



HONMA Golf Limited

(HKEx Stock Code: 6858)

HONMA Golf Announces Interim Results for FY2023/24 Sustained Net Profit Growth and Robust Cash Flow

(24 November 2023 – Hong Kong) **HONMA Golf Limited** ("HONMA"; together with its subsidiaries, the "Group"; HKEx stock code: 6858), one of the most prestigious golf brands in the world, announces the unaudited consolidated interim results for the six months ended 30 September 2023 (the "Period").

Financial Highlights

- Due to increased market competition and adjustments in consumers' willingness to spend resulted from economic slowdown, total revenue was JPY13,194.8 million (equivalent to USD93.9 million), a decrease of 11.6% versus the same period of FY2022/23
- Net profit for the Period was JPY3,329.5 million (equivalent to USD 23.7 million), an increase of 7.8% versus the same period of FY2022/23. Net profit margin for the Period was 25.2%, up 4.6 ppt YOY.
- Net operating cash flow remained positive and stood at JPY3,251.3 million (equivalent to USD23.1 million) for the Period.
- An interim dividend of JPY1.5 per share represented approximately 27.3% of the Group's distributable profits as at 30 September 2023

Major Achievements

For the six months ended 30 September 2023, the Company steadfastly followed its growth strategies while carefully protecting its financial strength and cash flow by implementing efficiency improvement initiatives through distribution channel and retail operation optimization in the face of challenging market conditions.

As a result, the Company not only achieved sales growth in the apparel business and self-operated channels during the Period, but also recorded strong net profit growth and improved net profit margin, demonstrating the Group's excellent management capabilities and business resilience in a volatile environment.

Steady growth in the Japanese market, adjustments in the Chinese and Korean markets

Geographically, the Group's main markets recorded different sales momentum versus the same period last year. Revenue from Japan and Hong Kong rose by 5.6% and 11.2%, respectively, on the back of a strong rebound in consumer demand, continued marketing activities to drive HONMA brand and product awareness, and successful activation of various HONMA products. Mainland China, on the other hand, showed a revenue decline of 13.0% as the overall economy and retail market experienced significant slowdowns. Korea also recorded a sales decline of 7.0%, reflecting the Group's decision to optimize its distribution network prior to its new products launch in the first quarter of 2024.

Continued growth in the apparel business; Golf club performance hampered by the Chinese market

Product wise, the Group has been actively fostering the growth of the apparel business and shifted channels of the Group's apparel business in China to self-operated stores. During the Period, revenue from apparels rose by 2.1% YOY, in particular, apparel sales from China rose by 21.4%, despite the weak consumer sentiment in China.

Revenue from golf clubs however, showed a decline of 12.5% during the Period, mainly due to a 26.3% decline in China's golf club sales. Nevertheless, revenue from golf clubs in Japan rose significantly by 20.1%. Revenue from specialized models also grew by 34.5% as the younger golfers opted for individualism that has been reflected in specialized models.

Sales from golf balls remained stable and edged lower by only 2.2% following upward retail price adjustment to cope with Japanese Yen depreciation over the past few years.

Extended retail presence with upgrading self-operated stores, while continued with channel adjustment in north America and Europe

From the perspective of channel, the Group continued to maintain an extensive sales and distribution network that allowed it to address a broad customer base in its target markets.

Throughout the Period, the performance of self-operated stores remained strong, posting a steady increase of 13.2% from the six months ended 30 September 2022, mainly due to robust increase in Japan and China by 30.7% and 23.6%, respectively. Revenue from third-party retailers and wholesalers decreased by 22.5% for the same period, primarily due to sales decrease in China owing to challenges the industry was facing as well as channel shifting of the Group's apparel business towards self-

operated channels.

North America and Europe continued to enjoy the largest golfer demographics but with varied market conditions. For the six months ended 30 September 2023, the Group continued to reprioritise its distribution strategy in North America and Europe by focusing on a smaller but premier group of accounts that are most capable to represent HONMA and to pursue the consumers in super-premium and premium-performance segments. At the same time, the Group continued optimising its organisational set up and cost base in both markets to properly anchor their near to mid-term growth amid economic uncertainties.

Following such strategic adjustment, in North America, the Group opened six points of sales (“POS”) and closed 116 points of sale in the six months ended 30 September 2023, hence decreasing its total POSs there to 235 by 30 September 2023. During the Period, in Europe, the Group opened 45 new POSs, leading to a modest POS network of 80 locations.

Pursuing super-premium and premium-performance segments: focusing on club products that exemplify Japanese craftsmanship and world-class innovative technology

During the Period, following the Group's decision to strengthen and focus its product offering on the super-premium and premium-performance consumer segments to increase market penetration, the Group revised its product strategy by enriching its TOUR WORLD club offering to include a performance enhancement series and by upgrading its legacy BERES club family with a modern and sophisticated design and development approach to appeal to today's golfers.

HONMA remains committed to applying cutting-edge technologies and artisan-style Japanese craftsmanship to the design, development and manufacturing of a comprehensive range of exquisitely crafted and performance-driven golf clubs. HONMA applied several of its revolutionary proprietary technologies to the design and development of its latest BERES AIZU and TW757, designed for affluent and avid golfers. The Company aims to launch the next generation of BERES and several new products under Tour World club family in 2024.

Re-defining the HONMA brand and creating a 360-degree brand experience

HONMA initiated various programs to improve its global brand positioning and communication with target consumers. To re-define the HONMA brand as a dynamic, relevant and global brand among internet-savvy younger golfers, HONMA completely revamped its global website and social media platforms while making regular and

frequent visual and content updates to all its digital offerings to continuously promote its brand and product awareness in an effort to appeal to younger golfers. The rapid increase in HONMA's digital communications on both earned and paid media has contributed to continued improvements in the organic traffic, conversion and other digital engagement matrixes such as bounce rate and time on site, among others.

HONMA retained leading design and marketing agencies to renovate its retail space so as to provide the ultimate brand experience and a customizable consumer journey in major markets. For the six months ended 30 September 2023, HONMA opened 11 new stores in China, and one in other areas of Asia, consistently applying the new retail visual identity, design concept and consumer experience elements using advanced technology. HONMA also upgraded multiple shop-in-shops in the US, Japan and China using the same design concept to ultimately present the same consumer space and experience in all of its major markets.

Business Outlook

Moving forward, the Group will continue executing its long-term growth strategies to build a world-leading golf lifestyle company leveraging HONMA's brand legacy, its expanding distribution network and innovative technologies and traditional Japanese craftsmanship.

The Group will also continue to improve and transform HONMA brand value into customer loyalty by multiple branding and marketing strategies; 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; anchor sustainable growth in North America and Europe based on the updated product and distribution strategy; nurture complementary non-club product lines to provide customers with a complete golf lifestyle experience; and continue product innovation and development to cater for the latest market trends.

Mr. LIU Jianguo, Chairman of the Board, President and Executive Director of HONMA Golf Limited, said: "Although multiple challenges remain in the second half of the fiscal year, we are confident to mitigate the adverse impacts of such uncertainties and will seize every possible opportunity to propel growth, preserve cash, and optimise operational efficiencies in order to foster a solid foundation for the mid- and long-term development with respect to our brand, products, distribution channel, employees and supply chain. We endeavour to promote sustainable business development and strive to create long-term value for all of our shareholders."

–End–

About HONMA Golf Limited

HONMA is one of the most prestigious and iconic brands in the golf industry. Founded in 1959, the Group utilises the latest innovative technologies and traditional Japanese craftsmanship to provide golfers around the world with premium, high-tech and the best performing golf clubs, balls, apparels and accessories. HONMA's products are sold in approximately 50 countries worldwide, primarily in Asia and across North America, Europe and other regions. The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 6 October 2016 (SEHK stock code: 6858). As the only vertically integrated golf Group with in-house design, development and manufacturing capabilities, a strong retail footprint in Asia and a diverse range of golf clubs and golf-related products, HONMA is perfectly positioned to continually grow its business in Asia and beyond, benefitting from the return of golfers in mature golf markets such as the US and Japan and from increased participation in golf's new and under-penetrated markets such as Korea and China.

Media Inquiries:

Citigate Dewe Rogerson

Linda Pui / Samantha Wang

Tel: (852) 3103 0118/ (852) 3103 0125

Email: honmagolf@citigatedewerogerson.com