



HONMA Golf Limited

本間高爾夫有限公司

(HKEx Stock Code: 6858)

HONMA Golf Announces FY2019/20 Annual Results Double digit growth in sales from Korea, Europe and golf ball despite COVID-19 impact Q1FY2021 shows strong recovery in Asia Declares Final Dividend of JPY1.50 Per Share

(15 June 2020 – Hong Kong) HONMA Golf Limited (“HONMA” or the “Company”; together with its subsidiaries, the “Group”; HKEx stock code: 6858), one of the most prestigious and iconic brands in the golf industry, has announced its consolidated results for the year ended 31 March 2020 (the “period”).

During the period, the Company delivered strong results and was expecting a good finish to the year until COVID-19 struck its supply base in China and then key markets in Asia, North America and Europe. As a result, full year revenue declined by 13.9% from the same period last year to JPY23,787.2 million (equivalent to USD217.5 million) based on comparable currency. Among its major markets, Korea and Europe grew by 13.6% and 15.2% respectively, reconfirming HONMA’s product offering and brand recognition remained strong and resilient. Excluding China and Japan whose economies were affected for most of the fourth quarter of the year ended 31 March 2020, full year revenue increased by 7.9%.

Due to negative impact from COVID-19 on the Company’s supply base and retail activation of its main club products that were launched in December 2019 and January 2020, full year sales from golf clubs was down by 15.8%. Nevertheless, North America and Europe witnessed a rock solid full year sales growth of 51.6% and 73.3% from the TOUR WORLD club family, the product that was designed for consumers in the premium performance segment.

While golf clubs accounted for 79% of the Group’s total revenue, HONMA continued accelerating sales growth in golf balls while relaunching its apparel business to create a comprehensive range of products for its customers. Revenue from golf balls rose by 22.5% year-on-year (“YoY”), and its apparel business grew by 0.7% with sales in Japan and Korea growing by 19.0% and 125.7% YoY, respectively in spite of negative impacts from the pandemic.

The Group's gross profit margin decreased by 6.9 percentage points YoY. This was primarily due to negative impact of COVID-19 on the product lifecycle as the Company was unable to launch to the full-fledge two of its main golf club products before the end of the year.

In spite of the mounting challenges posed by COVID-19 on the global economy and business environment, the Company remained profitable on an operating level and reported a pretax operating profit of JPY405.1 million. Net loss for the period was JPY732.4 million which included a one off foreign exchange revaluation loss of JPY574.2 million.

The Board proposed the payment of a final dividend of JPY1.50 per share, together with the special dividend of JPY8.21 per share paid on 2 September 2019 and the interim dividend of JPY1.64 per share. Total dividends for the financial year will amount to JPY11.35 per share, with a total dividend payout ratio of 49.4%.

Re-defining the HONMA brand

To re-define the HONMA brand as a dynamic, relevant and global golf brand among internet-savvy younger golfers and create an end-to-end digital ecosystem around the re-defined brand and attract golfers in the super-premium and premium performance segments, the Company took several steps to improve its global brand positioning and communication. These steps included revamping its global website and social media platform, which helped HONMA generate month-on-month growth in organic traffic, conversion and other digital engagement matrixes.

The Group also started upgrading its customer relationship management ("CRM") systems and added various e-commerce capabilities and consumer-centric tools in key markets such as Japan, China and the US, to provide consumers with the ultimate 360-degree brand experience, to strengthen its direct to consumer distribution model and to eventually increase sales both online and offline.

Continued business expansion in North America and Europe

During the period, the Company continued to execute its direct-to-consumer distribution model. It boosted its store presence with HONMA-branded displays at 40+ retail locations in North America. At the same time, the Group pivoted to a mobile fitting van program, bringing the HONMA fitting experience to our customers' home courses. The Company had 9 mobile fitting vans in January 2020 and intends to expand this to 14 in the summer 2020.

Furthermore, the Company launched a brand-new e-commerce website in mid-April 2019 and implemented various digital marketing efforts to drive website traffic and target potential shoppers through re-targeting efforts on social media and search engine marketing. For the year ended 31 March 2020, 566,664 users visited the site and the

average order value of more than one thousand US dollar. This trend in e-commerce sales continued into April 2020, albeit negative impact of COVID-19. The strong start in April also highlights the success of brand building and consumer interest in HONMA in its second year of North American expansion. HONMA is confident that its strategy gives the Company the best opportunity to establish a foothold in North America, grow brand awareness and loyalty, and drive high-margin revenue growth.

In Europe, HONMA continued expanding its distribution network and opened 68 new points of sale (“POS”), increasing its total POS to 540 by 31 March 2020.

Product portfolio optimization

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. During the period, HONMA applied several of its revolutionary proprietary technologies to the design and development of its new XP series, the first performance enhancement series under the TOUR WORLD club family. Sales of TOUR WORLD products grew by 51.6% and 73.3% in North America and Europe respectively, reconfirming the Company’s decision to reprioritize its golf club offerings.

Global sales and distribution network

HONMA operates the largest number of self-operated stores among major golf companies. As at 31 March 2020, the Group had approximately 3,911 POS, representing a YoY increase of 177 POS. Among which, self-operated stores accounted for 79 POS (of which, 6 come with fitting centers equipped with advanced technologies).

Business Outlook

Looking ahead, **Mr. LIU Jianguo, Chairman of the Board, President and Executive Director of HONMA Golf Limited**, said, “The Group will continue its journey to build a world-leading golf lifestyle company, by leveraging the legacy and strong equity of the HONMA brand, its expanding distribution network, innovative technologies and traditional Japanese craftsmanship.”

The golf industry will continue to face multiple challenges in the year ended 31 March 2021, including sustained if not accelerating outbreak of COVID-19 which has and will continue to cause market turbulence and economic uncertainties.

As of the date of this press release, the majority of the Company’s self-operated stores that were temporarily closed have been reopened but its retail partners in a number of countries, in particular markets outside Asia remain shut. For markets that have lifted the

lockdown, the Company has already seen increased participation in golf and the Company expects the golf industry to gradually go back to the new norm as from July 2020.

The Group is confident in its ability to mitigating the adverse impacts of the COVID-19 outbreak while safe guarding the health and safety of its employees and teams. Meanwhile, the Group believes that the year ending 31 March 2021 will be a crucial year for it to execute its development strategies in order to foster a solid foundation for the mid- and long-term development.

HONMA will fully capture its unique opportunities to lead in both super-premium and premium-performance segments, increasing its market share in home markets, namely Japan, Korea and China by maintaining its leading position in the super-premium segment while making solid inroads into the fast-growing premium-performance segment. In North America, HONMA remains committed to adding another 30-40 premier shop-in-shops and between 20-30 mobile hubs in North America in the next 18-24 months.

The Group will also nurture complementary non-club product lines to provide customers with a complete golf lifestyle experience. It has upgraded its apparel sales teams in Japan, China and Korea and created a network of quality and long-term suppliers leveraging the partnership with ITOCHU.

The Group will continue product innovation and development to cater for latest market trends in product offerings and will devote significant resources to new product development to ensure it achieves this goal.

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About HONMA Golf Limited

HONMA is one of the most prestigious and iconic brands in the golf industry. Founded in 1959, the Company utilizes the latest innovative technologies and traditional Japanese craftsmanship to provide golfers across the globe 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 Company 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 company with in-house design, development and manufacturing capabilities, a strong retail footprint in Asia and a diverse range of 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.

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For further enquiries, please contact Hill+Knowlton Strategies Asia:

Joanne Lam Tel: +852 2894 6211

Jessica Zhang Tel: +852 2894 6258 Email: honma@hkstrategies.com

For other investor relations matters, please contact HONMA's Investor Relations Office:

Tel: +86 21 6888 0123 Email: ir@honma.hk or

visit HONMA's website: <https://www.honmagolf.com>