



HONMA Golf Limited

(HKEx Stock Code: 6858)

HONMA Golf Announces FY2020/21 Annual Results China, South Korea and Non-club categories recorded significant growth despite impact of COVID-19 pandemic Declares final dividend of JPY1.70 per share

(28 June 2021 – 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, is pleased to announce its consolidated results for the year ended 31 March 2021 (the "Period").

Compelling improvement in key financial metrics amid headwinds

During the Period, the Company delivered significant improvements in all key financial metrics on the back of a strong recovery of its business performance, in spite of continued negative impacts of the global health crisis on both the golf industry and its business operations.

The Company recorded a full year revenue of JPY22,735.1 million (equivalent to USD 208.2 million) which on a constant currency basis, slightly fell below last year by 4.9%. It is worth noting that while the Company's revenue showed decline in markets laden by the pandemic, revenue from China, South Korea and Rest of the World¹ rose robustly by 98.2%, 14.2% and 13.4% respectively on a constant currency basis, following unprecedented increase in golf participation and purchase interest. During the same period, the Company's growth strategies for its non-club business also started to reap rewards. Revenue from golf balls and apparels rose by 20.2% and 35.3% respectively, on a constant currency basis for the Period. Meanwhile, the Company's full year profit before tax increased to JPY2,420.3 million (equivalent to USD 22.2 million), representing a significant rebound from the previous year. Gross profit margin

¹ "Rest of the World" refers to the markets HONMA operates in, excluding Japan, South Korea, Mainland China and Hong Kong, North America and Europe

remained stable at 50.3% for the Period. Operating cash flow remained strong and grew by 612.9% to JPY3,982.8 million (equivalent to USD 36.5 million) for the Period.

The Board proposed a final dividend of JPY 1.7 per share, together with the interim dividend of JPY 1.5 per share. Total dividends for the financial year will amount to JPY 3.2 per share, with a total dividend payout ratio of 14.5%.

Mr. LIU Jianguo, Chairman of the Board, President and Executive Director of HONMA Golf Limited, said, "The outbreak of COVID-19 and resultant government social distancing measures created significant operational challenges and slowed the retail environment, at a time when HONMA was launching two of its latest new club products. The majority of the Group's retail stores experienced business interruptions for a significant part of the Period. However, the global golf industry has seen continued growth following the easing of pandemic control measures, with purchase interest and participation increasing. As such, the Company saw strong business recovery in the second half of the Period and delivered significant sales growth as compared to the first half. The management of HONMA are positive about the future growth in the post-COVID era as we continue to forge ahead with our growth strategies."

China and South Korea markets recorded vibrant growth

Geographically, revenue from China (including Hong Kong and Macau) increased significantly by 98.2% to JPY 5,512.0 million year-on-year, on the back of a rapid recovery from the pandemic and the successful activation of products launched before the outbreak. Of note, China's effective control of the pandemic and its strong recovery laid a solid foundation for the Company's business growth in this market, with the new trend of healthy lifestyle among the general public helping to boost consumer demands for golf equipment and sportswear.

Another important market, South Korea saw 14.2% revenue growth to JPY 6,383.4 million for the Period, representing the eighth consecutive year of achieving double-digit growth. The Company continued to increase its market share through activation of superior product offerings and intensive TV and social media campaigns to drive HONMA brand and product awareness and improve sales conversion. The Company also continued to invest into its local presence to lead and drive direct-to-consumer distribution model for its golf ball and apparel businesses.

Other regions saw decreases due to extended and, in some parts, worsening impact from the COVID-19 pandemic. Revenue from Japan, North America and Europe

declined by 39.7%, 25.8% and 25.0% respectively, on a constant currency basis.

Successful product strategy drove financial growth of both golf club and non-club segments

During the Period, the Company further realized its product portfolio optimization with favorable revenue growth from golf balls, apparel and accessories, in line with expectation, benefiting from continued market penetration in Japan, South Korea and China, and the investment in non-club business segments since 2019. In the recent years, the Company also accelerated growth in golf ball sales and relaunching its apparel business to create a comprehensive range of golf products in the super-premium and premium-performance segments.

Revenue from golf ball sales increased by 20.6% to JPY 2,659.2 million during the Period. On the back of continued mid-double-digit growth in revenue from golf ball sales over recent years, the Company further prioritized its product development resources and launched golf balls under its own patent in order to meet the HONMA brand positioning and the play preferences and performance demands of its club users.

Apparel sales, including those from the 2020 Fall Winter collections and the 2021 Spring Summer collections, grew by 35.3% to JPY 1,727.0 million during the Period. In January 2019, HONMA re-launched its apparel collection in its Asia home markets. The apparel collection consists of three lines catering to the distinctive requirements of golfers in Japan, China and South Korea, both on-course and off-course.

Meanwhile, HONMA continued to focus on club products that best represent Japanese traditional craftsmanship and innovative technology to cater to players in the super-premium and premium-performance segments. GS series, the second performance enhancement series launched in January 2021, has been included into the TOUR WORLD club family, in order to fully capture its growth potential in the premium-performance segment which is by far the fastest-growing segment in most major golf markets. Driven by the new product offerings, golf club sales grew by 30.1% from China, South Korea and the Rest of the World¹ combined, with club sales in Mainland China alone increasing by 125.6% on a constant currency basis for the Period, reconfirming HONMA's strong brand equity and its ability to withstand economic challenges since entering the golf business in 1959. The other markets for golf club sales exhibited negative developments, corresponding to the pace at which local

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governments responded to the pandemic.

Successful direct-to-consumer distribution model supported by surging e-commerce traffic and sales conversion

Despite challenges faced by the global retail businesses, revenue from HONMA's 80 self-operated stores expanded resiliently by 12.2% for the Period to JPY 5,972.6 million (equivalent to USD 54.7 million). Significant disruptions were experienced in the Company's retail operations in Japan, China and other parts of the world, but sales from self-operated stores remained strong primarily due to increased sales per store and continued retail operation optimization. In particular, e-commerce sales saw a robust increase of 262% during the Period.

However, revenue from third-party retailers and wholesalers decreased by 9.8% as the Company's retail partners endeavored to reduce inventory following extended and lingered business closure. In North America, the Company slowed down the roll-out of third-party shop-in-shops while maintaining its mobile van team and coverage in order to bring HONMA fitting experience to the target golfer's home course.

The Company has seen positive returns over recent years on the back of continued investments into its e-commerce presence to create another important brand touchpoint for consumers researching and searching for HONMA products, local retailers or fitting experience. Thanks to such development the Company was able to react quickly to the change in consumer behavior towards online shopping propelled by the home-shelter regulations during the pandemic. Sales from the brand's flagship stores on Tmall and JD, the largest e-commerce platforms in China, more than quadrupled following a complete upgrade of its visuals and intensified content marketing efforts. In Japan and North America, revenue from the Company's self-operated e-commerce sites both more than doubled during the Period. HONMA also enhanced its customer relationship management (CRM) system to improve customer relationship and interactions and further support its loyalty program by adding consumer-facing custom tools, to provide the ultimate 360-degree brand experience, to strengthen HONMA's direct to consumer communication and to increase sales both online and offline.

Re-defining the HONMA brand

The Company made continued improvement in communication and engagement with its existing and potential consumers in the super premium and premium performance segments, with a view to re-defining HONMA brand as a premium, dynamic, modern and global brand through the 360-degree HONMA experience in elevated retail stores,

dedicated customer events and up-to-date digital contents. HONMA also proactively engages with young millennial golfers by adding six young, up and coming female pro players to Team HONMA in Japan, and collaborating with local pros, golf instructors and social media influencers in multiple markets.

Furthermore, various digital marketing efforts have been implemented to drive website traffic and target potential shoppers through re-targeting efforts in social media and search engine marketing, with an aim to create a consistent and vibrant communication platform and brand image across all markets, and further drive the rapid expansion of digital communications, which has generated month-on-month double-digit growth in organic traffic.

Outlook

With the global easing of COVID-19 related restrictions, the golf industry has seen encouraging signs of recovery and a continued increase in purchase interest and participation worldwide. The Company has also observed pent-up demand to play golf, a visible increase in new and returning golfers and an uptick in new orders from both end consumers and retailers, and fully expects the golf industry to gradually settle into to the new normal.

Moving forward, the Company will continue to execute its long-term growth strategy to build a world-leading golf lifestyle company by leveraging HONMA's brand legacy, expanding distribution network and innovative technologies and traditional Japanese craftsmanship. In the face of continued uncertainties posed by the COVID-19 pandemic, the Company will continue to take active actions to reduce cost, maximize liquidity and protect its employees' health.

The Company will also continue to improve and transform HONMA brand value into customer loyalty, with the brand experience stores in Japan, China, South Korea, the US and Europe forming the centerpiece of HONMA's new consumer touchpoints and acting as the hub to generate traffic to HONMA's extensive shop-in-shop at third-party retailers, golf courses and its online e-commerce platforms. The Group will further increase market share in its home markets, namely Japan, South Korea and China by maintaining its leading position in the super-premium segment while making solid inroads into the fast-growing premium-performance segment, and at the same time, strive to pivot growth in North America based on updated products and direct to consumer (DTC) distribution strategy. In terms of products, the Group will continue to nurture complementary non-club product lines to provide customers with a complete golf lifestyle experience, as well as to push forward product innovation and

development to cater to the latest market trends.

Mr. LIU Jianguo, added, "As the Company welcomes its 63rd anniversary this year, we are pleased to deliver another year of robust results, despite the disruption of the pandemic. Riding on the foundations of a gradual recovery under the post-pandemic era, the Company will monitor the external developments and challenges, continue to review our existing business strategies and take necessary actions to mitigate business risks while safeguarding the health and safety of our employees and teams. Meanwhile, the Company will continue to promote sustainable development and strive to create long-term value for its shareholders."

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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 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 golf's new and under-penetrated markets such as Korea and China.

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