



2017/18 Annual Results

HONMA Golf

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

May 2018



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Key Financials



#1 Premium golf brand founded in 1959

Decades of dedications towards Quality and Craftsmanship

• Listed on the HKEx since Oct 2016 • Market cap as of 28 May 2018: HKD 6.1 Billion

	Full Year Ended 31 Mar 2018	YoY change (JPY base)
Net Sales	JPY 26,296.2 Million / USD 237.5 Million ⁽¹⁾	+8.5%
Gross Profit Margin	60.8 %	+80bps
Operating Profit ⁽²⁾	JPY 6,242.2 Million / USD 56.4 Million ⁽¹⁾	+26.2%
Net Operating Profit ⁽³⁾	JPY 4,707.4 Million / USD 42.5 Million ⁽¹⁾	+7.8%
Reported Earnings Per Share	JPY 6.46 / HKD 0.46 ⁽¹⁾	-23.7% ⁽⁴⁾
Core Earnings Per Share ⁽⁵⁾	JPY 7.73 / HKD 0.55 ⁽¹⁾	+7.8%
Proposed Dividend	JPY 3.23 /share	+7.67%

Note

(1) Exchange rate: 1USD = 110.70JPY; 1HKD = 14.18 JPY

(2) Operating profit is derived from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses and (iv) adding RSU expenses

(3) Net operating profit is derived from net profit by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses, (iv) adding RSU expenses and (v) adding impact on tax.

(4) Reported earnings per share dropped due to negative translation results and increase in effective tax rate

(5) Core earnings per share is calculated based on net operating profit

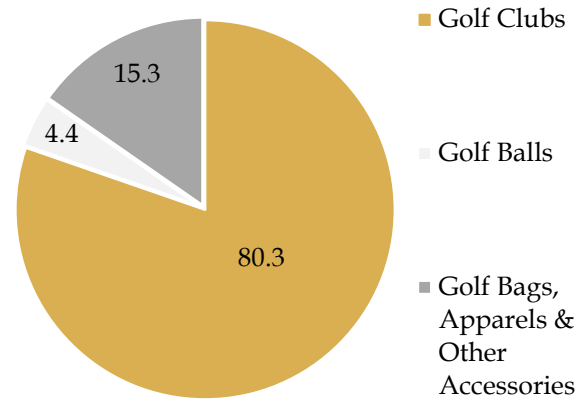
As We Stand Today

Key Statistics as of 31 Mar 2018

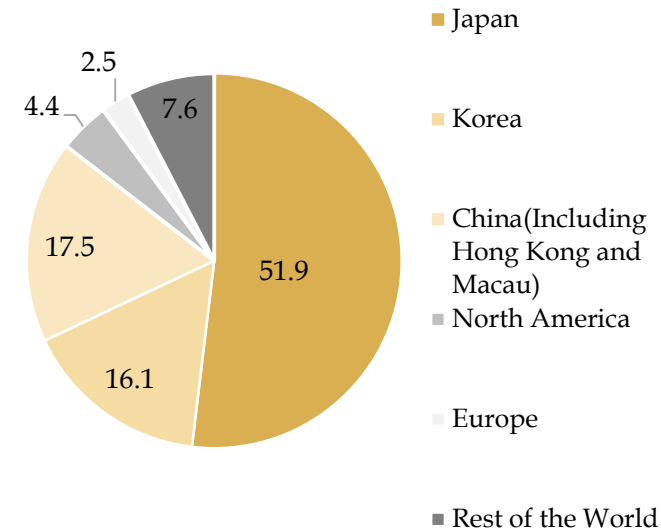
- 291 skilled craftsmen and R&D personnel
- 84 HONMA branded self-operated stores
- 3,300+ doors via third party retailers & wholesalers
- products sold in approximately 50 countries worldwide

2018 Revenue Mix – JPY 26,296 Million (+8.5% YOY)

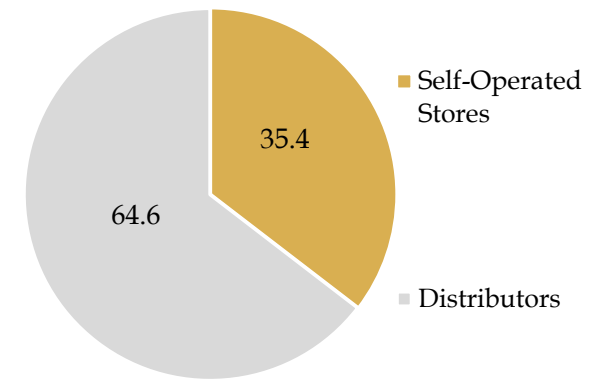
By Product Category



By Region

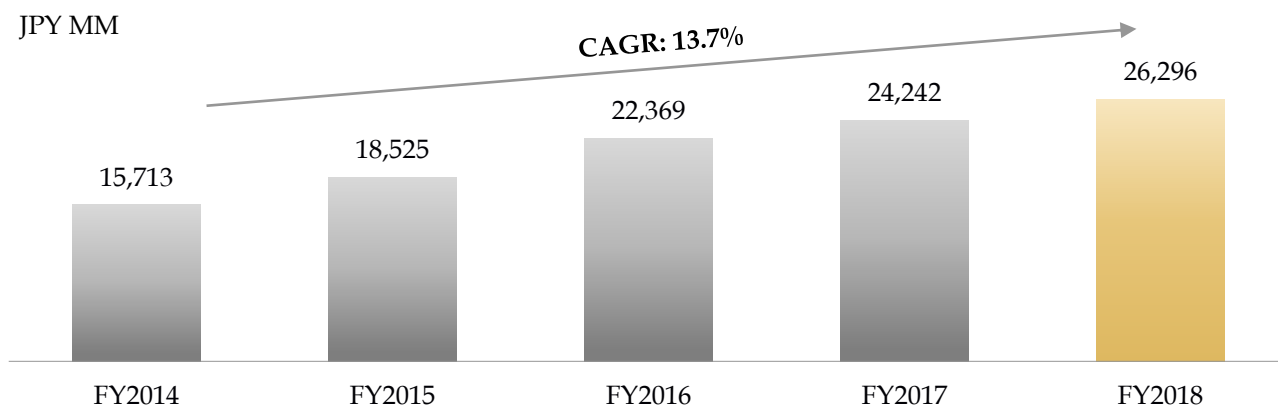


By Channel

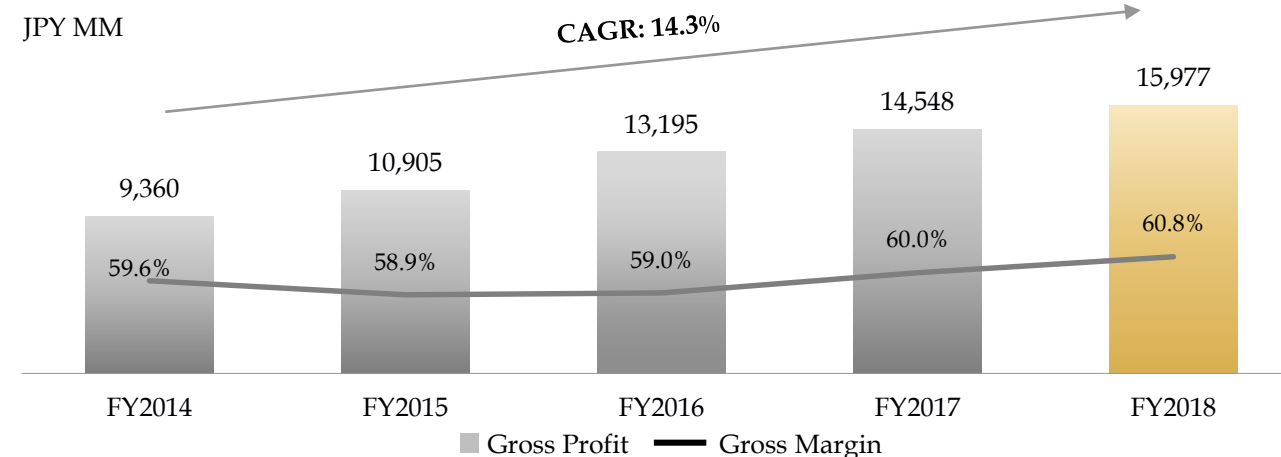


Continue to Drive Profitable Growth

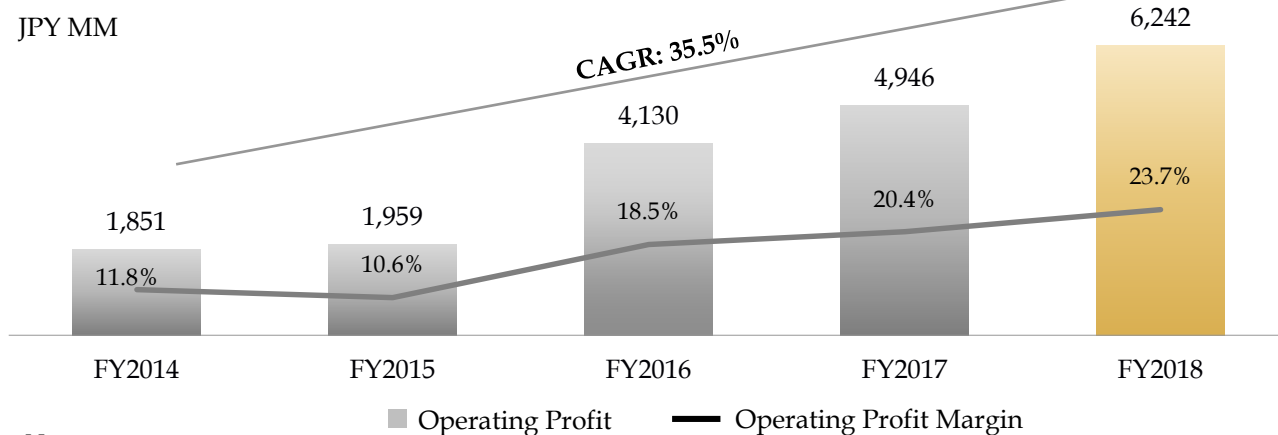
Revenue



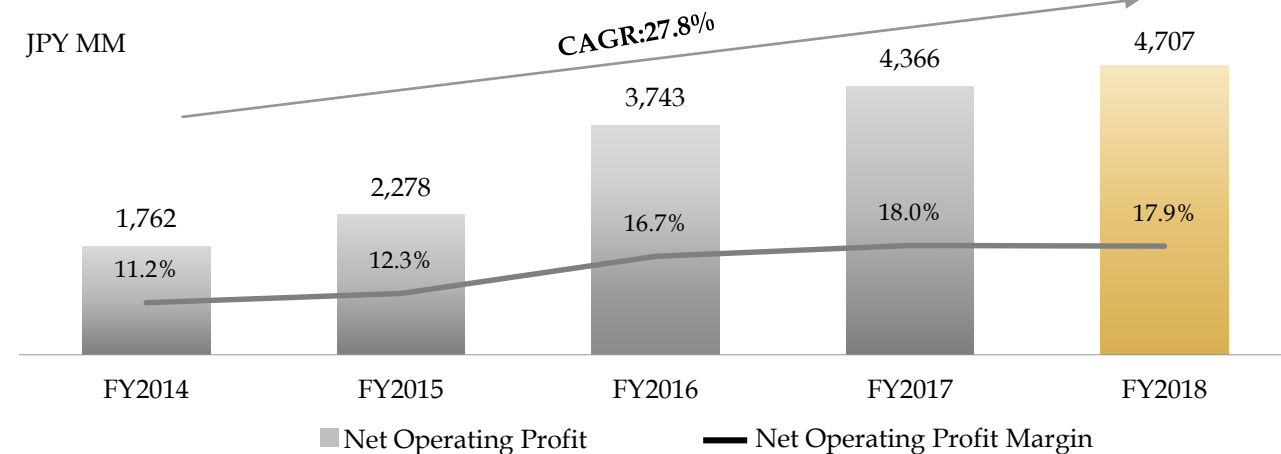
Gross Profit



Operating Profit⁽¹⁾



Net Operating Profit⁽²⁾



Notes

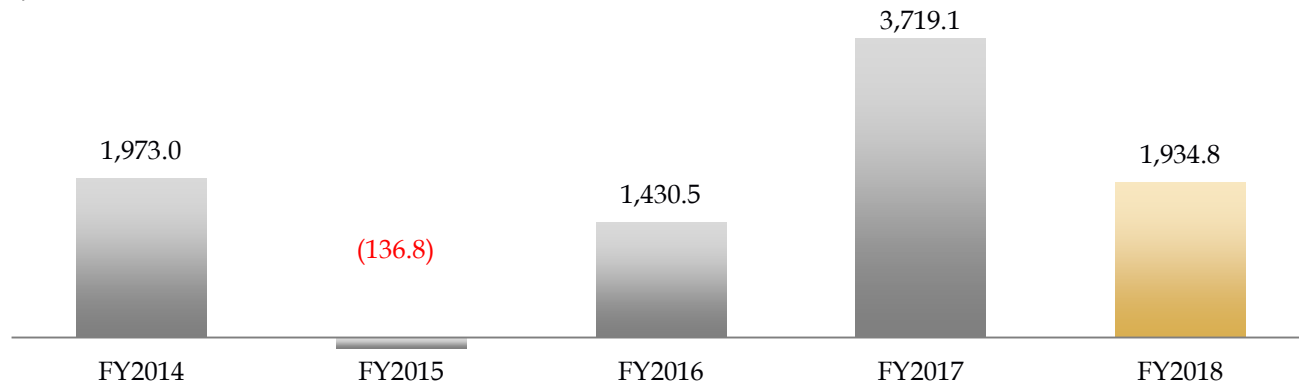
(1) Operating profit is derived from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses and (iv) adding RSU expenses.

(2) Net operating profit is derived from net profit by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses, (iv) adding RSU expenses and (v) adding impact on tax. The Group referred to such measure as adjusted net profit in the Group's Annual Results Announcement for the Twelve Months Ended 31 March 2018 dated 28 May 2018

Strong Operating Cash Flow and Robust Capital Structure

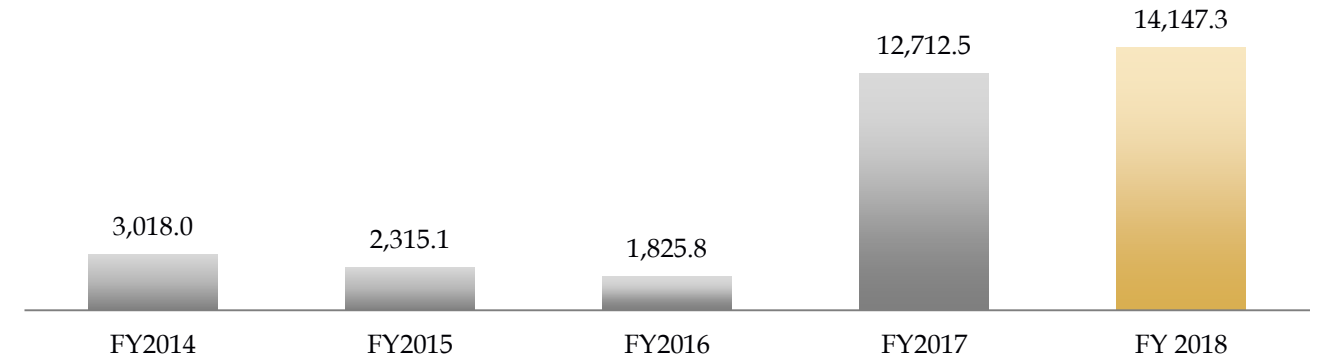
Net Operating Cash Flow

JPY MM



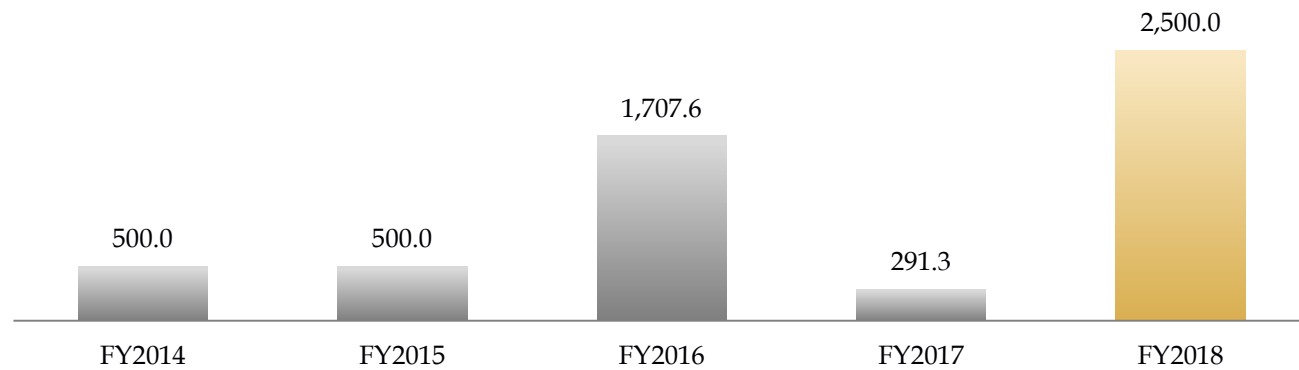
Cash on Hand

JPY MM



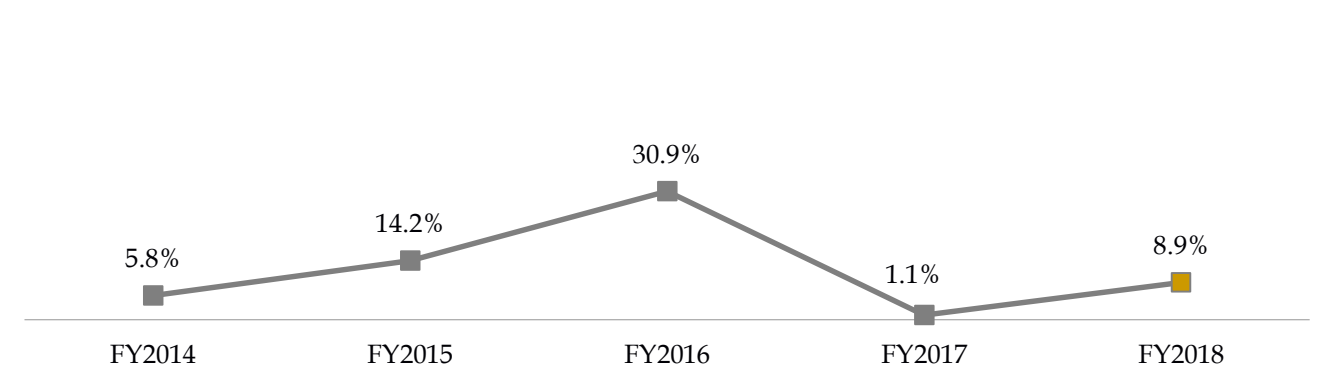
Interest-bearing Liabilities

JPY MM



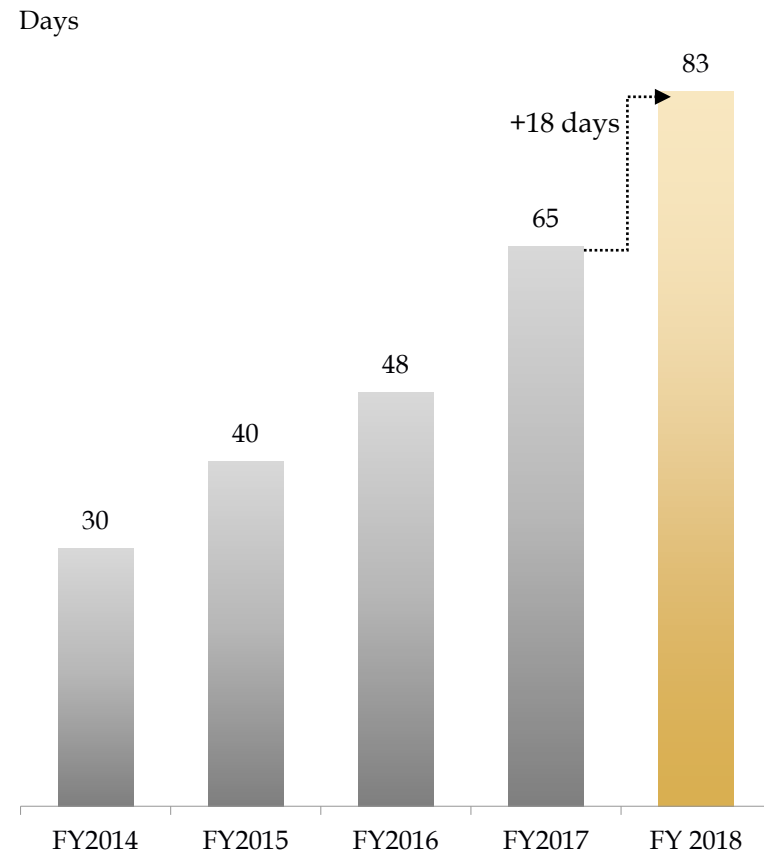
Interest-bearing Liabilities/Total Equity

%

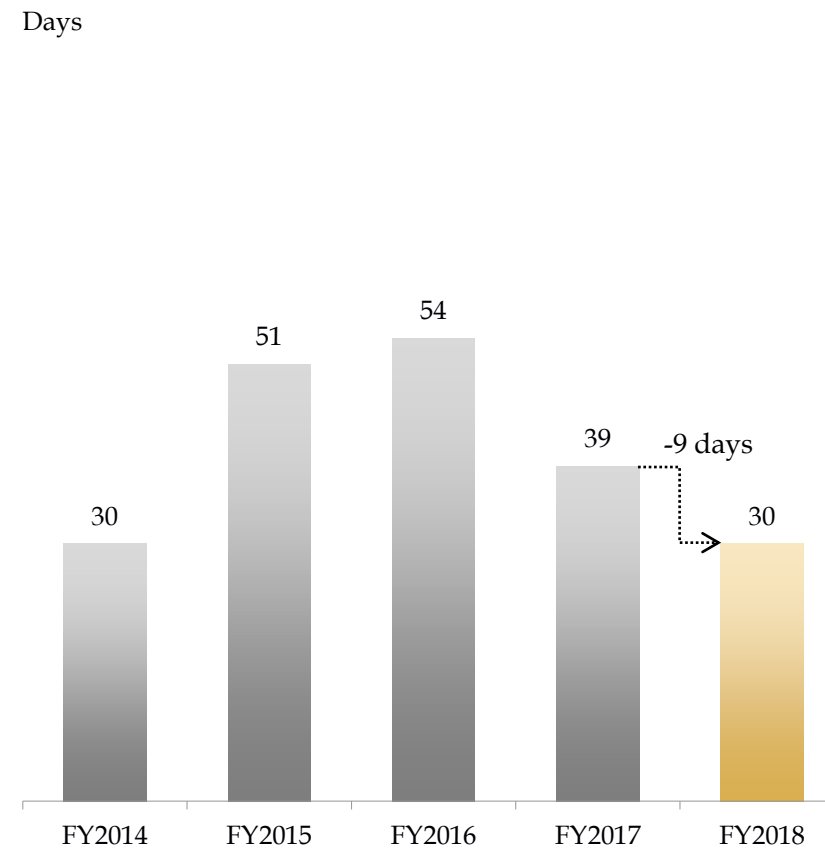


Continued Improvement in Working Capital Efficiency

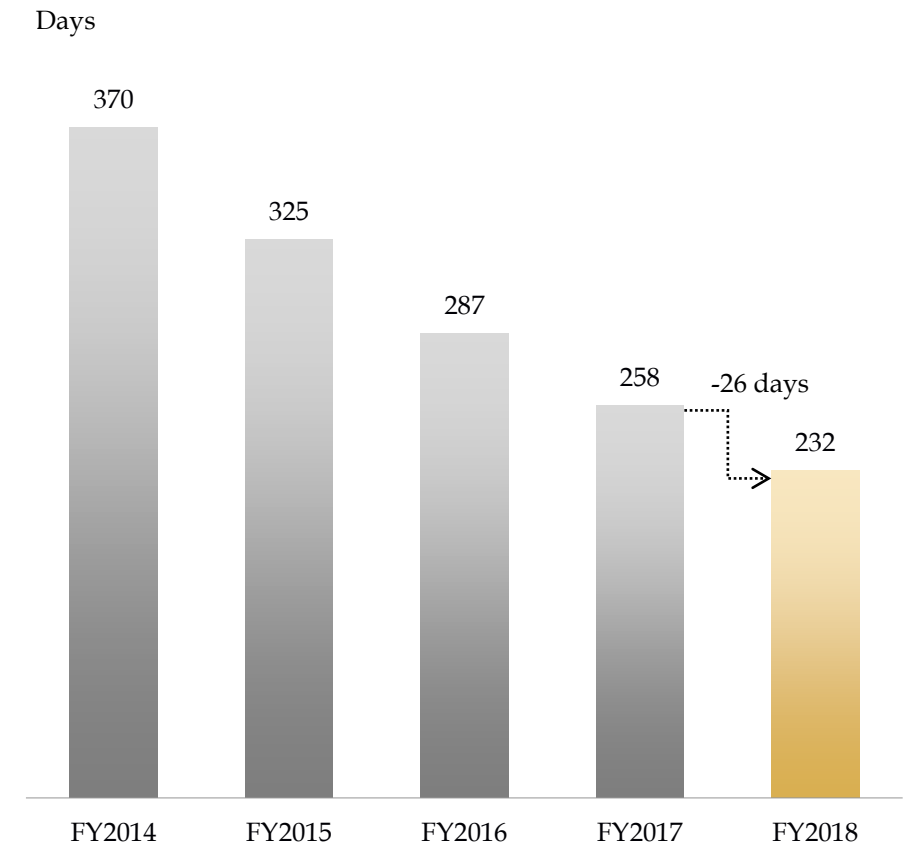
Receivables Turnover Days⁽¹⁾



Payables Turnover Days⁽¹⁾



Inventory Turnover Days⁽¹⁾



Notes

(1) Turnover days are calculated using the average of the opening and closing balance of the relevant periods

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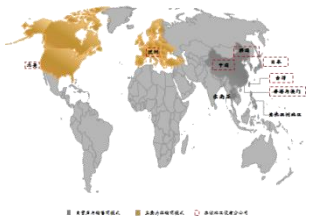
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Appendix

FY2018 Business Highlights



- ✓ Net sales increased by 8.5%: (1) deeper penetration into Asia home markets (Japan, Korea and China); (2) robust growth in US and EU after reorganization.



- ✓ Further channel diversification to attract younger and avid golfers: sales from third party channels increased by 12.5% Y-o-Y, continued to outperform other channels.



- ✓ Pivoting product strategy aiming high growth market segments: sales from entry level club family BeZeal grew by 21.8% (overall club sales growth was 4.6%).



- ✓ Further tapping into non-club product categories to become a golf lifestyle company: sales from golf balls and apparels increased by 56.1% and 21.4% respectively.

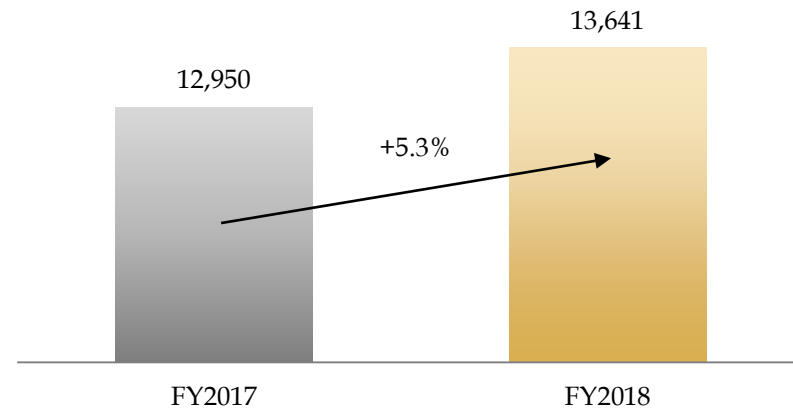


- ✓ Gross margin advanced by 80bps to 60.8%; operating profit margin upped by 330bps to 23.7%, thanks to continued positive channel and product mix impact.

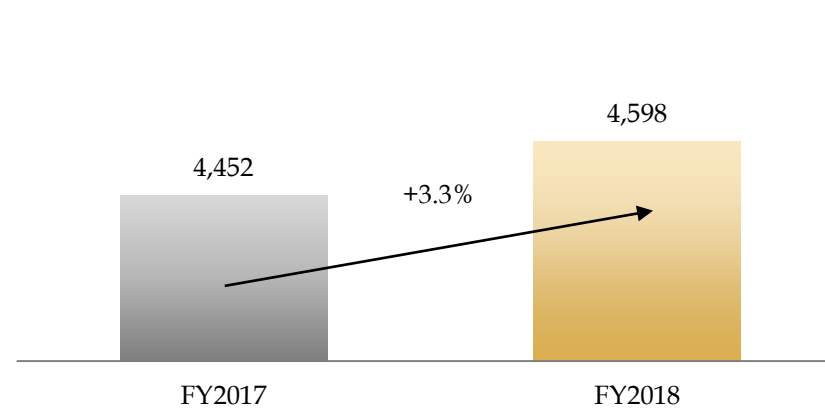
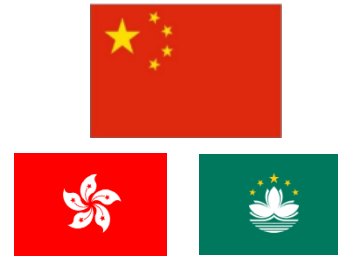
A. Meaningful growth achieved in major markets

A.1 Continued penetrating deeper into home markets in Asia

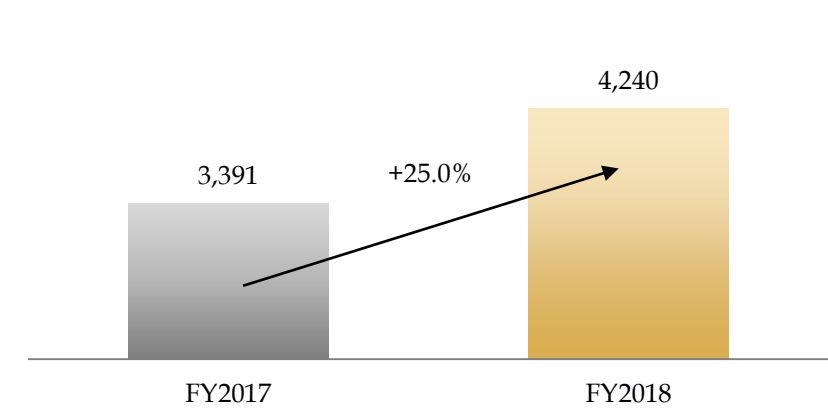
Net Sales
JPY MM



- Third-party retail and wholesale channels continued to drive sales growth with a year-on-year growth of 5.5%
- Sales from balls and apparels & accessories grew by 112% and 9.3% respectively



- Sales from Mainland China increased by 8.0%
- Sales from HK and Macau declined by 8.1% due to closure of one retail store after having made inroads into wholesale channels in Hong Kong.

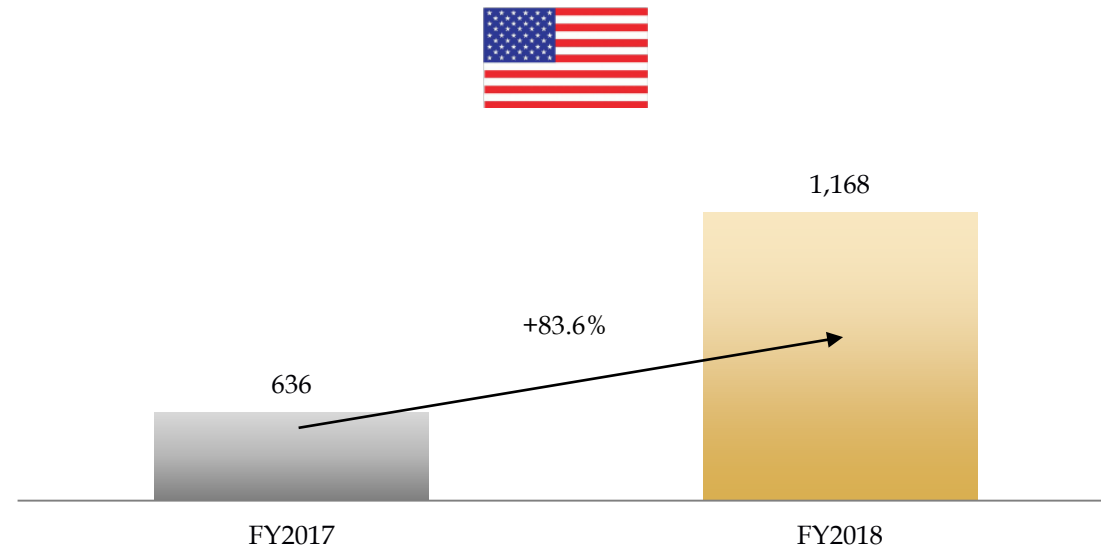


- Double digit growth for the 5th consecutive year
- Intensive TV campaigns to drive sales of the new Beres and Bezeal series
- Unique distribution strategy to drive penetration into a fragmented market

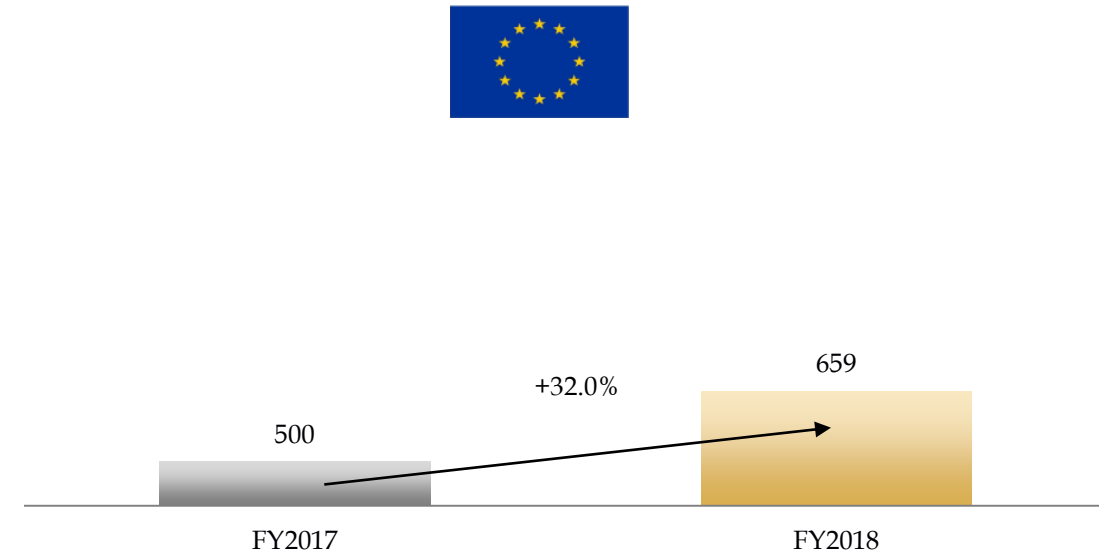
A. Meaningful growth achieved in major markets (continued)

A.2 US and EU growth strategies started to take off

Net Sales
JPY MM

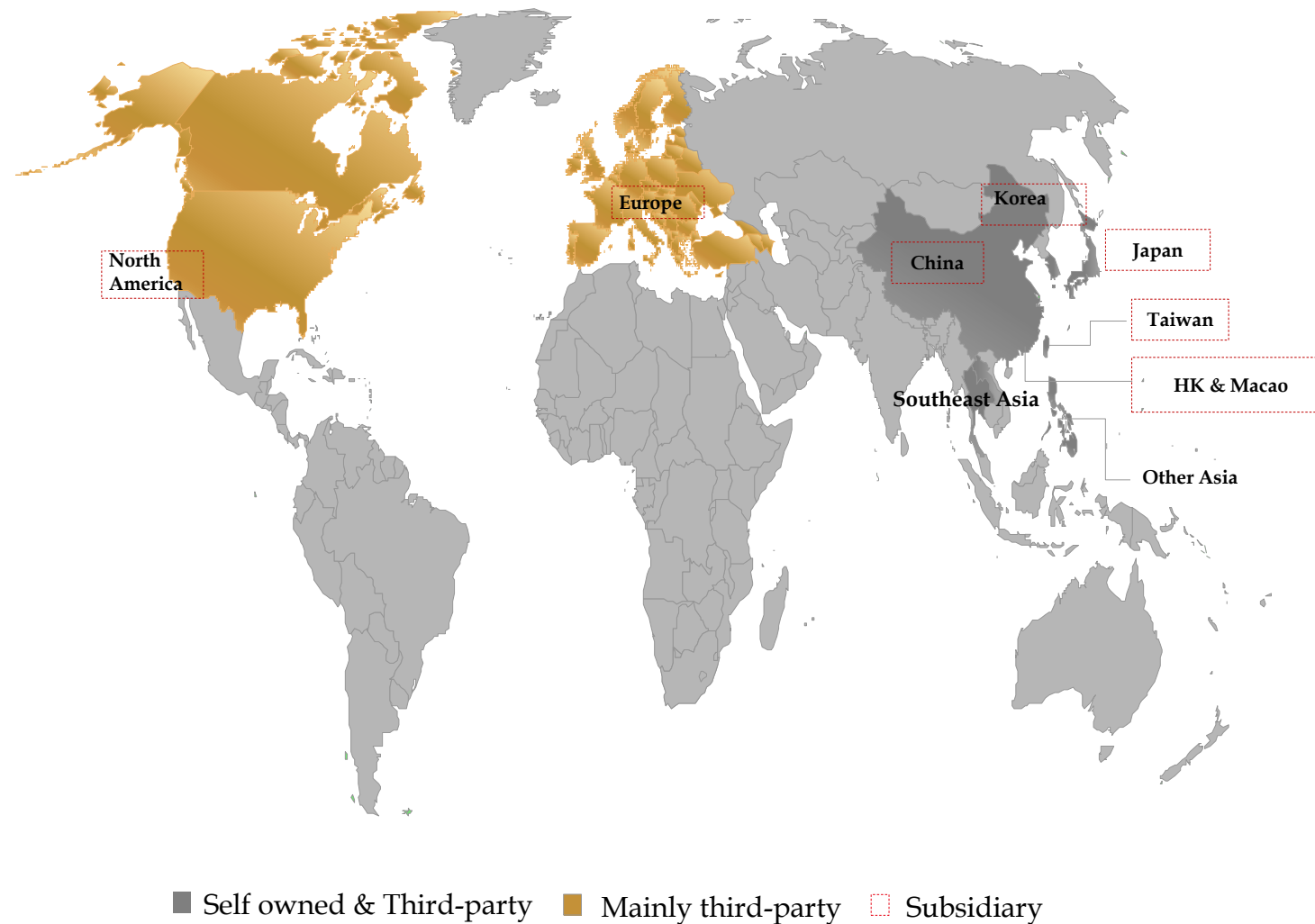


- Completed distribution channel realignment and added key management person to local team
- POS increased by 201 to 376 by 31 March 2018
- Targeted sales and marketing to promote brand and product awareness
- First shop-in-shop in CA and soon became one of the top 3 iron sellers on the floor



- Completed re-organization and local team assembly
- Implemented a direct go-to-market business model and re-entered the European market
- POS rose to 393, up from 10 at the beginning of the year

B. Channel mix further gravitates towards third-party retailers and wholesalers



Self-owned stores: improved efficiency and single store sales

- All self-owned store are located in Asia
- Number of stores decreases by 7 to 84
- Sales increased by 1.9%
- Single store sales up by 10%

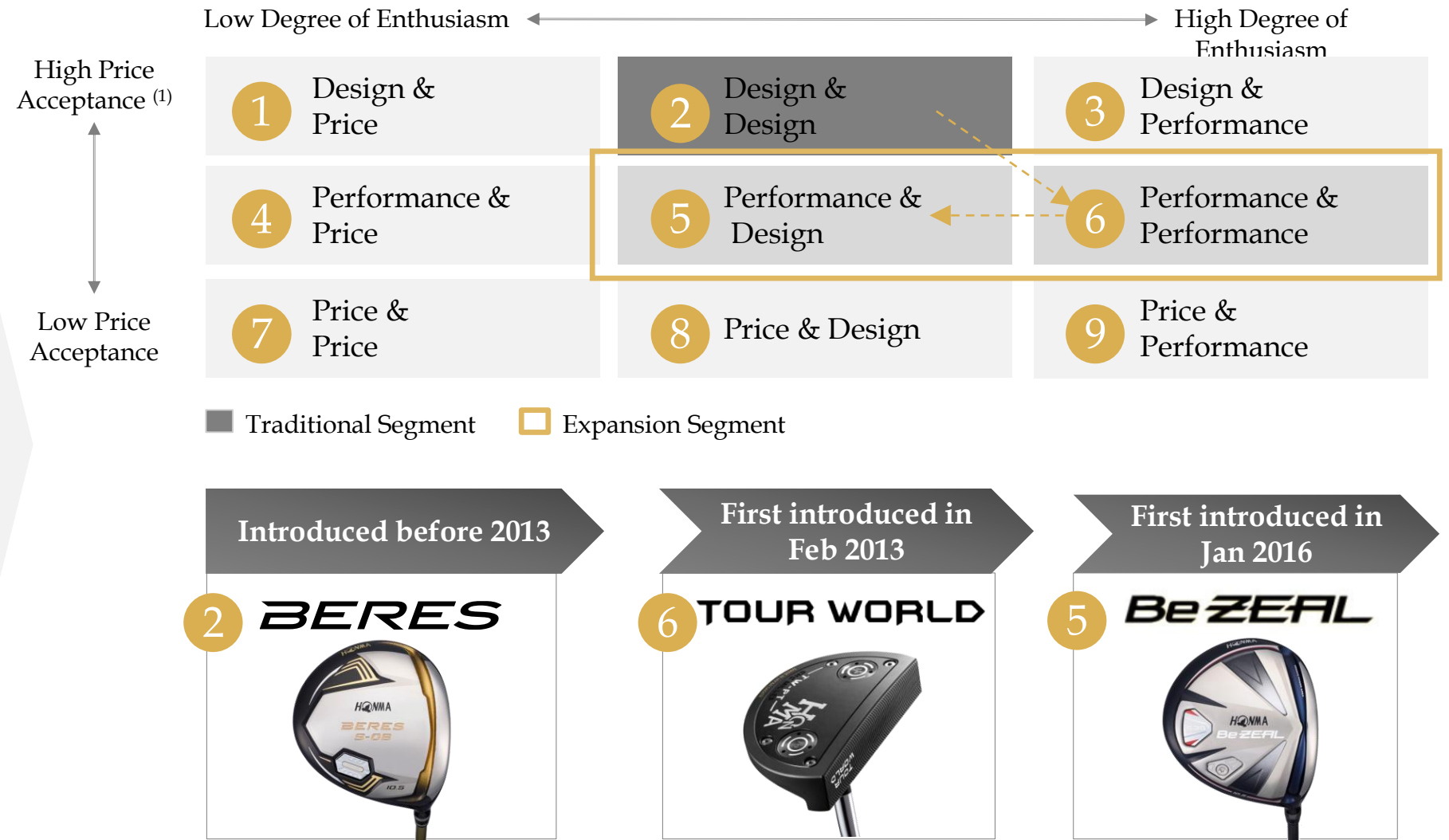
Third-party retailers and wholesalers: continued penetration to reach out to younger and avid golfers

- Adopted in all of the Group's existing market
- Number of doors increased by 398 to 3,317
- Y-o-Y sales growth of 12.5%

C. Pivoting product strategy that aims high growth segments dominated by younger & avid golfers

Clubs grew by 4.6% in spite of negative channel impact

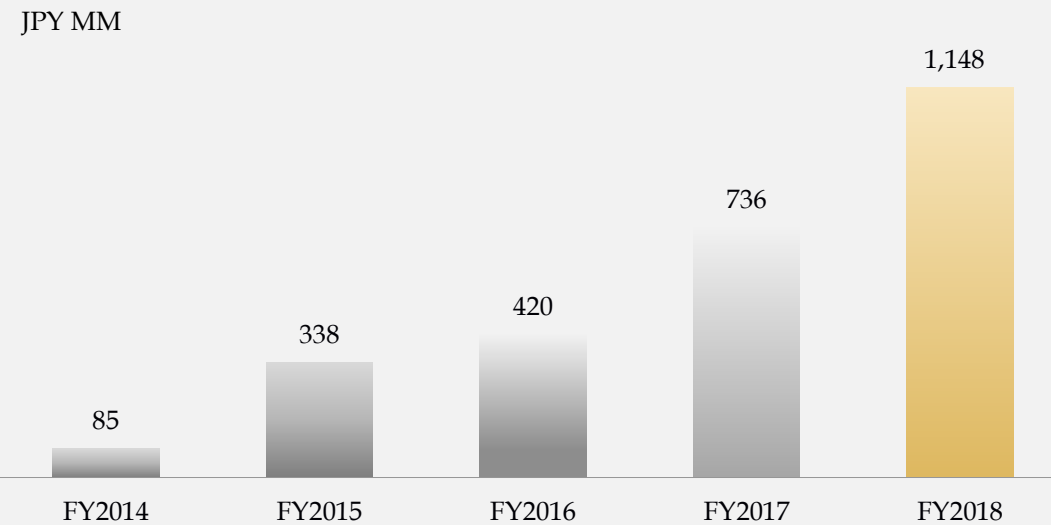
- Sales of BeZeal increased by 21.8%
- BeZeal was first introduced in 2016 to appeal to entry level players
- FY2018 saw the introduction of the 2nd generation of BeZeal family whose look and feel were updated to suit preference of target consumers.



D. Nurturing non-club businesses

Golf ball sales surged 56.1%

5 Year Golf Ball Sales CAGR = 91.7%

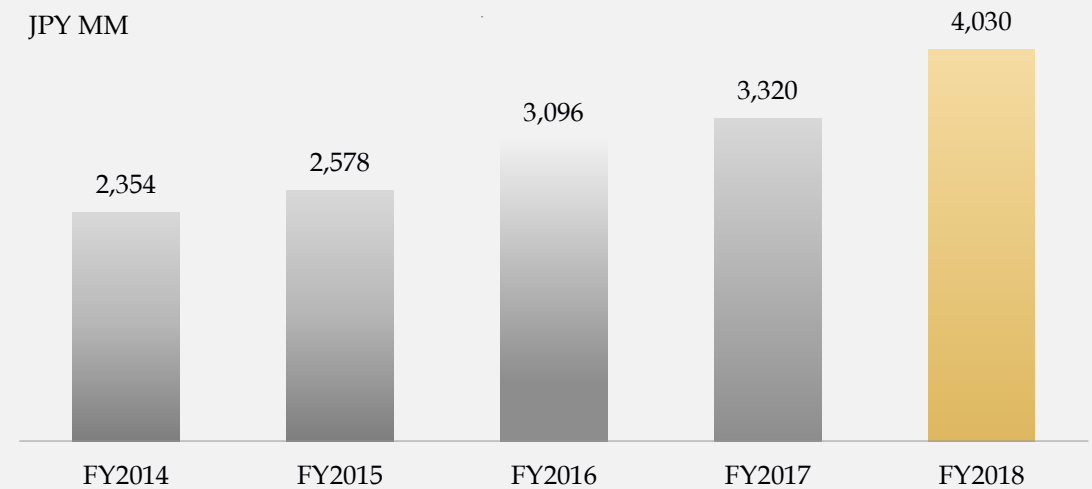


- Product line-up enhanced with Honma patent
- Dedicated sales force and go-to-market in Japan and China



Apparel & Accessories sales grew by 21.4%

5 Year Apparel and Accessories Sales CAGR = 14.3%

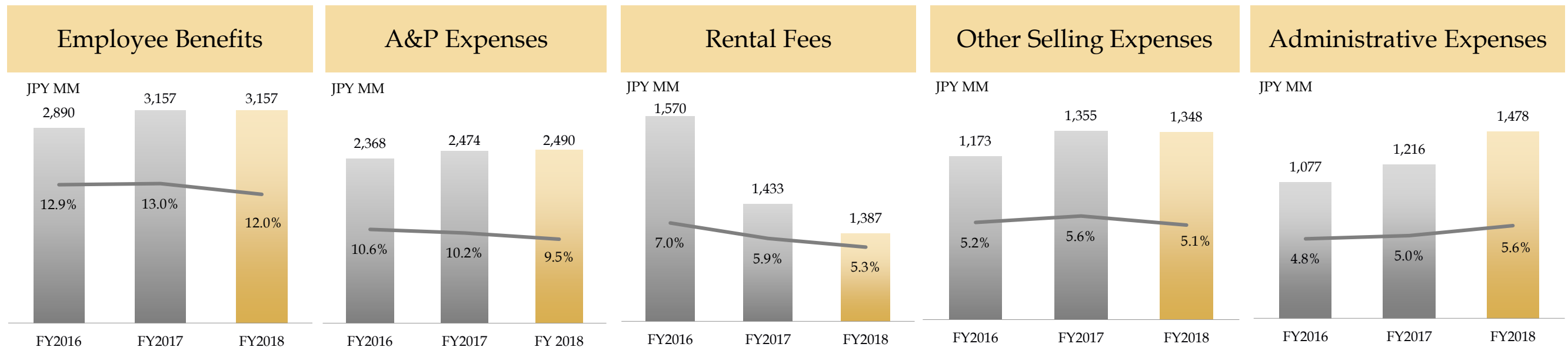
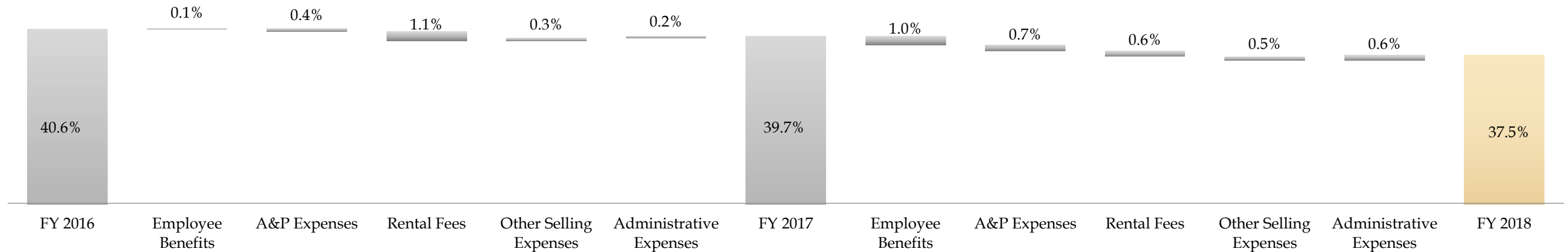


- Entered into a strategic partnership with Itochu in Jan 2018 to revamp HONMA's apparel businesses
- New apparel line to debut in Jan 2019



E. Continued optimization of the Group's operations

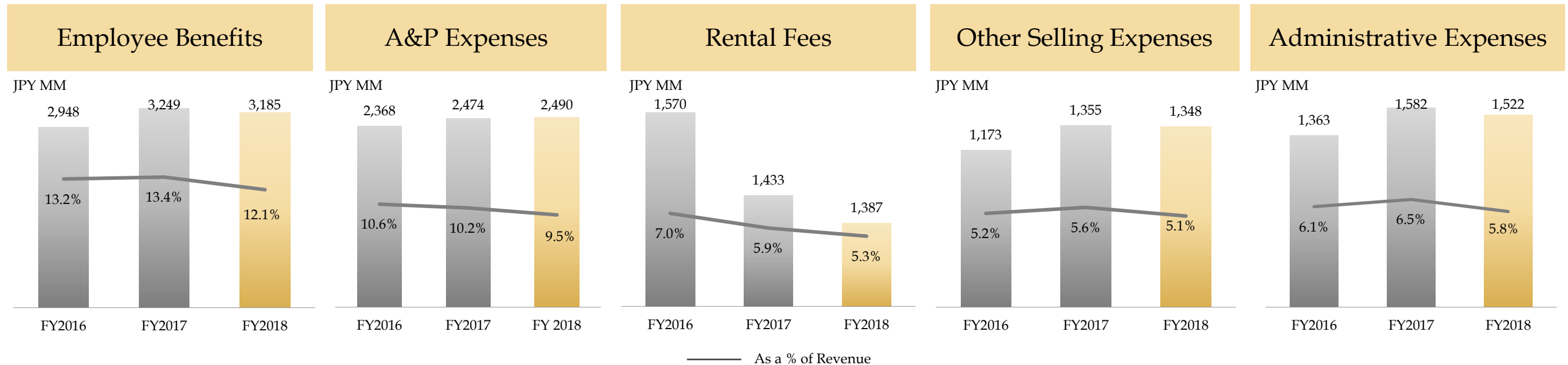
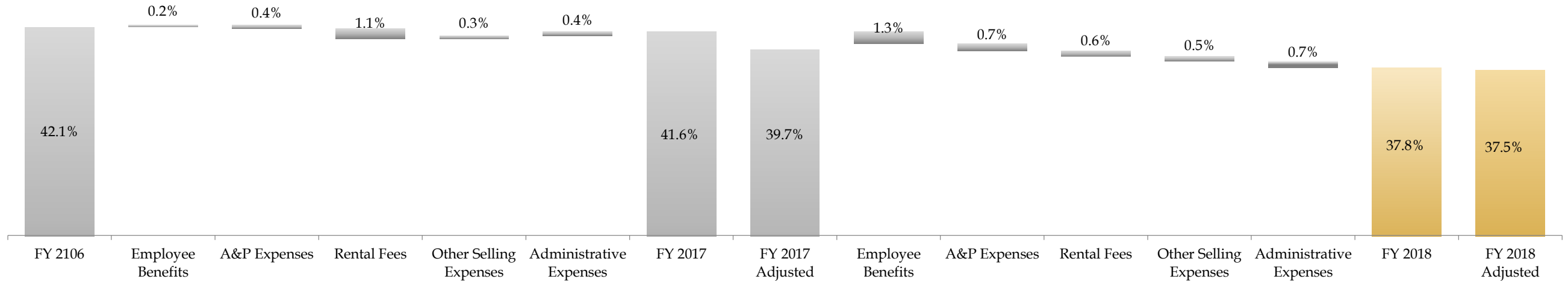
Selling and Administrative Expenses Analysis (adjusted)



— As a % of Revenue

E. Continued optimization of the Group's operations (continued)

Selling and Administrative Expenses Analysis (reported)



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Outlook for FY2019

- 1 **Re-brand the HONMA brand** to create a consistent brand image across all markets
- 2 **Update and upgrade the Group's marketing strategy, platform and assets** to drive HONMA brand awareness across the globe
- 3 Provide customers with a **new generation of retail experience**
- 4 Accelerate penetration into **high growth consumer segments** with pivoting product strategy while sustaining leadership in **premium segment**
- 5 Further **increase market share in home markets** and **fuel growth in North America and Europe**
- 6 Provide customers with a complete golf lifestyle experience by **growing non-club product lines**
- 7 Explore **adjacent business opportunities** through commercial partnership and acquisition



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Team HONMA Achievements

HONMA Sponsors 33 Professional Golf Players



Shanshan Feng won three **victories** in 2017 USLPGA and JLPGA and 23 weeks' **World No. 1** female player



Kim Ha-neul won three **victories** in 2017 JLPGA



Liang Wenchong **winner** of the 2017 JGTO



Ryu So-yeon won two **victories** in 2017 USLPGA

Sponsorship to Golf Championships



- Sponsored multiple golf championships
- Held HONMA TOURWORLD CUP for the third consecutive year

TEAM HONMA: Number of Victory in Players Championship



20

FY2016



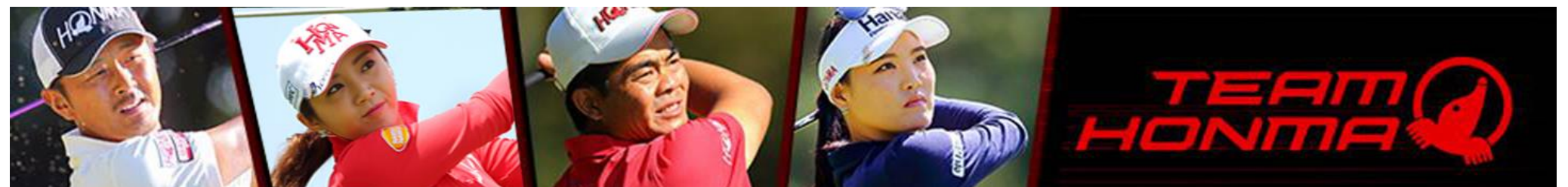
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FY2017



19

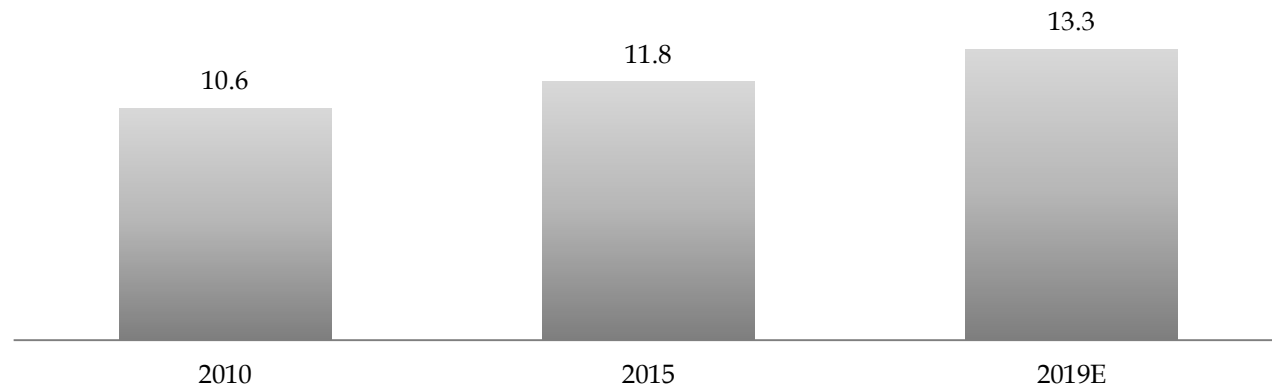
FY2018



Golf is still one of the most popular sports globally

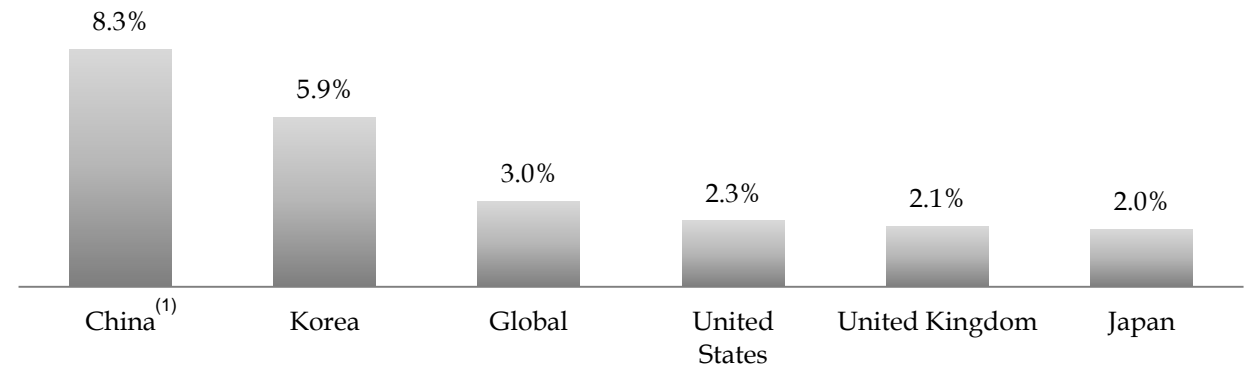
Global Retail Sales Value

USD Billion

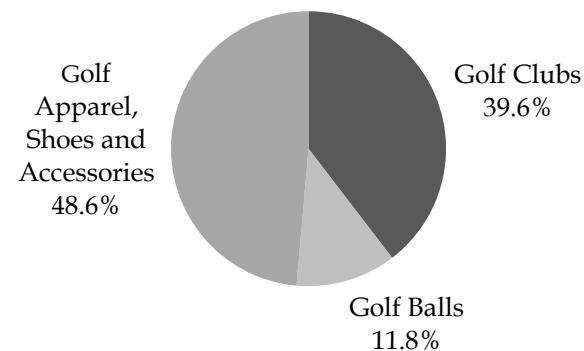


Growth Comparison by Region

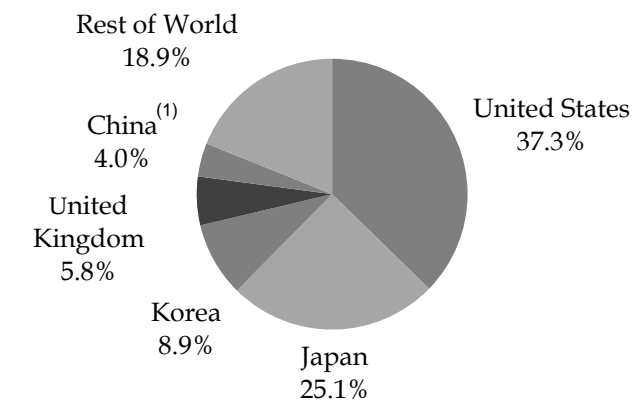
2015-2019E CAGR of Retail Sales Value



2015 Retail Sales Value Breakdown by Product Type



2015 Retail Sales Value Breakdown by Region



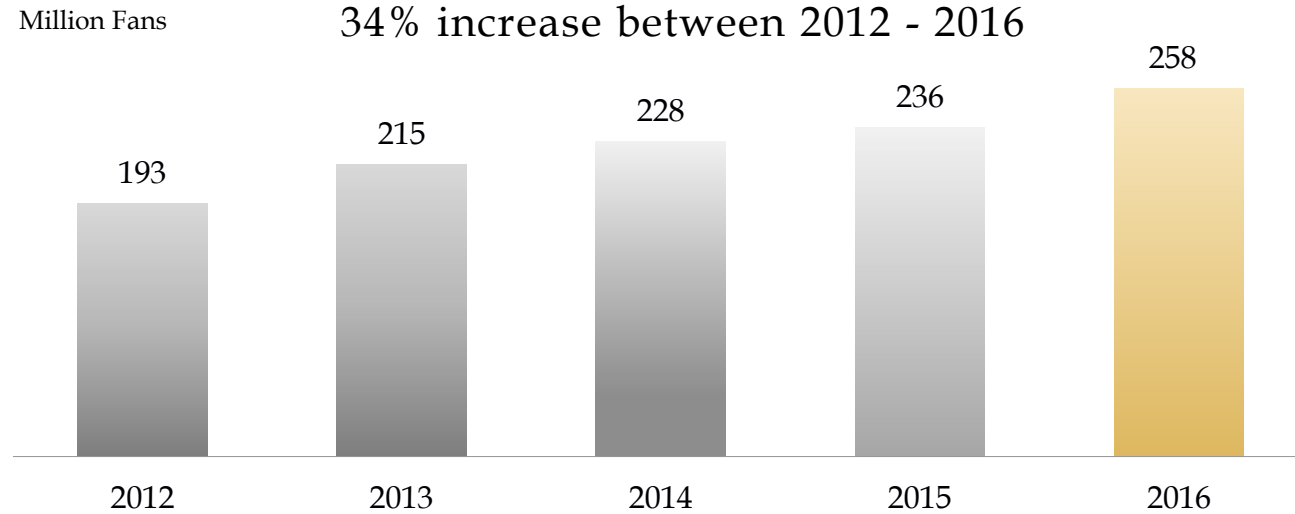
Notes

(1) Including Hong Kong and Macau

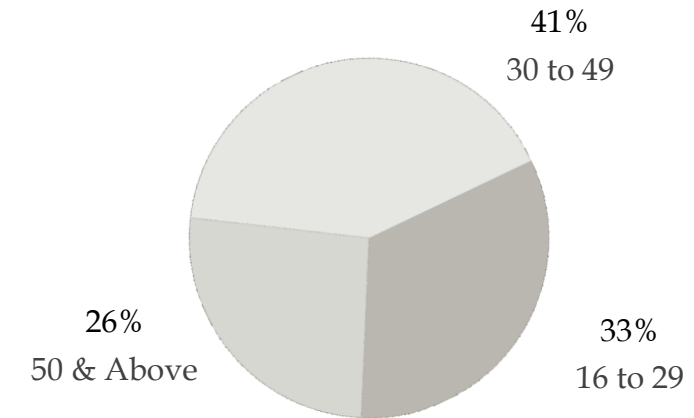
Source Frost & Sullivan Report

Golf as a sport has large & growing followings in Asia

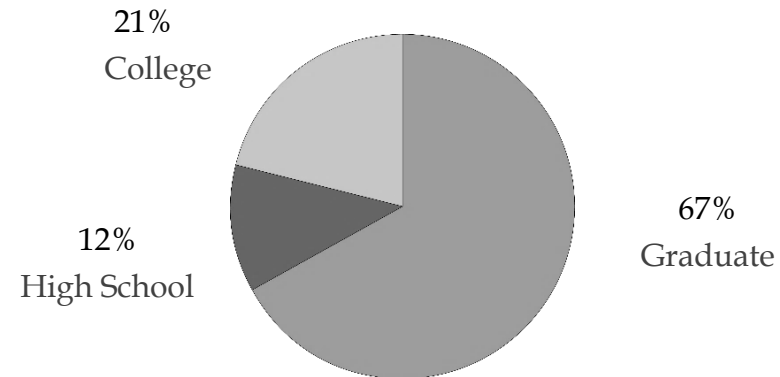
Golf Fans Growth in Asia



Age Breakdown



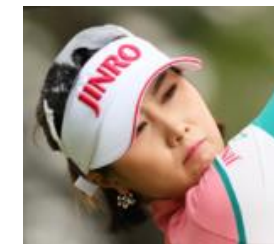
Education Level Breakdown



Gender Breakdown



Male: 58%

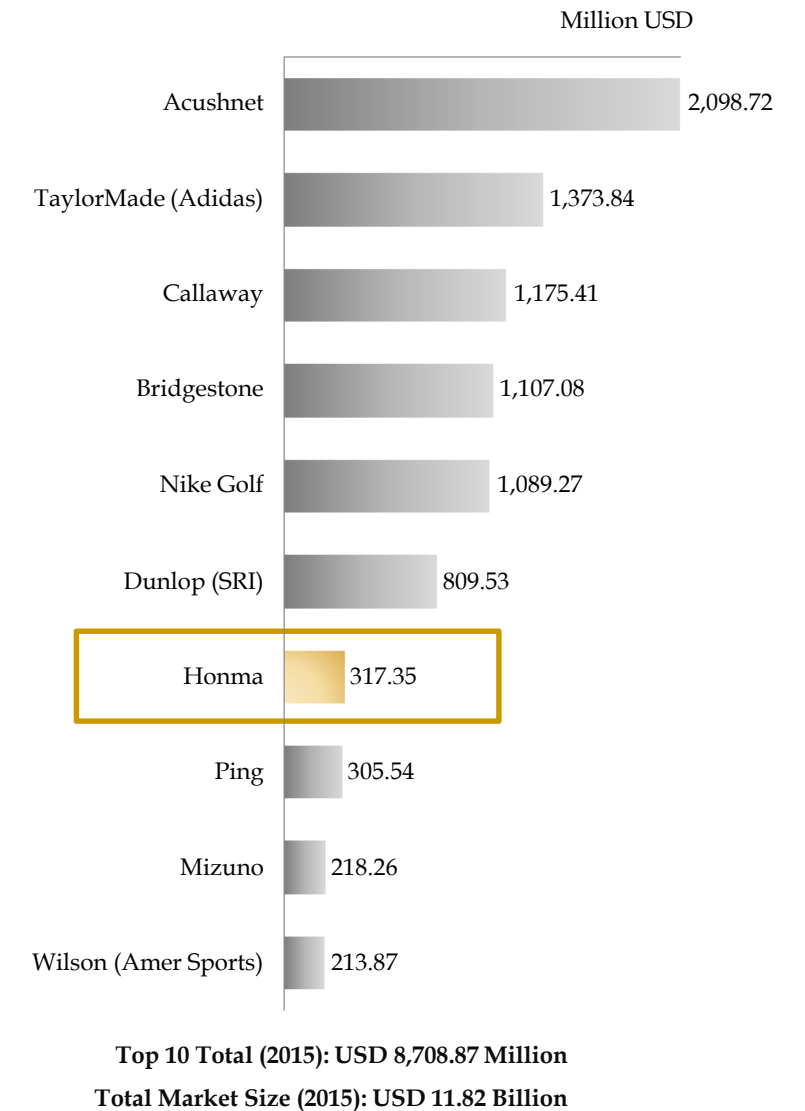


Female: 42%

Source: Nielsen Sports, DNA 2017

Top 10 brands accounts for 74% of the market but with different product and price strategy

Ranking	Company	2015 Retail Sales (Million USD)	Market Share	2014 Retail Sales (Million USD)	Market Share	Year-on-year Growth
1	Titleist (Acushnet)	2,098.72	17.76%	2,006.55	17.40%	4.59%
2	TaylorMade (Adidas)	1,373.84	11.62%	1,450.71	12.58%	-5.30%
3	Callaway	1,175.41	9.94%	1,150.45	9.98%	2.17%
4	Bridgestone	1,107.08	9.37%	1,076.04	9.33%	2.88%
5	Nike Golf	1,089.27	9.22%	1,050.63	9.11%	3.68%
6	Dunlop (SRI)	809.53	6.85%	774.95	6.72%	4.46%
7	HONMA	317.35	2.68%	262.31	2.28%	20.98%
8	Ping	305.54	2.58%	295.28	2.56%	3.47%
9	Mizuno	218.26	1.85%	210.81	1.83%	3.53%
10	Wilson (Amer Sports)	213.87	1.81%	211.62	1.81%	1.06%
Top 10 Total		8,708.87	73.68%	8,489.35	73.60%	2.59%



Source: Frost & Sullivan Report

Overall Golf Clubs market transiting from volume to value and value segments experiencing high growth

Golf Product Market Size by Region



- 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

	Japan	Korea	China	United States
Total Market Size ⁽¹⁾	USD 2,968MM	USD 1,049MM	USD 470MM	USD 4,409MM
Addressable Market Size ⁽²⁾	USD 2,139MM	USD 855MM	USD 315MM	USD 3,049MM
FY 2018 Sales ⁽²⁾	USD 123MM	USD 38MM	USD 42MM	USD 11MM

Notes

(1) Based on 2015 retail value.

(2) Exchange rate: 1USD = 110.70 JPY

Consolidated P&L

For the twelve months ended 31 March

	2018.3.31	%	2017.3.31	%	Year-on-Year Change
	JPY		JPY		%
<i>(In thousands, except for percentages and per share data)</i>					
Consolidated Statement of Profit or Loss					
Revenue	26,296,159	100.0	24,242,435	100.0	8.5
Cost of sales	(10,318,713)	(39.2)	(9,694,062)	(40.0)	6.4
Gross profit	15,977,446	60.8	14,548,373	60.0	9.8
Other income and gains	50,005	0.2	1,178,475	4.9	(95.8)
Selling and distribution expenses	(8,410,223)	(32.0)	(8,511,354)	(35.1)	(1.2)
Administrative expenses	(1,522,235)	(5.8)	(1,581,675)	(6.5)	(3.8)
Other (expenses)/income, net	(837,672)	(3.2)	(89,993)	(0.4)	830.8
Finance costs	(21,872)	(0.1)	(22,225)	(0.1)	(1.6)
Finance income	138,816	0.5	42,204	0.2	228.9
Profit before tax	5,374,265	20.4	5,563,805	23.0	(3.4)
Income tax expense	(1,441,054)	(5.5)	(611,136)	(2.6)	135.8
Net profit	3,933,211	14.9	4,952,669	20.4	(20.6)
Earnings per share attributable to ordinary equity holders of the parent:					
Basic and diluted					
- For profit for the year (JPY)	6.46		8.47		(23.7)
Non-IFRS Financial Measures					
Operating profit ⁽¹⁾	6,242,193	23.7	4,946,319	20.4	26.2
Net operating profit ⁽²⁾	4,707,416	17.9	4,365,611	18.0	7.8

Notes:

(1) Operating profit is derived from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses and (iv) adding RSU expenses.

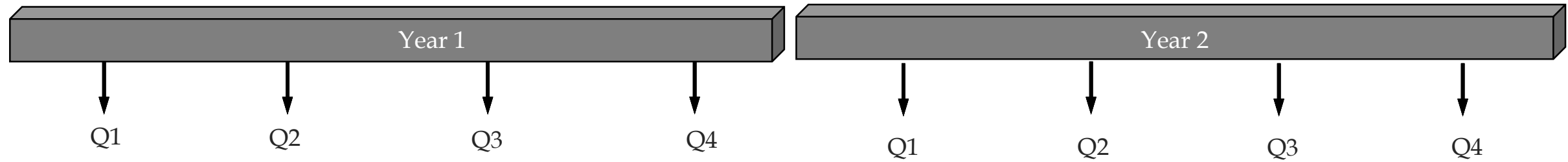
(2) Net operating profit is derived from net profit by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses, (iv) adding RSU expenses and (v) adding impact on tax. The Group referred to such measure as adjusted net profit in the Group's Interim Results Announcement for the Six Months Ended 30 September 2017 dated 16 November 2016

Consolidated Balance Sheet

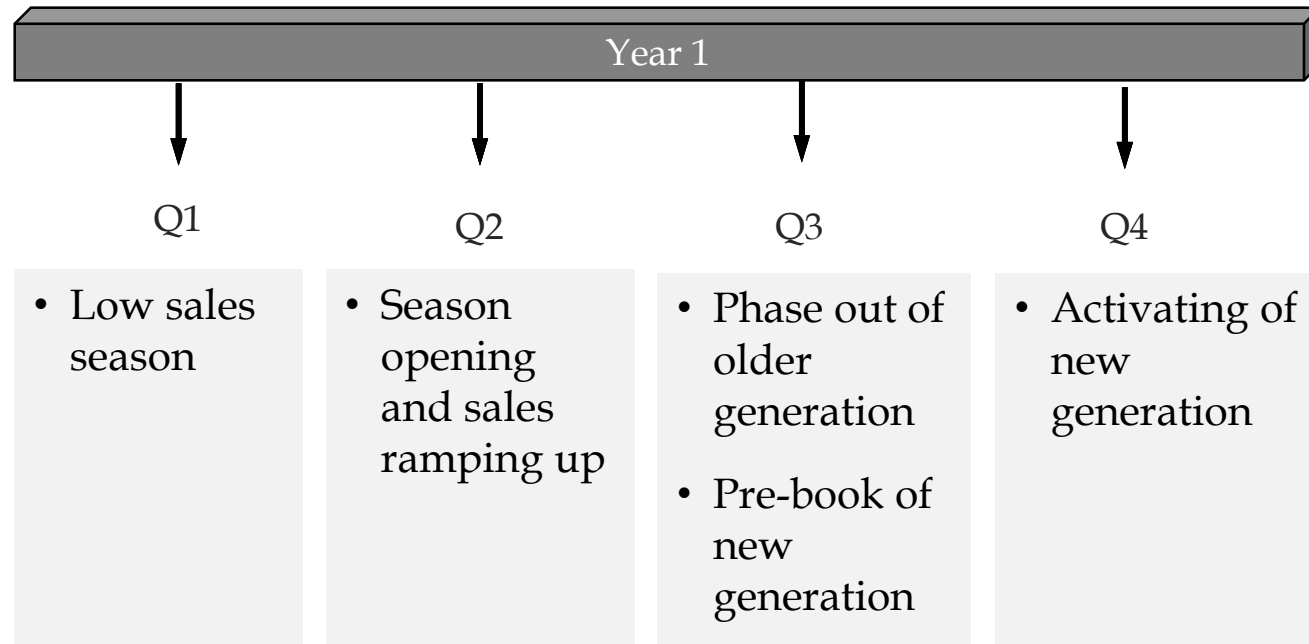
	For the twelve months ended 31 March	
	2018.3.31	2017.3.31
	JPY	JPY
	<i>(In thousands, except for percentages and per share data)</i>	
Consolidated Statement of Financial Position		
Assets		
Non-current assets	5,838,480	6,379,692
Current assets	30,354,928	24,554,102
Total Assets	36,193,408	30,933,794
Liabilities		
Non-current Liabilities	1,825,221	2,216,654
Current Liabilities	6,363,274	2,987,862
Total Liabilities	8,188,495	5,204,516
Net current assets	23,991,654	21,566,240
Total assets less current liabilities	29,830,134	27,945,932
Net Assets	28,004,913	25,729,278
Total Equity	28,004,913	25,729,278

Business Cycle and Seasonality

Calendar Year



Financial Year





THANKS!

For more inquiries, please contact:
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