



For Immediate Release

29 November 2019



HONMA Golf Limited

本間高爾夫有限公司

(HKEx Stock Code: 6858)

HONMA Golf Announces FY2019/20 Interim Results Declares Interim Dividend of JPY1.64 Per Share Revenue from TOUR WORLD Family, Golf Ball and Apparel Grows by 73%, 54% and 53% Respectively

(29 November 2019 – 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 six months ended 30 September 2019 (the “period”).

In the six months ended 30 September 2019, the Company steadfastly followed its growth strategies and made major achievements which the Company believes will continue to bring satisfactory business advancements and results.

To support the Group’s growth strategy, particularly those relating to America, the Group made the decision last year to optimize its club product portfolio to increase focus on the super-premium (BERES) and premium performance (TOUR WORLD) segments and to cease renewal of Be ZEAL family. As a result, the Company’s revenue for the period decreased by 7.0% on a constant currency basis, directly due to the one-off impact from the repositioning of Be ZEAL. Revenue from TOUR WORLD family however improved by 73.1%, reconfirming the Group’s revised product positioning and strategic intent towards the fast growing premium performance consumer segment.

Revenue from golf balls increased robustly and recorded a year-on-year growth of 53.5%, thanks to continued product line enrichment and deeper distribution network in Japan, Korea and China. Apparel sales grew by 53.1%, following the launch of collections designed and developed after the Group relaunched its apparel business. Sales contribution from non-club categories increased to 23.7% in the period, compared to 18.5% in the same period of the last financial year.

In terms of geography, revenue from Korea grew by 51.4%, leading the way in terms of growth; followed by both Mainland China and Europe with 9.4% increases. Revenue from Japan and North America decreased by 21.7% and 22.7% respectively, due to the aforementioned adjustment in the Group's club product portfolio, and scheduled phase out of BERES 06, before the launch of its next generation in the second half of FY2020. During the period, while penetrating deeper in the Asia home markets, the Group expanded its presence in the mature golf markets in North America and Europe. The Group adopted a direct-to-consumer distribution model in the US and executed effective marketing strategies, including professional player endorsement which helped to boost HONMA's brand and product awareness in both markets. Points of sale ("POS") net increased by 25 and 95 in North America and Europe respectively in the six months ended 30 September 2019.

The Group's gross profit margin dropped by 9.4 percentage points from the same period of 2018. This was due to negative product mix impact plus the same seasonal and one-off impact that caused the decrease in revenue. Net operating profit was down by 72.5% due to ahead-of-the-curve investment in distribution footprint expansion and brand assets to fuel growth in key markets and product categories.

Given the firm confidence in the Group's growth strategies and strong cash on hand, the Board has declared payment of an interim dividend of JPY1.64 per share, amounting to approximately a total of JPY1,000 million for the period, representing approximately 7.0% of the Group's distributable profit.

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. With a focus on products that best represent players in super-premium and premium performance segments, HONMA applied several of its revolutionary proprietary technologies to the design and development of its new XP series, the performance enhancement series under the TOUR WORLD club family, which is designed for avid golfers with a handicap of eight to twenty. XP-1 was launched in September 2019 and helped improve sales of the TOUR WORLD family by 73.1% compared to the same period of 2018.

In January 2019, HONMA launched its apparel collection in Japan and China. The apparel collection comprises three lines catering to the distinctive requirements of golfers both on-course and off-course. Apparel sales for the period grew by 53.1%, including mostly sales from the 2019 Spring/Summer Collection.

Continued business expansion in North America and Europe

During the period, the US management team started executing its direct-to-consumer distribution strategy with a clear objective to reach internet-savvy golfers. In October 2019, HONMA US officially opened its flagship store, and as of 29 November 2019, it had opened 13 shop-in-shops at locations that are frequented by target consumers. The Group remains committed to opening 30 premier shop-in-shops and between 30-50 retail hubs, on-course and mobile in North America in the next 18-24 months.

In Europe, HONMA continued expanding its distribution network and opened 101 new wholesales POS, increasing the total POS to 613 by 30 September 2019. Sales grew by 9.4% on a constant currency basis and sales of TOUR WORLD grew by 6.89 times compared to the same period of 2018.

Re-defining the HONMA brand

To re-define the HONMA brand as a dynamic, relevant and global golf brand among internet-savvy younger golfers, update its e-commerce capabilities and create one digital eco system, the Company took several steps to improve its digital communications, which generated month-on-month double digit growth in organic traffic, conversion and other digital engagement matrixes.

At the start of 2019, the Company announced it had signed Justin Rose to a multi-year partnership as HONMA's Global Brand Ambassador. This important milestone generated immediate and elevated exposure and interest on HONMA in North America and Europe through Justin Rose's international influence, media coverage and social media following.

A recent consumer survey of over a thousand respondents in the US showed that the aided awareness of the HONMA brand has increased to 63%, with close to half of the people surveyed linking the increase in brand awareness to HONMA's tour presence in North America.

Global sales and distribution network

HONMA operates the largest number of self-operated stores among major golf companies. And to better serve avid golf enthusiasts, certain HONMA-branded self-operated stores offer fitting centers equipped with high-speed cameras and precision software to capture relevant swing data. As of 30 September 2019, the Group had 6 fitting centers worldwide. As of 30 September 2019, the Group had approximately 3,898 POS, representing an increase of 283 POSs compared to the same period of 2018.

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 Group aspires to improve and transform HONMA brand value into customer loyalty. Multiple branding and marketing strategies have been executed to highlight HONMA's brand heritage and its core brand values of premium craftsmanship and performance to fully capture HONMA's unique opportunities at the forefront in both super-premium and premium performance segments.

The Group is committed to further increasing its 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. We believe there is still significant room to increase our market shares in these markets, especially in the premium performance segments. The Group intends to achieve this by enriching its TOUR WORLD family to include a performance enhancement product while leveraging HONMA's improved international tour presence with Justin Rose as the Global Brand Ambassador.

The Group is dedicated to pivoting growth in North America based on the updated product and distribution strategy. The Company remains committed to opening 30 premier shop-in-shops and between 30-50 retail hubs in North America in the next 18-24 months. The performance-enhancement series XP will greatly support HONMA's growth strategy in North America, with the market continuing to rebound with the number of golfers increasingly skewed towards premium performance products. XP-1 was officially launched in October 2019 and will be a key growth enabler for North America's future sales growth.

The Group will also nurture complementary non-club product lines to provide customers with a complete golf lifestyle experience. HONMA has launched two apparel collections, the 2019 Spring/Summer collection and 2019 Fall/Winter collection, targeting consumers in Japan, China and Korea. The Group has upgraded its apparel sales teams in these three markets and created a network of quality, long-term suppliers leveraging its partnership with ITOCHU.

Moreover, the Group will continue to realize product innovation and development to keep up with the latest market trends in product offerings. The Group will devote significant resources to new product development to ensure it achieves this goal.

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.

– end –

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>