



HONMA Golf Limited

(HKEX Stock Code: 6858)

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

(28 June 2024 – Hong Kong) **HONMA Golf Limited** ("HONMA"; together with its subsidiaries, the "Group"; HKEX stock code: 6858), one of the most prestigious golf brands worldwide, announces its consolidated annual results for the year ended 31 March 2024 (the "Period").

Financial Highlights

- Due to negative impact from global economic uncertainty and retail sentiments, the Group's revenue decreased by 11.1% to JPY26,222.9 million (equivalent to USD182.6 million).
- Notwithstanding this, the Group's gross profit margin expanded by 0.4 percentage points during the same period to 51.2%, thanks to its unique brand and price positioning as well as continued channel optimization.
- Similarly, the Group's EBITDA rose robustly by 22.0% as compared to the same period last year and reached JPY 7,285 million (equivalent USD 50.7 million). Net profit increased by 48.3% and net profit margin improved by 7.4 percentage points.
- Net operating cash flow remained positive, standing at JPY5,416.1 million (equivalent USD 37.7 million) for the year ended 31 March 2024. The Group's net operating cash flow grew by a CAGR of 18.7% over the past six years.
- A final dividend of JPY1.5 per share was declared, which together with the interim dividend of JPY1.5 per share led to a total dividend for the year of JPY3.0 per share. Total dividend payout will amount to JPY1,816.9 million, representing 37.6% of the Group's distributable profits for the period.

Major Achievements

For the year ended 31 March 2024, HONMA continued executing its growth strategy of "single brand, multi-categories and Asia-focused" while carefully protecting its financial strength and cash flow. Despite sales performance, HONMA delivered rock solid profitability improvements by continuously implementing operational efficiency improvement initiatives while re-strategizing its distribution footprints in Asia. As a result, HONMA continued to experience positive sales growth in its direct-to-consumer

channels and hero product categories during the Period. Furthermore, the Group also recorded net profit growth, improved net profit margin and operating cash flow, demonstrating the Group's exceptional management capabilities and business resilience in a volatile economic environment.

Improving Profitable Growth by Focusing on High-Margin Self-Operated Channels

Revenue from self-operated stores increased by 7.2% from JPY10,217.0 million for the year ended 31 March 2023 to JPY10,952.2 million for the year ended 31 March 2024; and gross profit margin sharply went up by 7.0pp to reach 56.8%. Such increase was mainly due to robust retail sales performance in Japan and mainland China, with year-on-year retail sales growth of 16.0% and 15.7% respectively.

HONMA operates the largest number of self-operated stores among major golf companies. Self-operated stores provide consumers with a 360-degree experience of the HONMA brand and its products. As at 31 March 2024, the Group had 95 HONMA-branded self-operated stores, representing a net increase of five stores during the Period, all of which were located in Asia. The Group aims to continuously upgrade the design, visual display and consumer experience of its self-operated stores to project one consistent brand image and consumer experience.

At the same time, HONMA strategically redeployed its wholesale channels by a better focus on the larger and more relevant retailers across all of its markets. As a result, revenue from third-party retailers and wholesalers decreased by 20.8% for the Period. As at the end of March 31, 2024, HONMA has substantially completed its channel optimization in Europe and the US, but the process in the home markets (Japan, Korea and China (including Hong Kong and Macau)) remains underway.

Visible Ecommerce Sales Growth with Revenue up 17.4% YOY across Public and Private Spheres

The creation of a robust and active digital ecosystem, from content to sales conversion, from public to private sphere has been a key part of HONMA's growth initiatives. During the last financial year, revenue from e-commerce grew by 17.4%. The rapid expansion of digital communications generated improvements in organic traffic, conversion and other digital brand engagement matrixes such as bounce rate and time on site, among others.

In addition, to boost customer loyalty, the Group revamped its customer relationship management ("CRM") systems in China to cover all of its sales and engagement touch points with elevated loyalty benefits. The Group's CRM system upgrade led to a

consistent rise in member recruitments, with the total number of members in China rising 43.7% YOY; while sales conversion rate and repurchase rate went up hand in hand.

Customer events have always been key to the continued enhancement of HONMA's brand and product awareness as well as consumer engagement. During the Period, HONMA hosted 3,564 customer days across its home markets, most of which were held on golf courses with dedicated fitters. Although the total number of customer events slightly decreased, the average participation per event and sales conversion rate improved.

Uniquely Positioned Products Targeting Super-Premium and Premium-Performance Consumers

HONMA applied several of its revolutionary proprietary technologies to the design and development of its latest BERES and TOUR WORLD products, designed for affluent and avid golfers.

Following the launch of BERES 09 and BeZEAL 3 in early 2024, revenue from BERES golf clubs in Japan rose by 19.6%, while revenue from BeZEAL 3 rose by 6.0 times from the year ended 31 March 2023. This market reception reconfirmed HONMA's strong brand equity, unique product positioning in the industry and its deep understanding of its consumers.

Accelerating Growth in Apparel to Create an Exquisite Range of Products

Revenue from apparels increased by 4.9% YOY to JPY3,157.5 million for the year ended 31 March 2024; gross profit margin of apparels increased by 16.8 percentage points YOY to 43.5%. Despite weak consumer sentiments in mainland China, apparels sales continued its growth trajectory and achieved 23.2% YOY growth, with gross profit margin reaching 62.0%.

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 HONMA as a dynamic, relevant and premium golf lifestyle brand among Internet-savvy younger golfers, HONMA has constantly upgraded its global website and social media platforms. Through regular visual and content updates to all its digital platforms, HONMA continually promotes its brand and product recognition, and its strategic content refreshes are designed to appeal to the younger golfing demographic.

HONMA retained leading design and marketing agencies to renovate its retail space

so as to provide the ultimate brand experience and customizable consumer journey in major markets. For the year ended 31 March 2024, HONMA opened 14 new stores in China, one in Japan and two elsewhere in 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 so as to present the same consumer space and experience in all markets.

Business Outlook

Moving forward, HONMA is committed to executing its long-term growth strategy to build a world-leading golf lifestyle company leveraging on HONMA's brand legacy, expanding distribution network, innovative technologies, and traditional Japanese craftsmanship. HONMA will sustainably improve and transform the HONMA brand value into customer loyalty, continuously 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: "Our performance in FY2024 showcases our resilience and strategic foresight in a challenging market environment. By focusing on high-margin channels, product innovation, and digital transformation, we have not only strengthened our financial position but also enhanced our market presence. HONMA is committed to enhancing our market penetration among key demographics in home markets. Additionally, we remain focused on optimizing our distribution channels to ensure sustained improvements in our operations. Looking ahead, we are committed to leveraging our brand legacy and innovative capabilities to drive sustainable growth and deliver exceptional value to our stakeholders."

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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, HONMA combines the latest innovative technologies with traditional Japanese craftsmanship to provide golfers across the globe with premium, high-tech and high-performance golf clubs, balls, apparels and accessories.

As the only vertically integrated golf company with rich in-house design, development and manufacturing capabilities, extensive 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 new and under-penetrated markets such as Korea and China.

In the past couple of years, HONMA has actively re-branded itself in order to re-define the HONMA brand as a dynamic, relevant and premium golf lifestyle brand among younger golfers. The Group renewed its tour presence in Asia by retaining a HONMA team consisting of one veteran and five female players who are considered rising stars by the golf industry and collaborated with coaches and key opinion leaders in the main Asian markets. The Group also made significant investments into its retail distribution network and digital capabilities in Japan and China to provide a unified and improved consumer experience and journey to its loyal consumers as well as the younger golfers.

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