

HONMA Golf

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

November 2016



HONMA[®]

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1

Financial Summary

2

Company Overview and Recent Development

3

Business Outlook and Growth Strategy



SECTION 1 |
Financial Summary

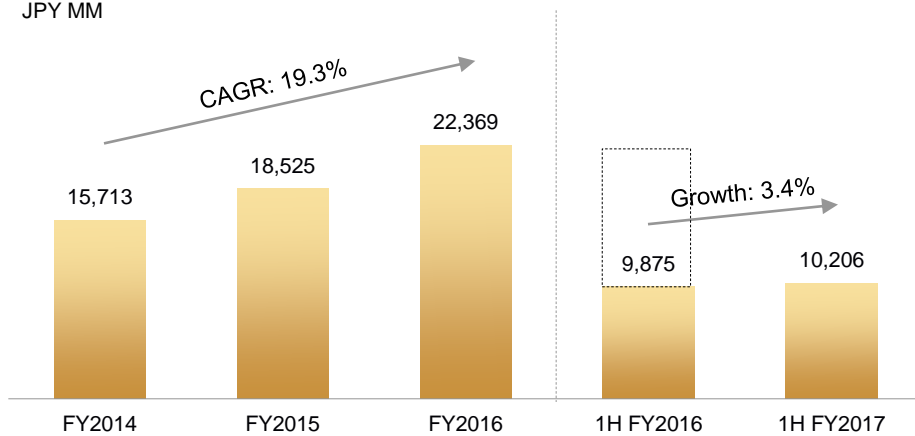


Financial Summary



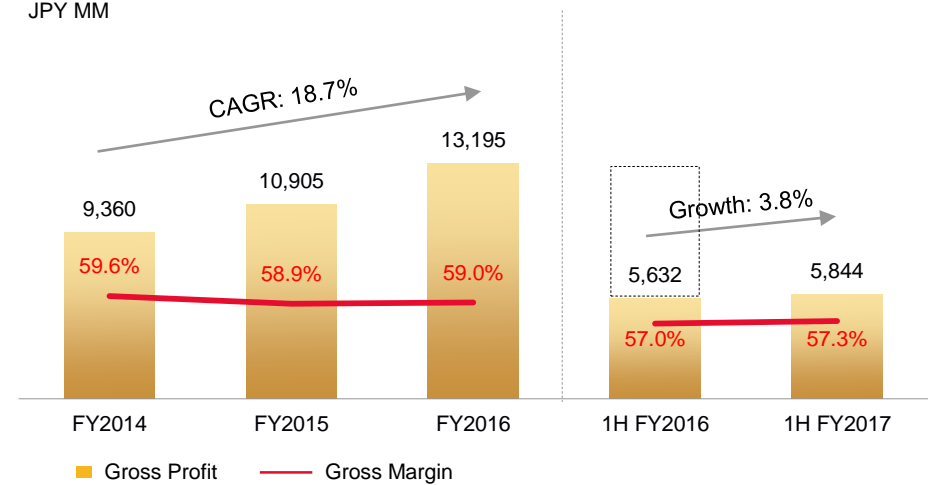
Revenue

JPY MM



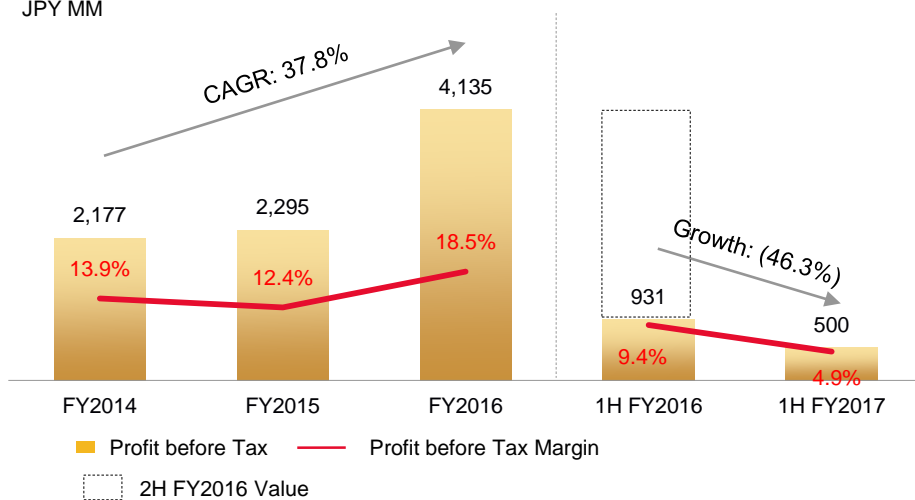
Gross Profit

JPY MM



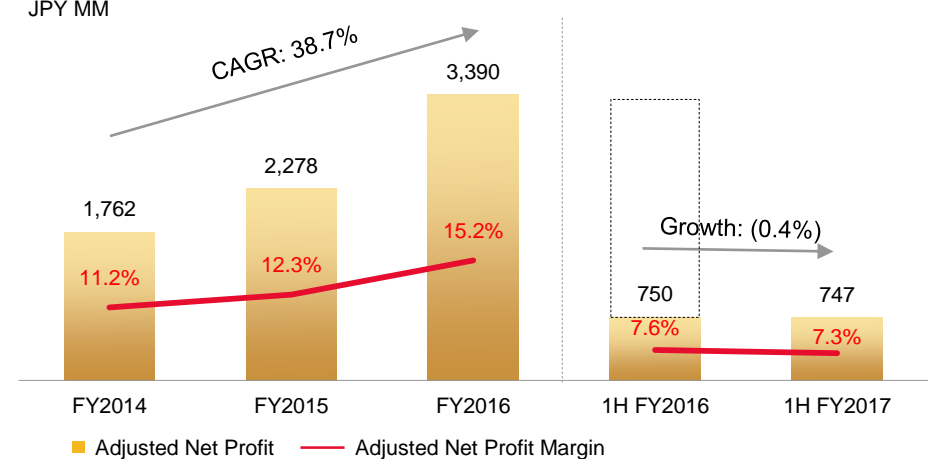
Profit before Tax

JPY MM



Adjusted Net Profit ⁽¹⁾

JPY MM



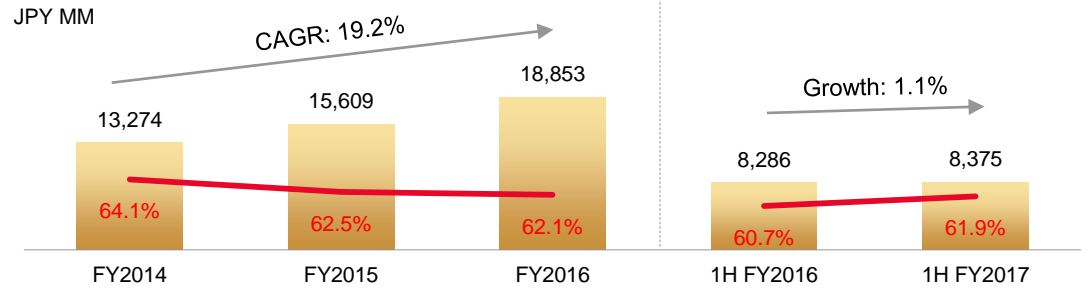
Note

1. Adjusted net profit is derived from net profit by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses, (iv) adding expenses related to restricted share units ("RSU") and (v) adding impact on tax

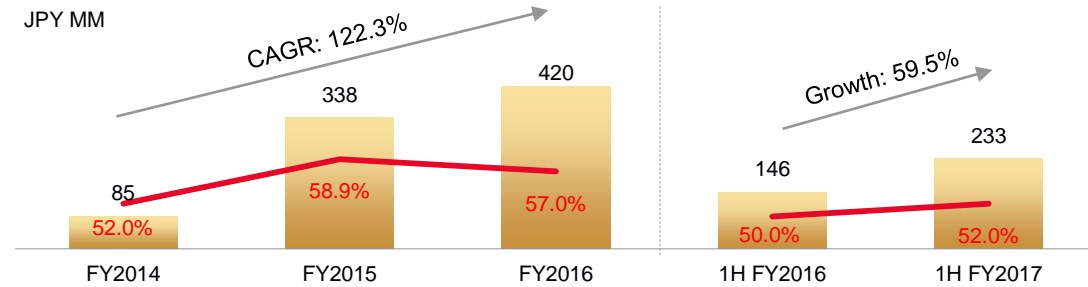
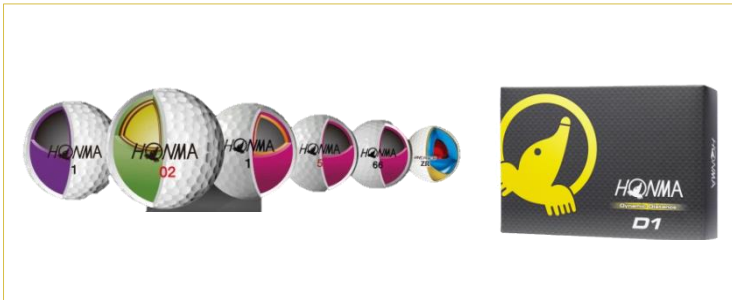


Revenue and Gross Profit by Product

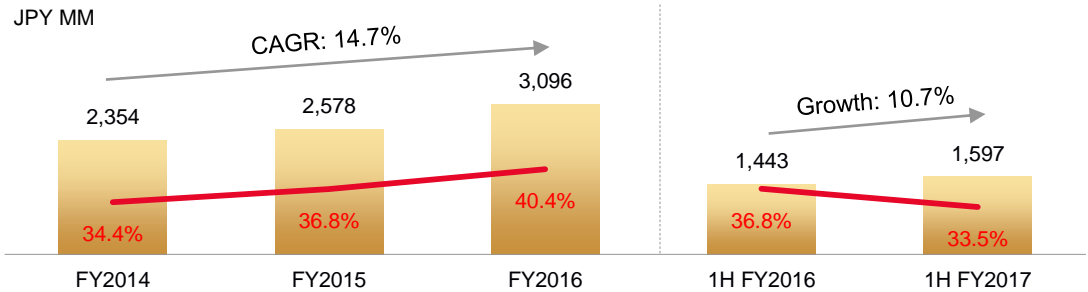
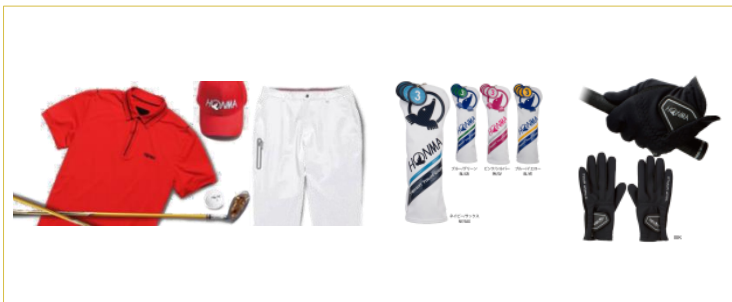
Golf Clubs



Golf Balls

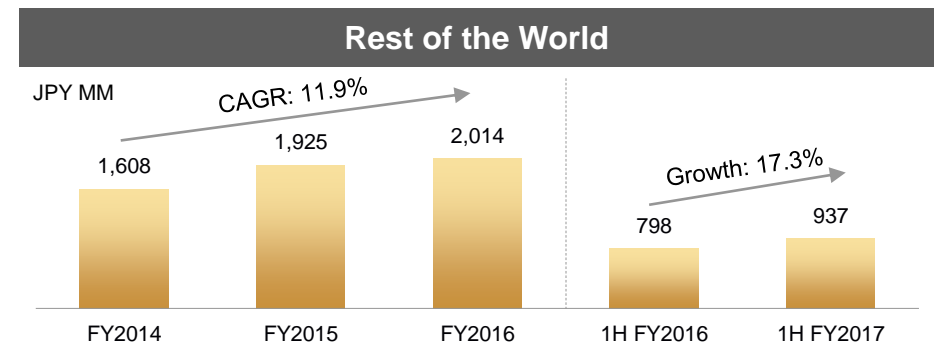
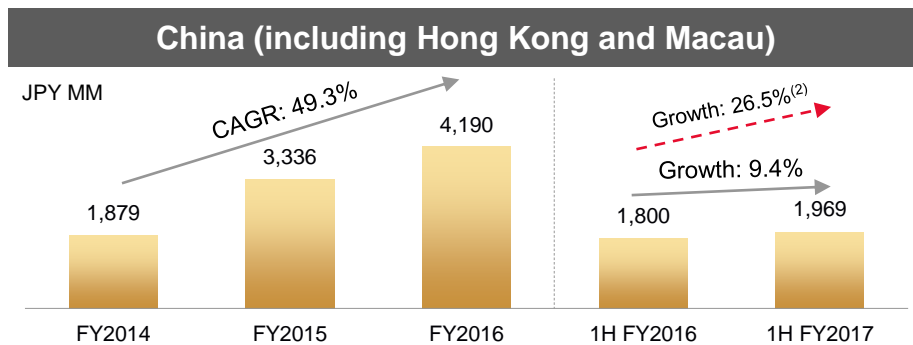
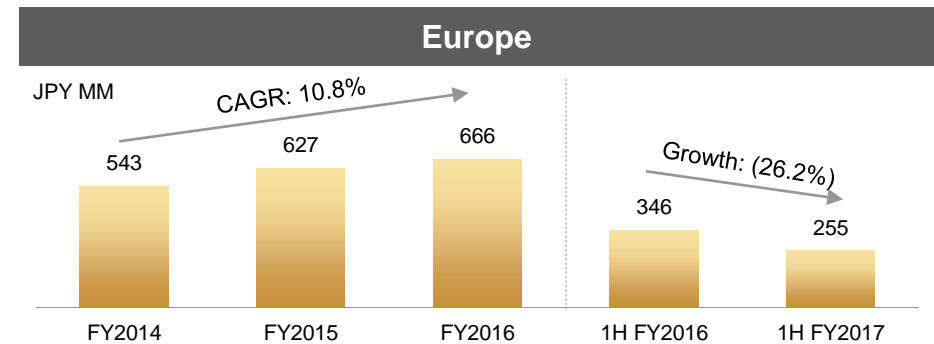
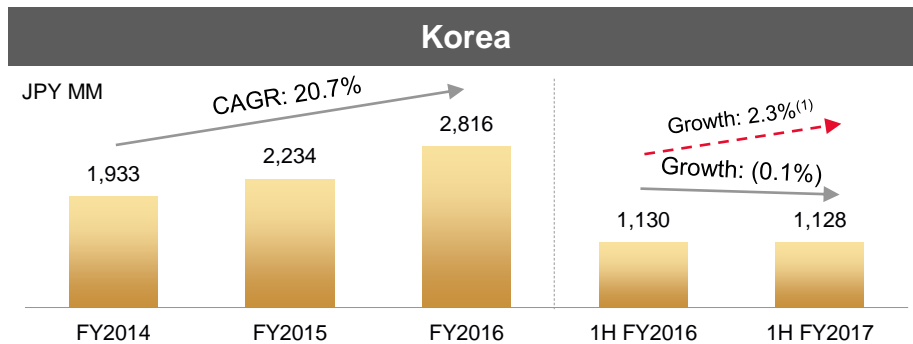
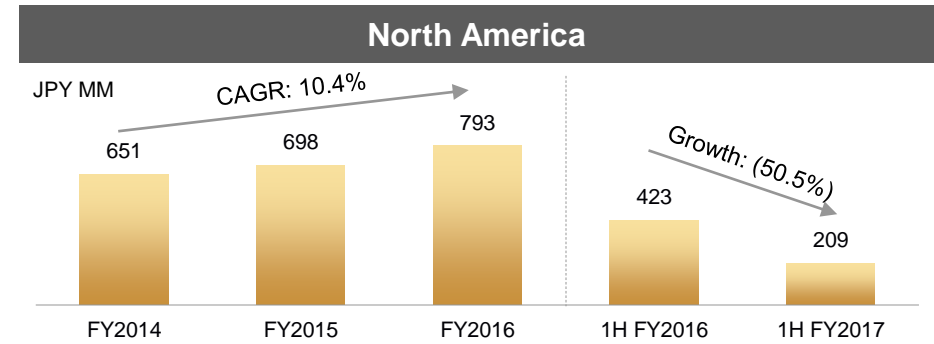
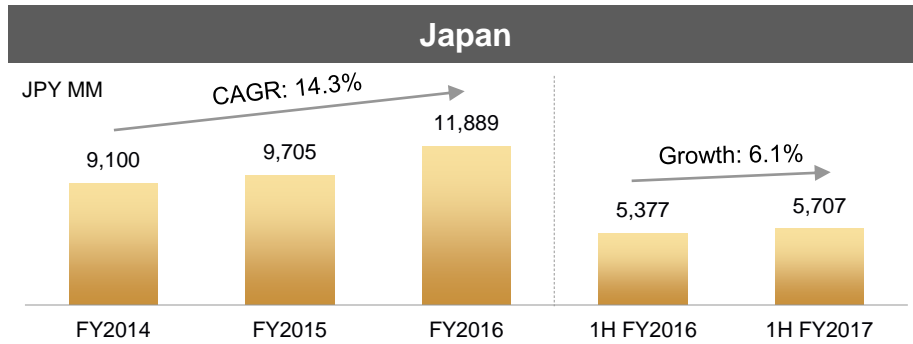


Apparels, Accessories and Others



■ Revenue — Gross Margin

Revenue by Geography

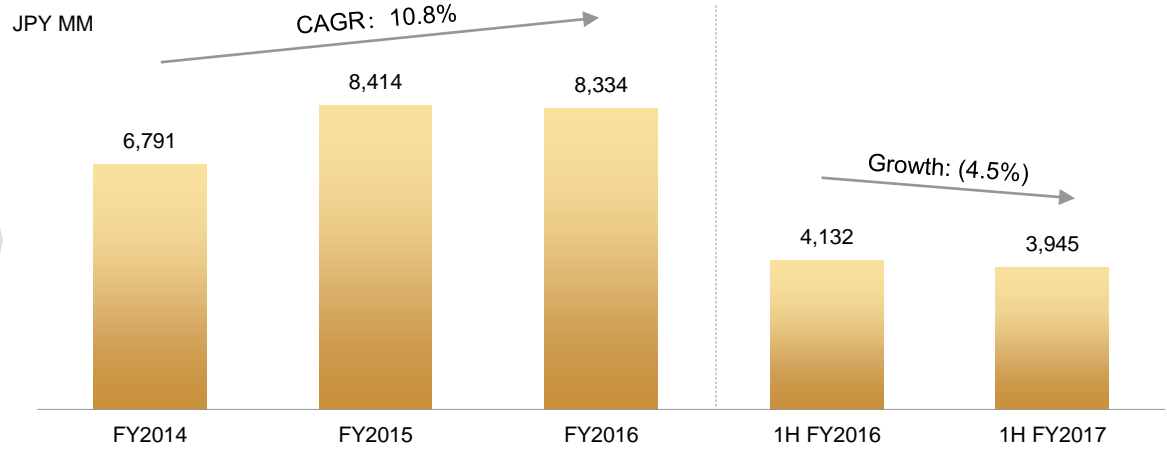


Notes

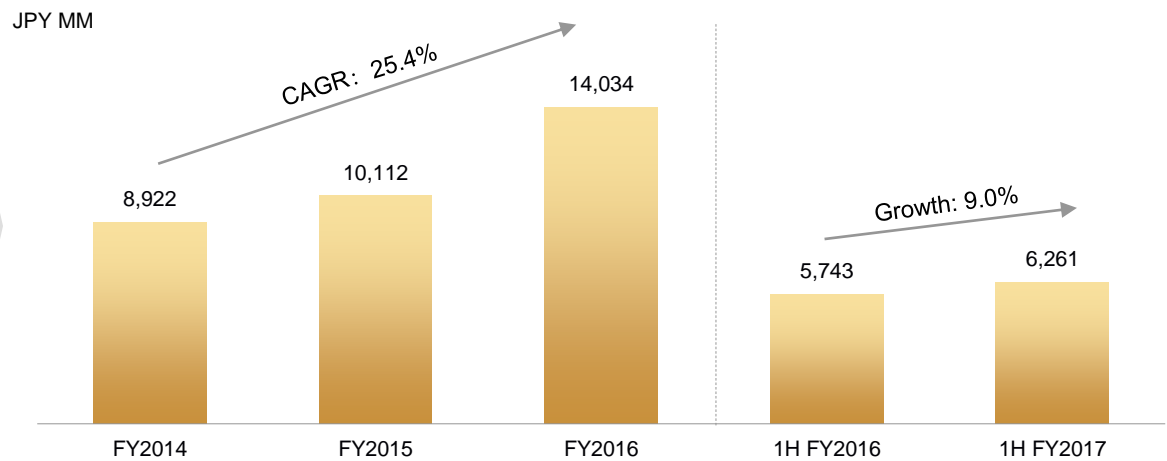
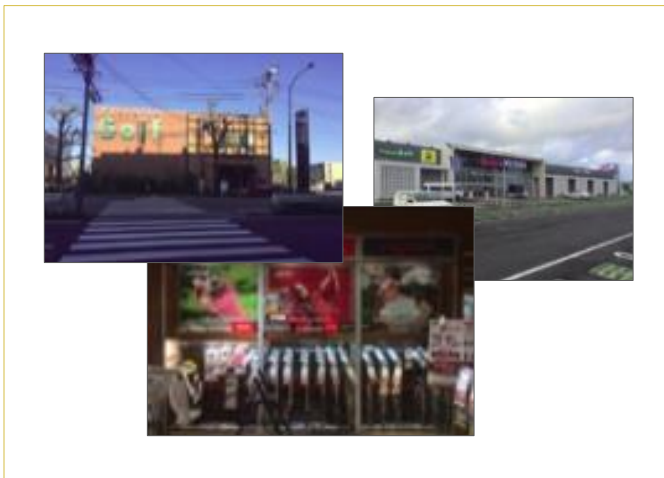
1. On a constant currency basis, revenue for Korea increased by 2.3% from the six months ended 30 September 2015 to the six months ended 30 September 2016
2. On a constant currency basis, revenue for China (including Hong Kong and Macau) increased by 26.5% from the six months ended 30 September 2015 to the six months ended 30 September 2016

Revenue by Channel

Self-operated Stores



Distributors⁽¹⁾



Note

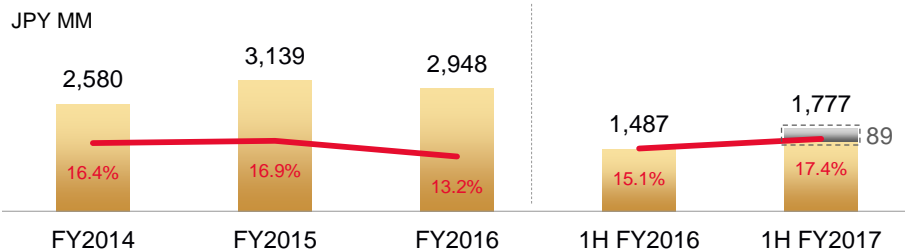
1. include (a) direct third-party retailers, including sports megastores, and (b) wholesale distributors that on-sell our products to other third parties

Selling and Administrative Expenses

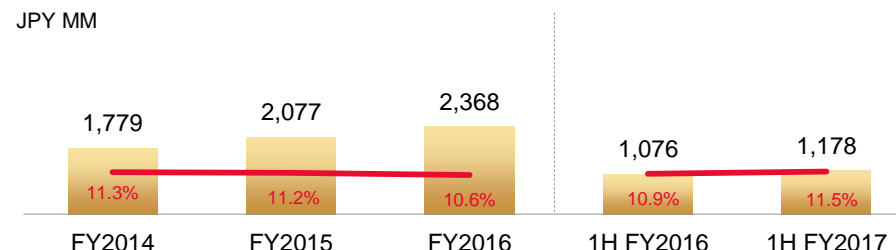


Selling and Distribution Expenses

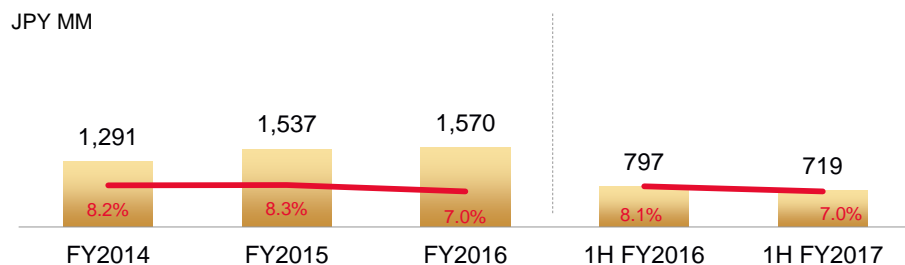
Employee Benefits⁽¹⁾



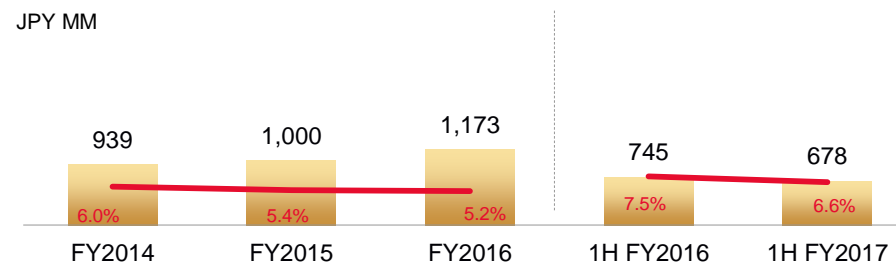
A&P Expenses



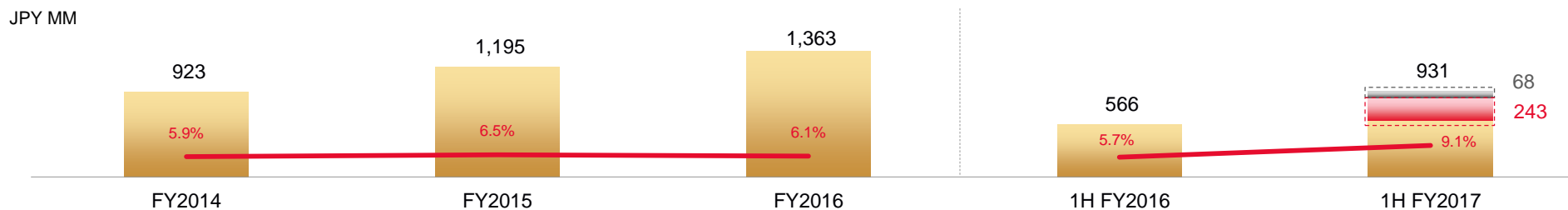
Rental Fees



Other Selling Expenses



Administrative Expenses



— As a % of Revenue ■ Listing Expense ■ RSU Expenses⁽²⁾ ■ Non-RSU/Non-listing Related Expenses

Notes

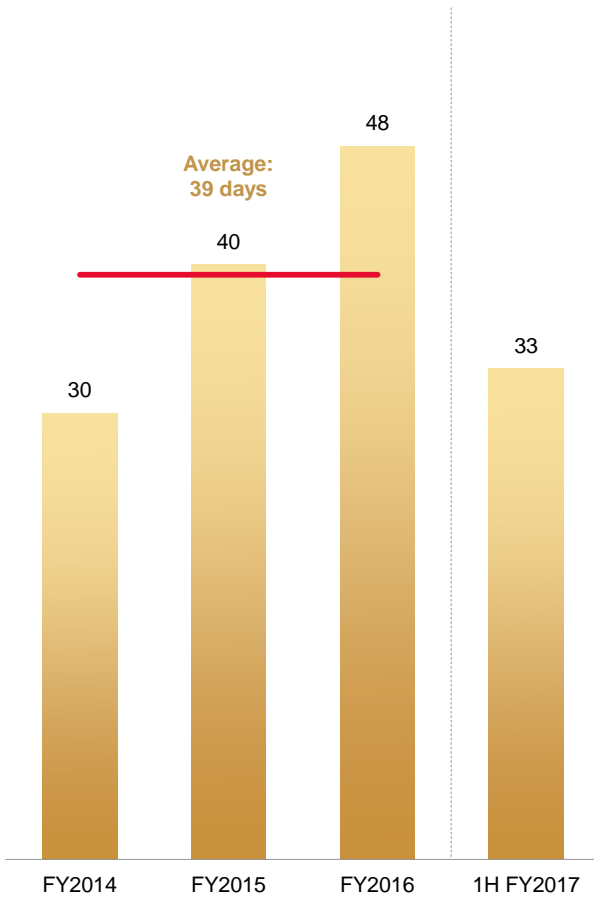
1. Represents benefits for sales and marketing personnel
2. The Group adopted its RSU scheme in October 2015 to incentivize its directors, management and eligible employees. The Group recognized RSU expenses of JPY166.2 million during the six months ended 30 September 2016, including JPY88.8 million for sales and marketing personnel and JPY67.9 million for administrative personnel



Working Capital Turnover Analysis (1)

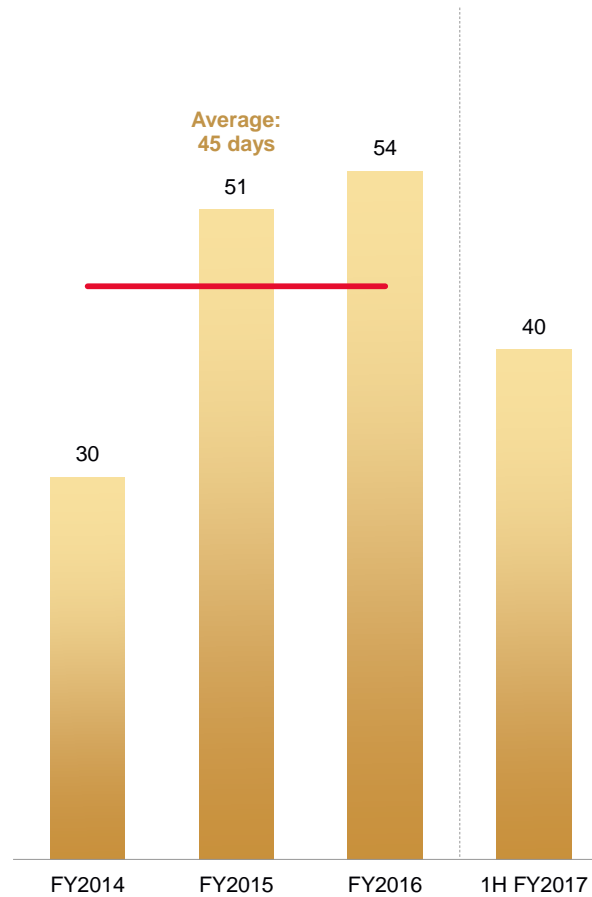
Receivables Turnover Days (2)

(Days)



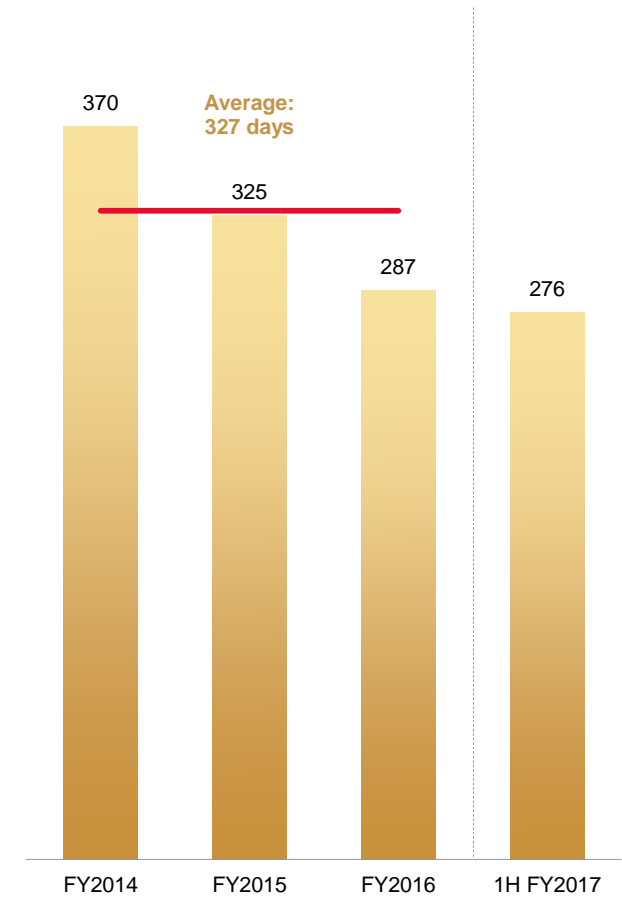
Payables Turnover Days (3)

(Days)



Inventory Turnover Days (4)

(Days)



Notes

1. FY2014 to FY2016 turnover days are calculated using the average of the opening and closing balance of the relevant periods
2. 1H FY2017 Trade and bills receivables turnover days are calculated using the closing balance of trade and bills receivables for a twelve-month period divided by revenue for the relevant twelve-month period and multiplied by 365 days
3. 1H FY2017 Trade and bills payables turnover days are calculated using the closing balance of trade and bills payables for a twelve-month period divided by cost of sales for the relevant twelve-month period and multiplied by 365 days
4. 1H FY2017 Inventories turnover days are calculated using the closing balance of inventories for a twelve-month period divided by cost of sales for the relevant twelve-month period and multiplied by 365 days

SECTION 2 |
Company Overview &
Recent Development



Company Vision: To Build a Centurial and World-leading Golf Lifestyle Company on the Foundation of Our Craftsmanship Heritage

- 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
 - One of the longest histories among brands dedicated to golf, dating back nearly 60 years to 1959
 - Mission to create aspirational yet accessible golf products of exquisite quality and outstanding performance that appeal to a large and diverse customer base
- Number one brand for premium golf clubs in the world ⁽¹⁾⁽²⁾
- Products currently sold in approximately 50 countries worldwide, through self-operated stores and distributors
- On October 6, 2016, HONMA successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (6858.HK)



✓ Deeply rooted brand history and craftsmanship heritage

✓ Japanese origins with rapid global expansion

✓ Dedication to R&D, product quality and performance excellence

✓ Unique vertically integrated business model

✓ Industry leading growth and profitability

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. In terms of retail sales value in 2015. According to Frost & Sullivan



Product Portfolio

Extensive Range of HONMA-branded Golf Clubs, Golf Balls, Apparel, Accessories and Other Related Products, Providing Customers with a Complete Golf Lifestyle Experience

Golf Balls

2.3% ⁽¹⁾



Technically-advanced multilayer golf balls targeting premium market

Golf Clubs

82.1% ⁽¹⁾



Golf clubs under four major product families, namely BERES, TOUR WORLD, Be ZEAL and G1X, each targeting specific consumer segments

Apparels, accessories and other related products ⁽²⁾

15.7% ⁽¹⁾



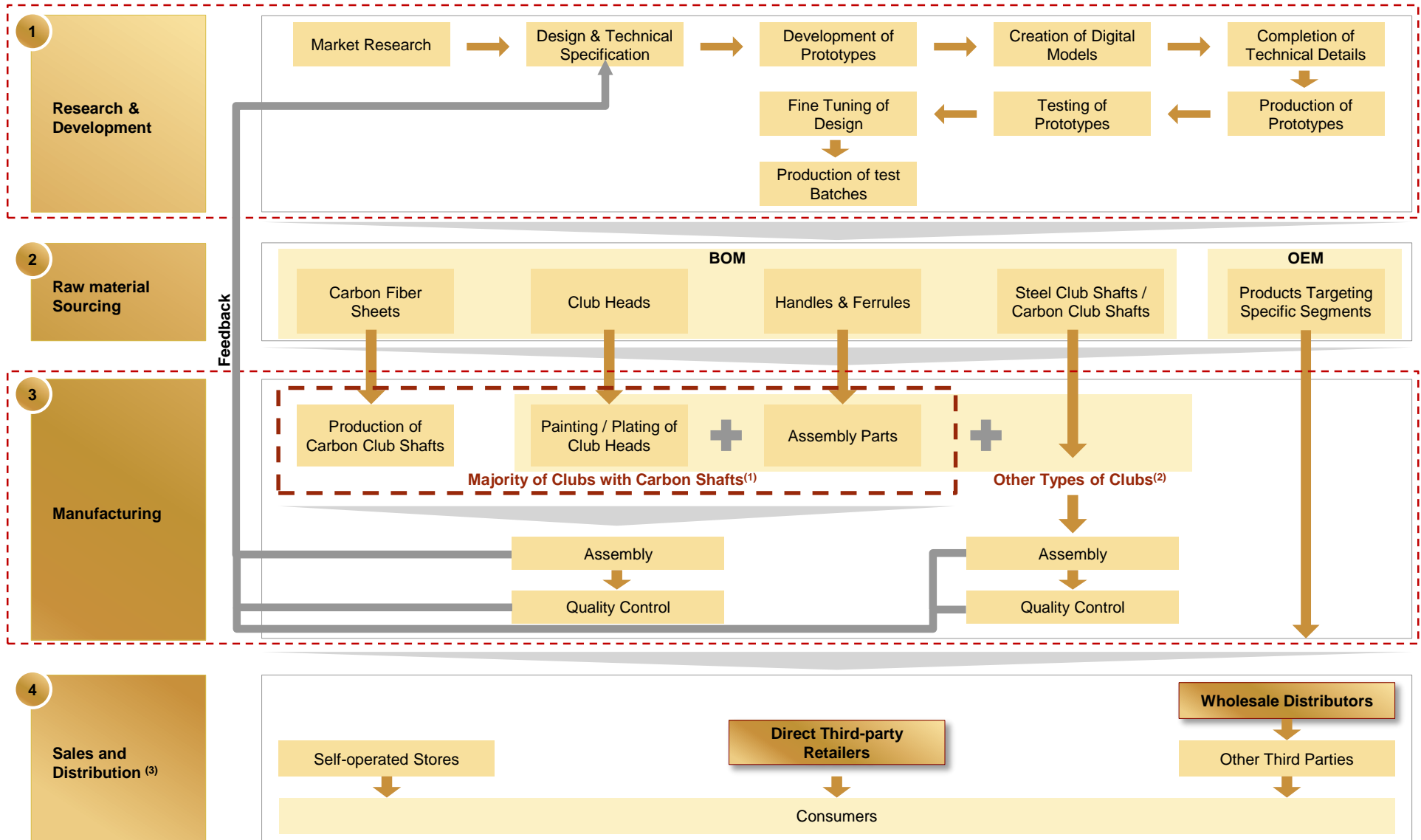
Extensive range of golf apparels and other accessories



Notes

1. Revenue breakdown for the six months ended 30 September 2016
2. Include apparels, golf bags, golf club head covers, footwear, gloves, headwear and other golf-related accessories

Vertically Integrated Business Model



Notes

1. We procure carbon fiber sheets to manufacture carbon shafts and procure a vast majority of carbon shaft clubs with other parts sourced from BOM suppliers
2. We procure other types of shafts (including a limited number of carbon shafts) and assemble the procured parts to produce other types of clubs
3. Our distributors include (a) direct third-part retailer, including sports megastores, and (b) wholesale distributors that on-sell our products to other third parties



Sales and Distribution Network

Self-operated Stores



- 96 HONMA branded self-operated stores (as of September 30, 2016)



- The largest number of self-operated stores among major golf products companies



- Provide a bespoke "HONMA shopping experience" to customers

Distributors⁽¹⁾



- 2,000+ distributors

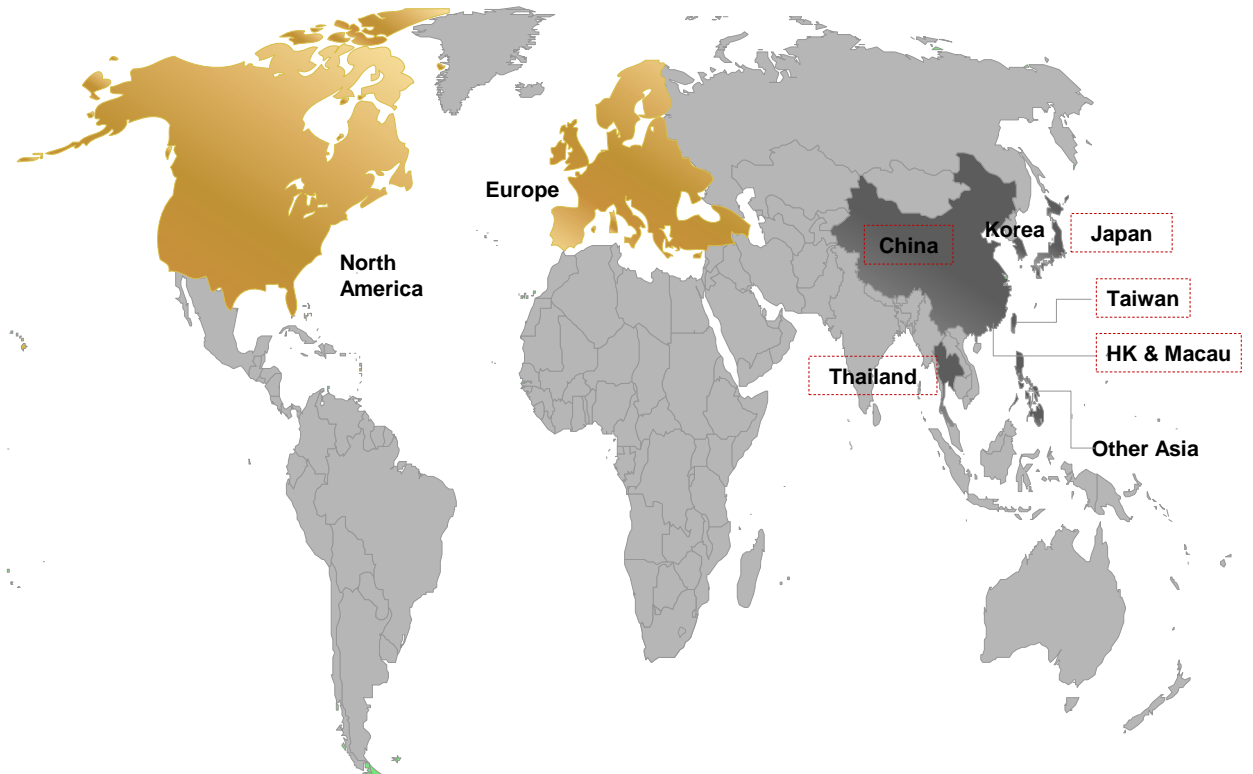


- In Japan, primarily sell products to direct third party retailers, including sports megastores, such as Xebio Group and Nikigolf



- Outside of Japan, generally sells products to wholesale distributors who then resell to other third parties

Global Sales and Distribution Network – Products Sold in ~50 Countries



■ Predominantly Distributorship Model

■ Self-operated Stores + Distributorship Model

□ Local Subsidiaries

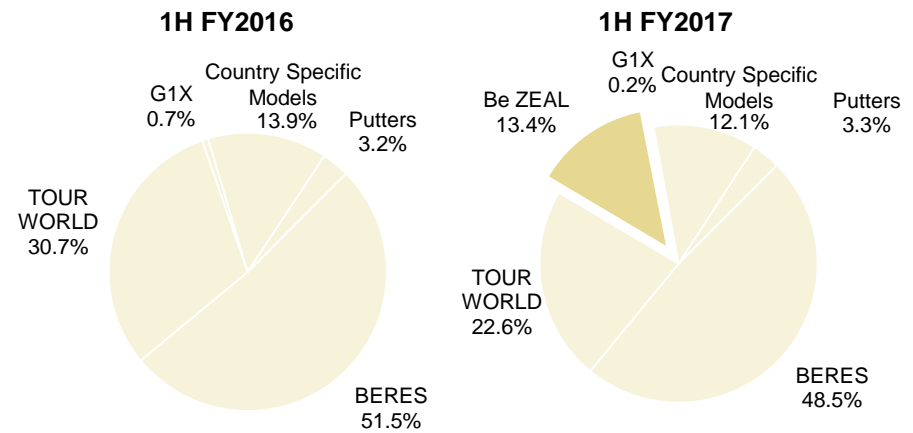
Note

1. include (a) direct third-party retailers, including sports megastores, and (b) wholesale distributors that on-sell our products to other third parties

Marketing Be ZEAL Golf Clubs



Be ZEAL Revenue Contribution (1)



✓ Launched in January 2016

✓ Tap into a new and high growth key customer segment

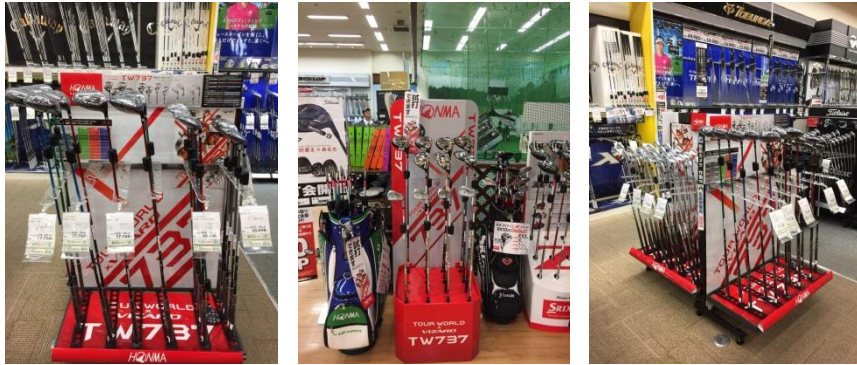
✓ Key revenue growth driver in 1H FY2017

Notes
1. Of total golf clubs revenue



Recent Developments (cont'd)

Developing TW737 Golf Clubs



The third generation of TOUR WORLD family of golf clubs



Launched in October 2016



Engineered to meet the needs of avid golf enthusiasts



Tested by members of TEAM HONMA as well as key retailers

Cooperating With Sports Megastores



Efficient way to reach a diverse customer base in existing geographic markets and expand into new markets



Aim to (i) deliver door expansion and SSSG within existing whole sale channels and (ii) identify and cooperate with new distributors

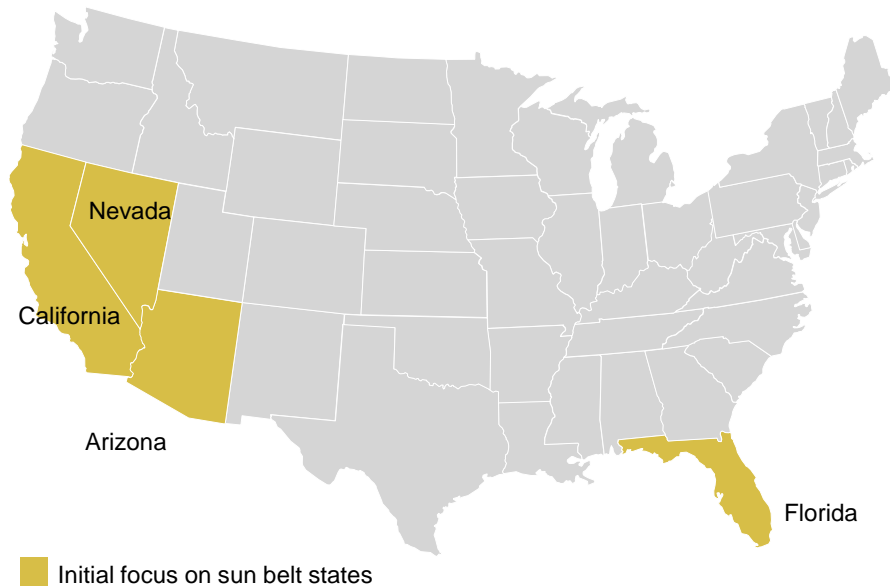


of individual sports megastores in distribution network increased from 870 as of March 31, 2016 to 899 as of September 30, 2016



Recent Developments (cont'd)

Implementing US Business Development Plan (the "U.S. Plan")



Completed the U.S Plan with the assistance of a U.S. consulting firm in April 2016 and began execution



Recruited local management team and expanded sales force with an initial focus on sun belt states



Activated sales with several big box retailers, green grass as well as fitting accounts



Completed first major product shipment in Nov 2016 on the back of a strong local marketing campaign



SECTION 3 |
Business Outlook &
Growth Strategy

Key Industry Trends

New Markets and Demographics

“Lifestyle Sport” Proposition

New Generation of Professional Golfers

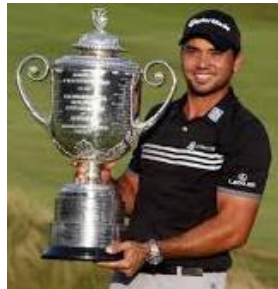
Golf’s Return to the Olympic Games

Expansion of Retail Channels

Technological Innovation

Viewership Across Major Golf Championships

- Viewership across all major golf championships increased significantly in 2015. Fans closely followed Jordan Spieth and Rory McIlroy’s competition for the #1 world ranking while also paying close attention to the performance of rising star Jason Day



Jason Day



Jordan Spieth



Rory McIlroy

TEAM HONMA Player Shan Shan Feng Won Bronze Medal in the 2016 Olympics





Growth Strategies

1

Tap into Adjacent Consumer Segments by Continuing to Optimize Our Product Mix

2

Continue Product Innovation and Development to Cater to Evolving Industry Trends

3

Further Increase Market Share and Enhance Brand Awareness in Existing Markets



4

Penetrate New Markets in North America and Europe, Particularly the US and UK

5

Continue to Invest in the Marketing and Promotion of Our HONMA Brand

6

Continue to Increase Operational Efficiency and Optimize Cost Structure

7

Provide Customers with a Complete Golf Lifestyle Experience by Growing Complementary Product Lines

APPENDIX



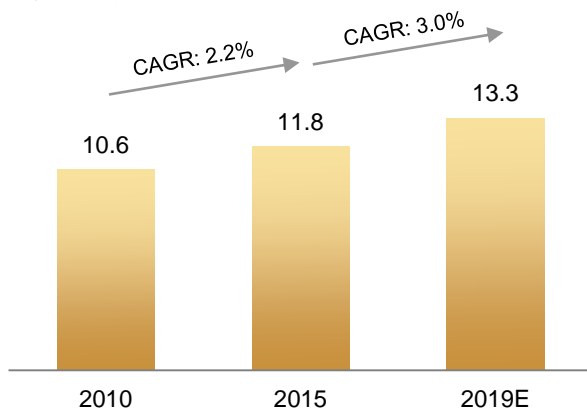
Golf Products Industry Overview



Golf is a sport which boasts worldwide popularity and is enjoyed by millions globally

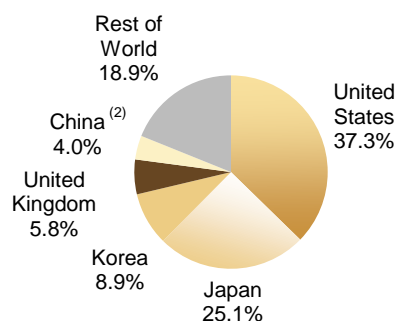
Global Retail Sales Value

(US\$ Bn)



Breakdown by Region (1)

2015



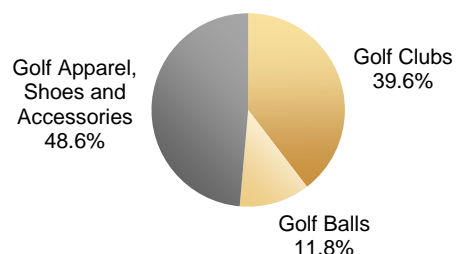
Top Premium Golf Club Brands (1)

2015

Rank	Brand/Company	Market Share
1	HONMA	22.6%
2	Company F	12.5%
3	Company D	10.3%
4	Company A	9.9%
5	Company C	9.4%
6	Company B	6.1%
7	Company G	5.1%
8	Company J	4.8%
9	Company K	3.3%
10	Company L	2.2%

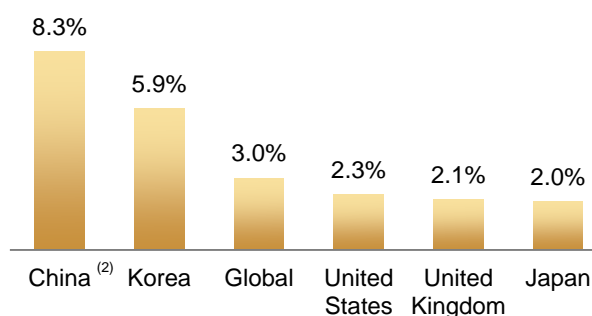
Breakdown by Product Type (1)

2015



Growth Comparison by Region (1)

2015-2019E CAGR



Top Golf Club Brands (1)

2015

Rank	Brand/Company	Market Share	YoY Sales Growth
1	Company C	15.1%	1.7%
2	Company B	14.1%	(4.0%)
3	Company A	11.2%	3.8%
4	Company F	9.9%	3.7%
5	Company D	8.5%	1.3%
6	HONMA	5.7%	16.8%
7	Company G	3.9%	4.0%
8	Company I	3.1%	1.5%
9	Company H	2.7%	2.5%
10	Company E	2.6%	4.4%

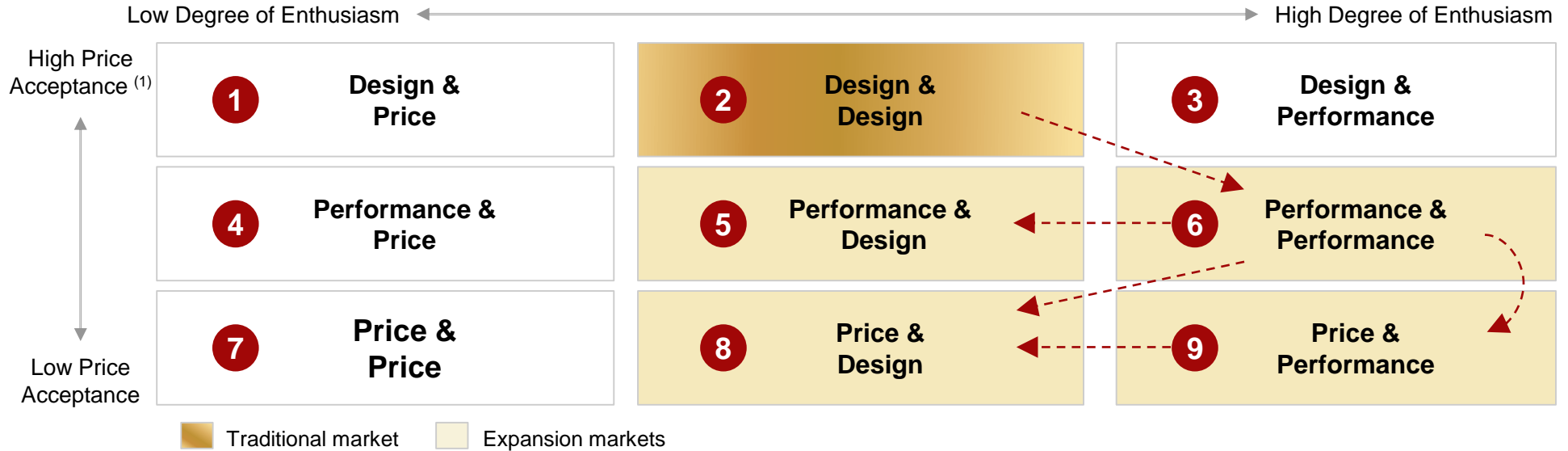
Source Frost & Sullivan Report

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

Nine Key Segments – Golf Industry Analysis

Golf Market Categorization



Segment 2	Segment 6	Segment 5	Segments 8 & 9
 • Traditional premium series 	 • First introduced in Feb 2013 	 • First introduced in Jan 2016 	 • First introduced in Jul 2015

Note

1. High Price: Woods > US\$780, Irons > US\$240; Middle Price: US\$480 ≤ Woods ≤ US\$780, US\$195 ≤ Irons ≤ US\$240; Low Price: Woods < US\$480, Irons < US\$195

Nine Key Segments – Golf Industry Analysis (cont'd)



Nine Segment Breakdown by Region by Retail Sales Value in 2015



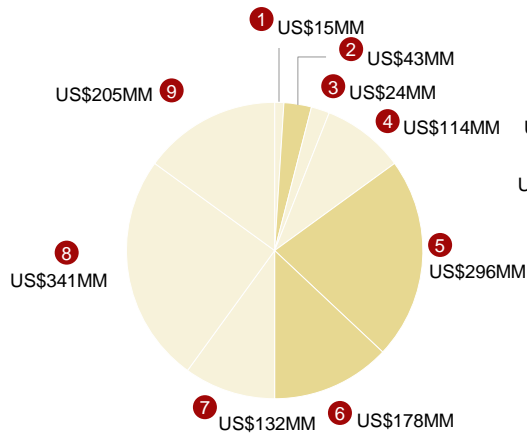
- Mature and professional golf players
- Favored higher priced, premium brands

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

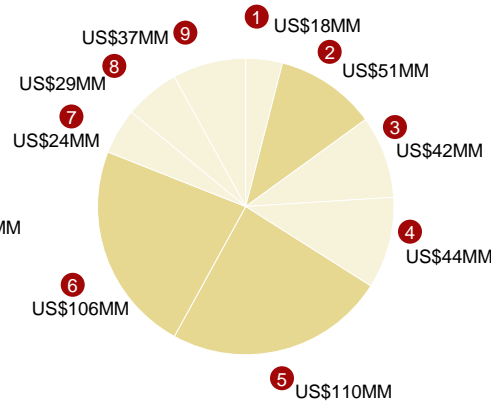
- Average skill levels of golf players gradually improve
- Expected to witness shift in segment market representation

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

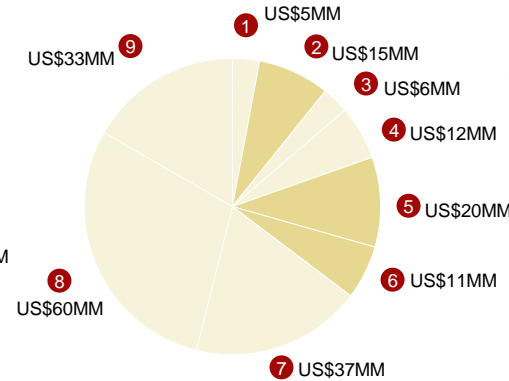
Total Market Size **US\$1,346MM**



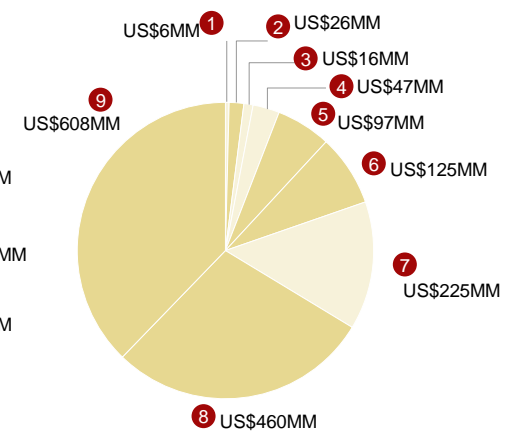
Total Market Size **US\$461MM**



Total Market Size **US\$200MM**



Total Market Size **US\$1,608MM**

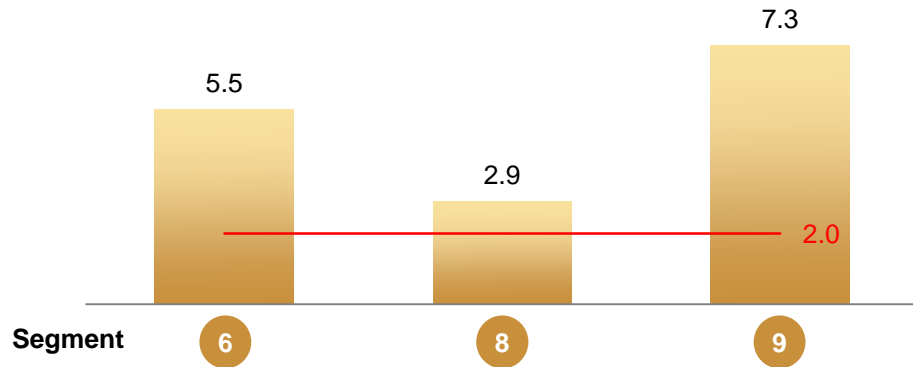




Nine Key Segments – Golf Industry Analysis (cont'd)

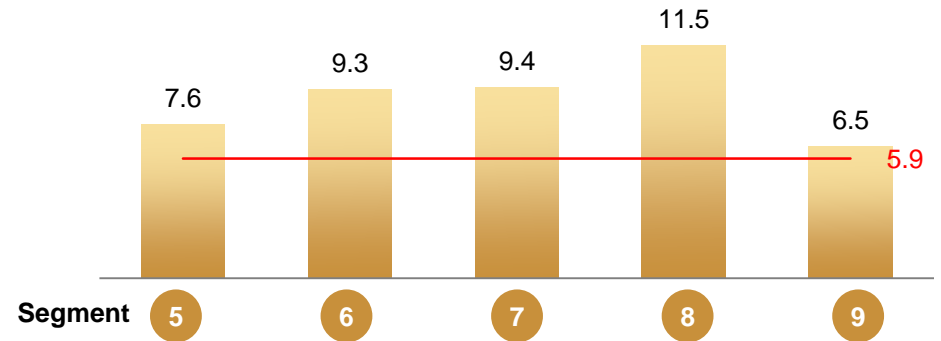
Japan

2015–2019 CAGR (%)



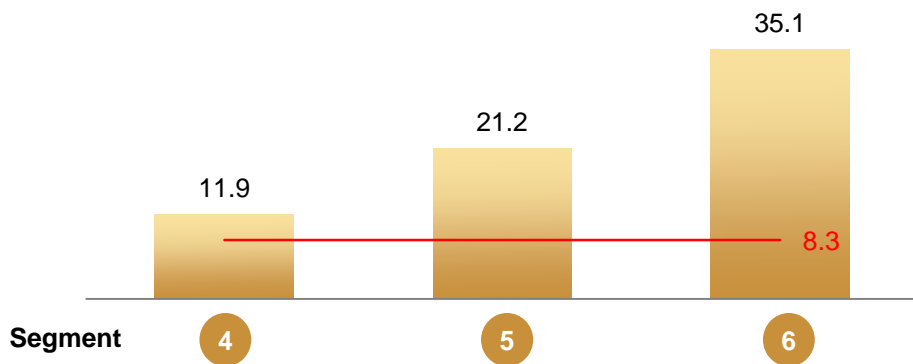
Korea

2015–2019 CAGR (%)



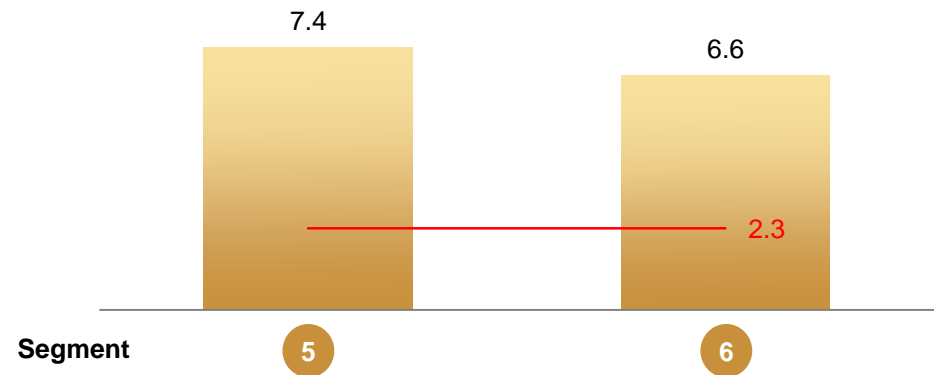
China

2015–2019 CAGR (%)



US

2015–2019 CAGR (%)







— Overall Growth Rate

Source Frost & Sullivan Report

Families of Golf Clubs



Comprehensive Selection of Golf Clubs

Product Series	BERES	TOUR WORLD	Be ZEAL	G1X
Product Series				
Target Segment	• Segment 2	• Segment 6	• Segment 5	• Segment 8 & 9
Launch Date	• Latest BERES 05 series introduced in January 2016	• First introduced in February 2013 • Latest TW737 series introduced in October 2016	• First introduced in January 2016	• First introduced in July 2015
Product Positioning	• Characterized by artistic designs that project a sensuous and refined image	• Delivers the high-level performance required by skilled golfers and professional golf players	• Combines ease-of-play with a fashionable appearance, and designed for players who aim to enhance performance	• Offers the quality design and high performance of HONMA golf clubs at relatively lower prices • Developed to target the North American and European markets
Retail Price Point ⁽¹⁾	• JPY35K to JPY500K (US\$336 to US\$4,797)	• JPY19K to JPY80K (US\$182 to US\$768)	• JPY19K to JPY80K (US\$182 to US\$768)	• US\$100 to US\$430
Revenue Contribution ⁽²⁾	• 51.5% (1H FY2016) • 48.5% (1H FY2017)	• 30.7% (1H FY2016) • 22.6% (1H FY2017)	• - (1H FY2016) • 13.4% (1H FY2017)	• 0.6% (1H FY2016) • 0.2% (1H FY2017)
Gross Margin	• 64.7% (1H FY2016) • 67.5% (1H FY2017)	• 53.0% (1H FY2016) • 50.5% (1H FY2017)	• - (1H FY2016) • 58.1% (1H FY2017)	• 51.5% (1H FY2016) • 53.8% (1H FY2017)

Note

1. Recommended retail prices for latest series
2. Of total golf clubs revenue

A green-tinted image of a hand holding a lightbulb, symbolizing an idea or innovation. The hand is positioned on the left, with fingers wrapped around the base of the bulb. The bulb is on the right, with a visible filament. The entire scene is set against a background of a lush green lawn.

THANKS

