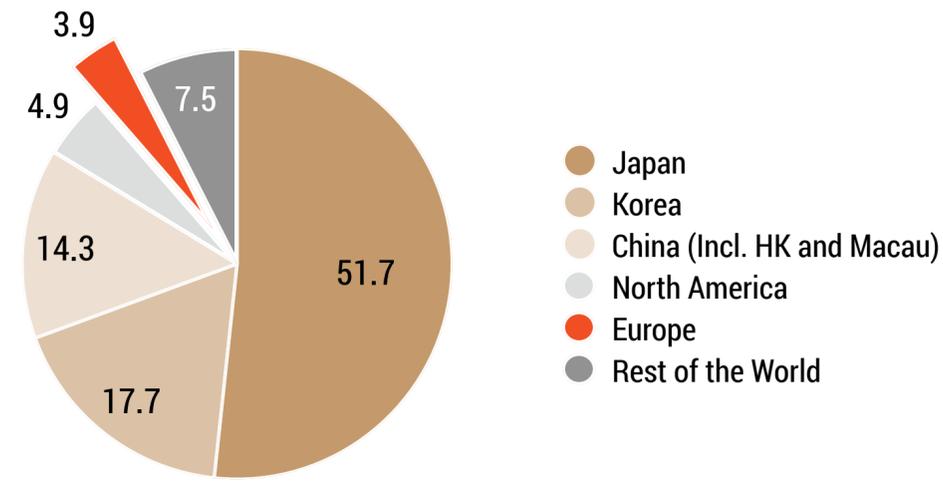
- 360 degree consumer experience built into an omni distribution strategy
 - 1 HONMA House (brand headquarter and gallery): open in June 2019
 - 30 green grass accounts: self-operated brand hubs
 - 50 premier shop-in-shop
- Well underpinned marketing plan to
 - Build brand awareness, loyalty and repurchase 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**

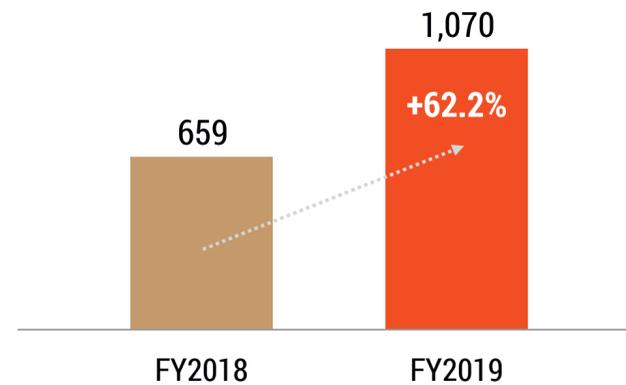
**NEW MARKET 2
 EUROPE**



**SOLID GROWTH STRATEGY, EXECUTION
 WELL UNDERWAY**



NET SALES
 JPY MM



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⁾

PRODUCT

- Golf club sales increased by **53.6%**
 - Tour World family sales was significantly up by **331.7%**
 - Elevated awareness and exposure through Justin Rose sponsorship
 - Vibrant marketing activities to promote brand and product awareness.

CHANNEL

- POS was up by 125 to reach **518** during FY2019.

Note

(1) Source : KGPA, Korea Golf Association 2017

1 *FINANCIAL HIGHLIGHTS*

2 *BUSINESS REVIEW*

3 *COMPANY OUTLOOK*

4 *APPENDIX*



OUTLOOK FOR FY2020

INDUSTRY

**CONTINUED RECOVERY WITH GOLFERS ACROSS THE GLOBE
SHOWING RENEWED INTEREST AND INCREASED PARTICIPATION
IN GOLF AS A SPORT**

- 1 Focus on 2020 Olympic Games and re-emergence of Tiger Woods
- 2 Expanding global golf market and demographics
- 3 Technological Innovation and customization
- 4 Digitalization of retail channels



CONTINUE TO BUILD A **WORLD-LEADING** GOLF LIFESTYLE COMPANY

1

Improve and transform HONMA brand value into customer loyalty

2

Further increase market share in home markets by maintaining leading position in the super premium segment while penetrating deeper into premium performance segment

3

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

4

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

5

Continue product innovation and development to cater for latest market trends

OUTLOOK FOR FY2020

[CONT'D]

1 *FINANCIAL HIGHLIGHTS*

2 *BUSINESS REVIEW*

3 *COMPANY OUTLOOK*

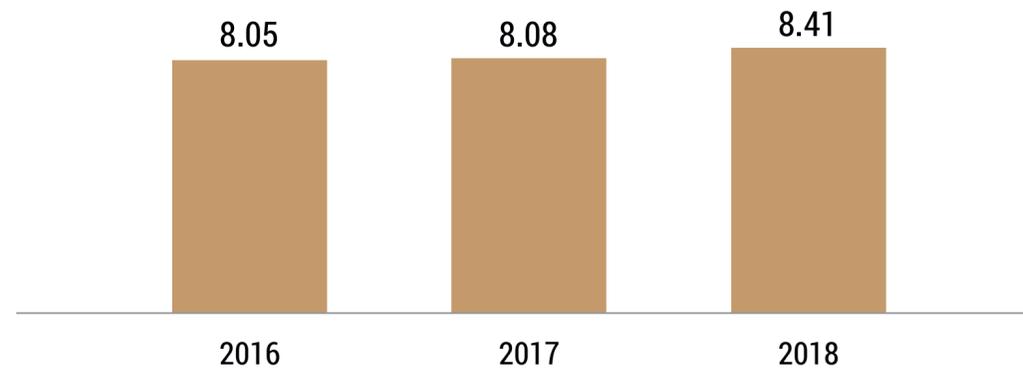
4 **APPENDIX**



**GOLF IS STILL
ONE OF THE MOST
POPULAR SPORTS
GLOBALLY**

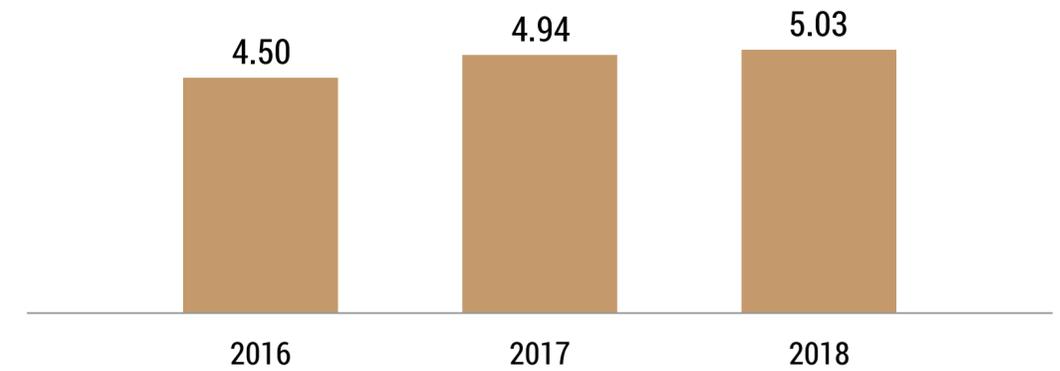
GLOBAL GOLF EQUIPMENT RETAIL SALES (1)

USD BILLION

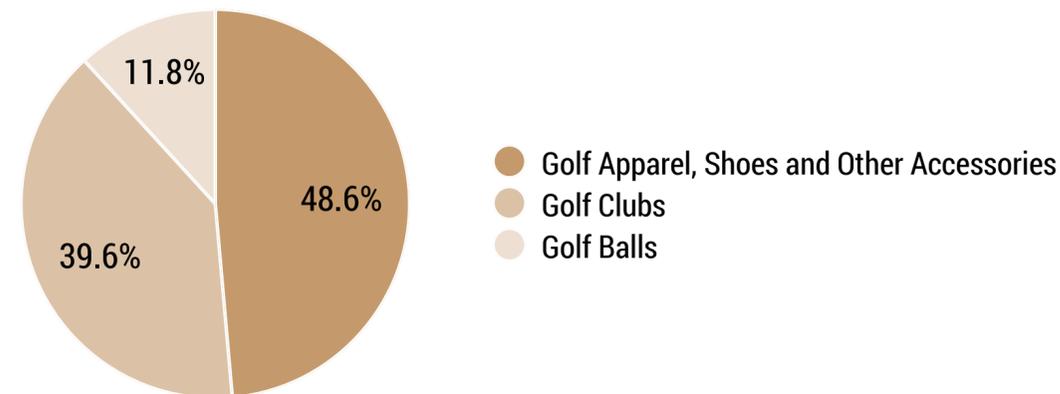


GLOBAL GOLF APPAREL RETAIL SALES (1)

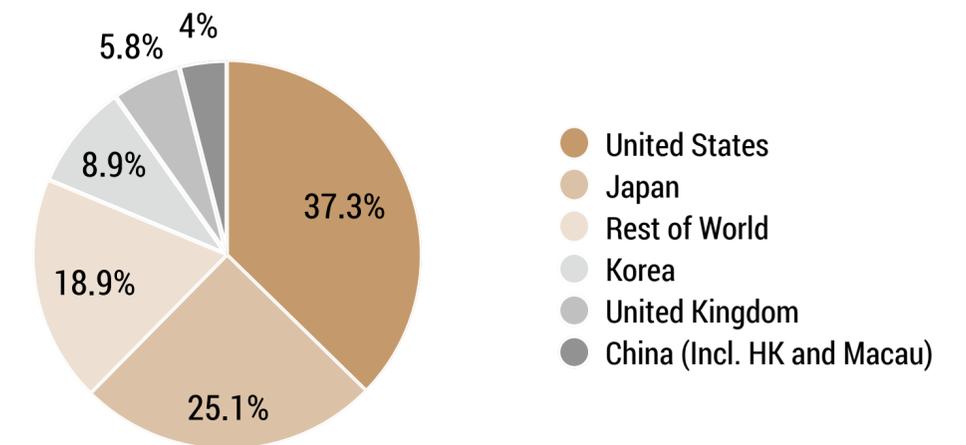
USD BILLION



2015 RETAIL SALES VALUE BREAKDOWN BY PRODUCT TYPE (2)



2015 RETAIL SALES VALUE BREAKDOWN BY REGION (2)



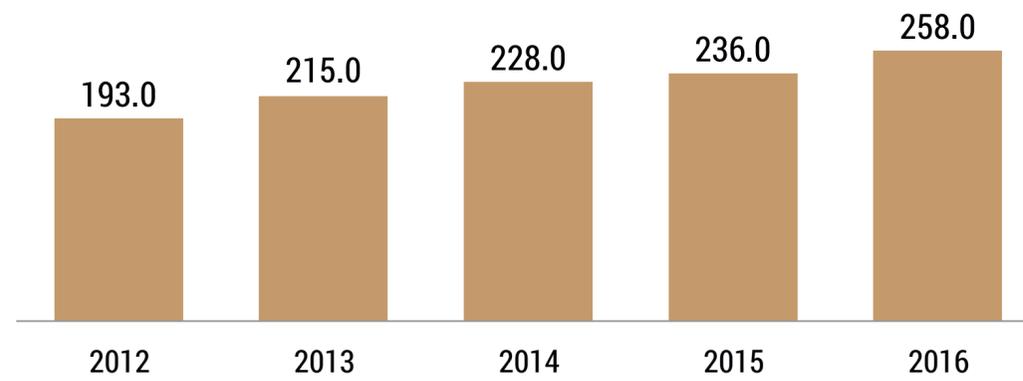
Note

- (1) World Golf Report, Golf Datatech & Yamo Research Institution
- (2) Frost & Sullivan Report

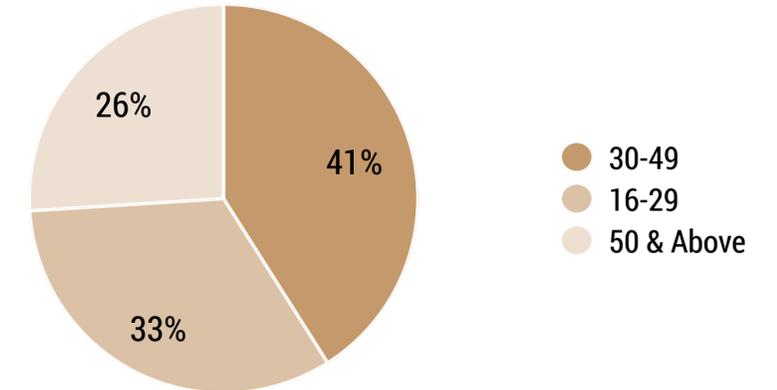
**GOLF AS A SPORT
HAS LARGE &
GROWING
FOLLOWINGS IN
ASIA**

GOLF FANS GROWTH IN ASIA

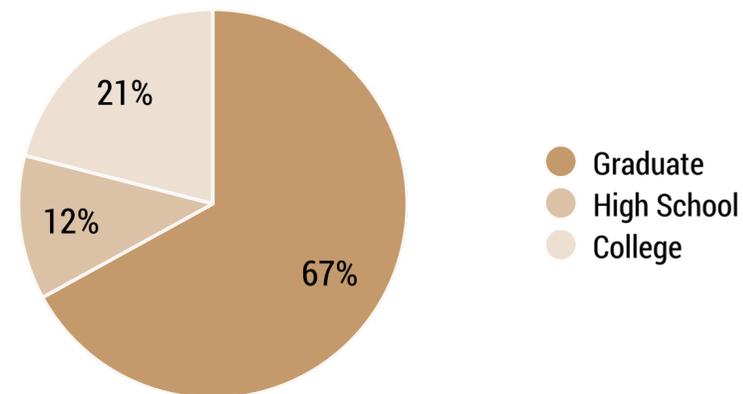
Million Fans



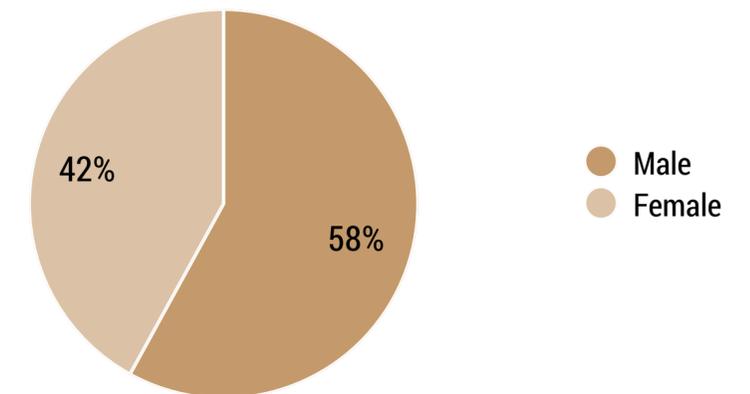
AGE BREAKDOWN



EDUCATION LEVEL BREAKDOWN



GENDER BREAKDOWN



Note

(1) Nielsen Sports, DNA 2017

CONSOLIDATED P&L

	For the year ended 31 Mar				Year-on-Year Change %
	2019.3.31 JPY	%	2018.3.31 JPY	%	
Consolidated Statement of Profit or Loss					
Revenue	27,770,704	100.0	26,296,159	100.0	5.6
Cost of sales	-11,713,928	-42.2	-10,318,713	-39.2	13.5
Gross profit	16,056,776	57.8	15,977,446	60.8	0.5
Other income and gains	422,207	1.5	50,005	0.2	744.3
Selling and distribution expenses	-9,060,498	-32.6	-8,410,223	-32.0	7.7
Administrative expenses	-1,805,750	-6.5	-1,522,235	-5.8	18.6
Other (expenses)/income, net	-96,841	-0.3	-837,672	-3.2	-88.4
Finance costs	-15,056	-0.1	-21,872	-0.1	-31.2
Finance income	103,383	0.4	138,816	0.5	-25.5
Profit before tax	5,604,221	20.2	5,374,265	20.4	4.3
Income tax expense	-1,395,382	-5.0	-1,441,054	-5.5	-3.2
Net profit	4,208,839	15.2	3,933,211	15.0	7.0
Earnings per share attributable to ordinary equity holders of the parent:					
Basic and diluted - For profit for the year (JPY)	6.91		6.46		7.0
Non-IFRS Financial Measures					
Operating profit ⁽¹⁾	5,309,429	19.1	6,242,193	23.7	-14.9
Net operating profit ⁽²⁾	3,928,898	14.1	4,707,416	17.9	-16.5

Note

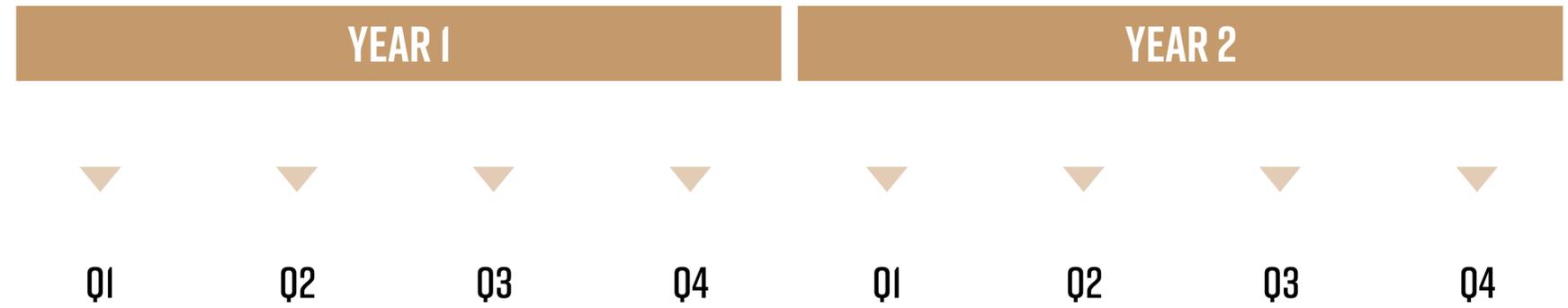
- (1) Operating profit is derived from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses and (iv) adding RSU expenses.
- (2) Net operating profit is derived from net profit by (i) subtracting other income and gains, (ii) adding other 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 2018 dated 20 November 2018

CONSOLIDATED BALANCE SHEET

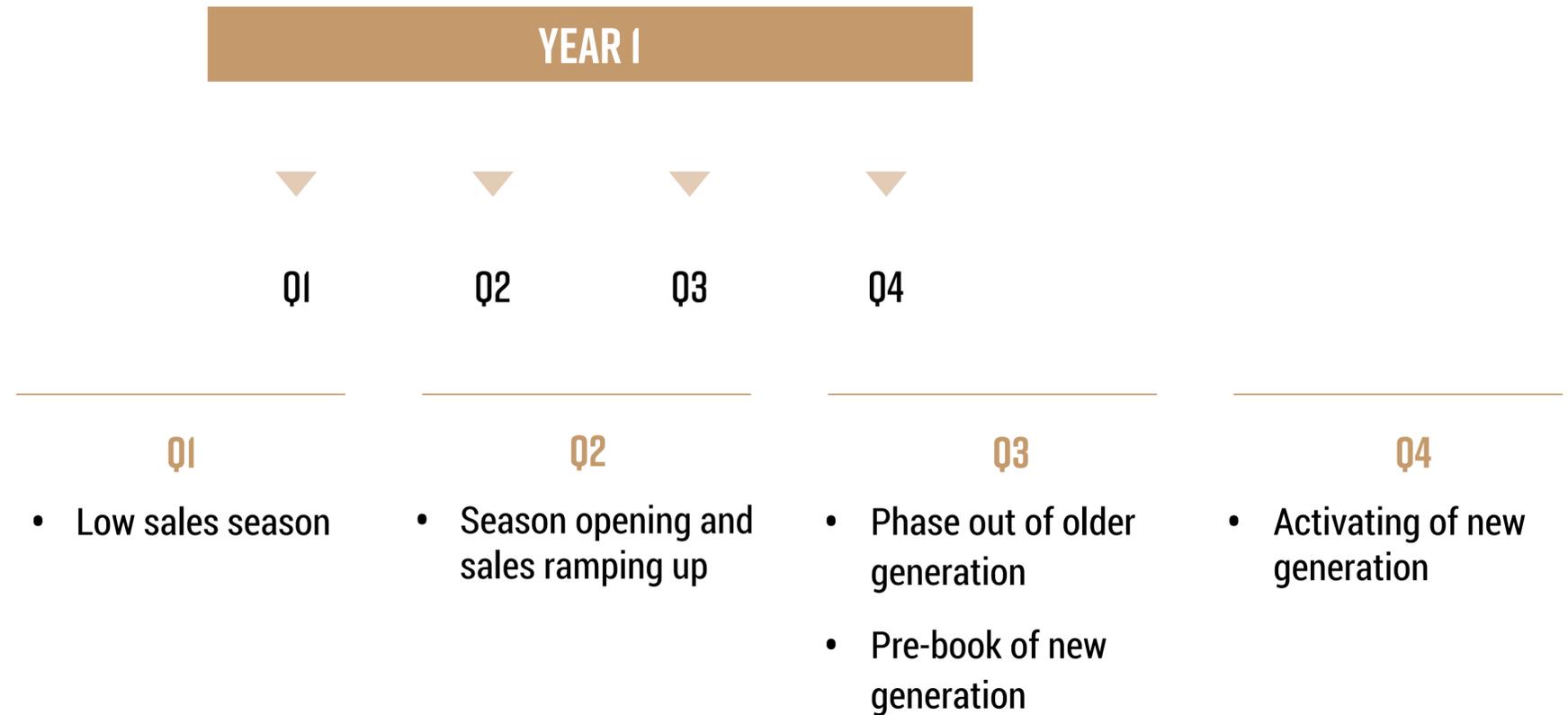
	For the year ended 31 st March	
	2019.3.31	2018.3.31
	JPY	
	<i>(In thousands, except for percentages and per share data)</i>	
Consolidated Statement of Financial Position		
Assets		
Non-current assets	6,124,873	5,838,480
Current assets	32,962,725	30,354,928
Total Assets	39,087,598	36,193,408
Liabilities		
Non-current Liabilities	1,754,481	1,825,221
Current Liabilities	8,140,390	6,363,274
Total Liabilities	9,894,871	8,188,495
Net current assets	24,822,335	23,991,654
Total assets less current liabilities	30,947,208	29,830,134
Net Assets	29,192,727	28,004,913
Total Equity	29,192,727	28,004,913

BUSINESS CYCLE AND SEASONALITY

CALENDAR YEAR



FINANCIAL YEAR



THANKS!

*For more inquires, please contact
ir@honma.hk*

HONMA

