



HONMA Golf Limited

(HKEx Stock Code: 6858)

HONMA Golf Announces Robust FY2021/22 Interim Results for the Six Months ending Sep 30, 2021

- Half year sales of JPY 11,872 million, up 31.1% and 12.1% versus same period of FY2020 and FY2019 respectively
- EBITDA increased by 4.6 times to JPY 2,635 million as compared to same period last year
- Interim dividend of JPY 1.5 per share

(26 November 2021 – Hong Kong) HONMA Golf Limited ("HONMA" or the "Group"; 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 six months ended 30 September 2021 (the "Period").

Record sales growth driving visible improvements in all financial metrics

During the Period, the Group delivered robust growth across most of its markets and product categories, resulting in positive and visible improvements in key financial metrics.

Net sales were JPY 11,872.0 million (equivalent to USD106.8 million) during the Period, representing a significant increase of 31.1% and 12.1% as compared with the same period of FY2020 and FY2019 respectively, marking a full recovery from the negative impact of Covid-19.

Geographically, Japan and China led the way in terms of growth and rose by 105.9% and 54.0% respectively, while North America, Europe and Rest of the World¹ followed the way with double digit growths.

All product categories showed double if not triple-digit growth across the board, where apparel grew by 151.3% and golf clubs by 23.9% compared to the same period last

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

year. The Group also made continued inroads into performance club and non-club product categories thanks to steadfast execution of growth strategies by our global teams.

During the Period, the Group's gross profit margin climbed up by 4.1 percentage points to 55.3%, despite strong supply chain headwinds.

Profit before tax was JPY 1,746.5 million (equivalent to USD15.7 million), up from a loss of JPY 431.4 million for the same period last year. Operating cash flow remained strong, expanding by 43.7% to JPY 3,702.4 million (equivalent to USD33.3 million) in the Period.

The Board proposed an interim dividend of JPY 1.5 per share, amounting to a total of JPY 908.5 million for the six months ended 30 September 2021, representing 67.3% of the Group's distributable profits for the Period.

Most markets demonstrated vigorous growth at full throttle

Geographically, Japan demonstrated the greatest growth, pushing up sales by 105.9% to JPY 3,821.6 million (equivalent to USD 34.4 million), on the back of a complete sales recovery in all channels and product categories. Another home market, China, continued to deliver solid performance, presenting a year-on-year sales growth of 54.0% to JPY 3624.7 million (equivalent to USD 32.6 million), driven by continued expansion of the Group's retail footprint and optimization of its product lineup.

Similarly, sales from North America, Europe and Rest of the World also increased significantly by 40.7%, 29.2% and 30.0% respectively. Following a gradual easing of government-imposed social distancing rules, HONMA resumed distribution network expansion in North America and Europe and added 100 and 37 net points of sales ("POS") respectively, in response to growing increase in golf participation in these markets and enhanced brand awareness.

South Korea fell however, below same period last year with sales declining by 31.0% to JPY 2,149.8 million (equivalent to USD 19.3 million), due to unexpected component shortfall. Up to the reporting date, such constraints have been substantially relieved and shipments are expected to resume from December 2021.

All product categories recorded double if not triple digit growth

Thanks to continued product development efforts and continued market penetration, the Group achieved outstanding sales growth across all product categories. The

Group now offers a complete golf lifestyle experience through its extensive range of HONMA-branded golf clubs, golf balls, apparel and other accessories.

HONMA continued to focus on club products that best represent traditional Japanese craftsmanship and innovative technology to tailor to players in the super-premium and premium-performance segments. In January 2021, HONMA launched its second performance enhancement club set, the GS series, targeting avid golfers of 8-20 handicaps. With deeper penetration into the performance club segment, sales from golf clubs, which account for 73.4% of the Group's total sales, increased by 23.9% to JPY 8,719.4 million (equivalent to USD 78.5 million) as compared to the same period last year, reaffirming HONMA's strong brand equity and its continuous ability to withstand economic challenges since it started in the golf business back in 1959.

Beyond clubs, HONMA has been continuously nurturing its non-club business in Asia home markets as an important pillar of its growth strategies.

Sales of apparel increased by 151.3% to JPY 1,259.3 million (equivalent to USD 11.3 million) during the Period, accounting for 10.6% of total sales, thanks to continued investment in product development, optimization of merchandise planning and improved retail operations. With this, apparel overtook balls and accessories to become the second largest product category of HONMA, the first time since its re-launch in Spring 2019.

Revenue from golf balls grew steadily by 24.3% to JPY 1,153.7 million (equivalent to USD 10.4 million) during this period hence delivering a CAGR of 41.1% over the last six years. The Group further utilized its leading R&D capabilities and launched ball products pivoting a pyramid product strategy while continuously gaining mind and market share.

Extended retail presence with increased same-store-sales ("SSS") and surging e-commerce sales

During the Period, the Group further expanded HONMA's retail presence through location optimization, elevated visual design and merchandising display to provide better consumer experiences.

HONMA operates the largest number of self-operated stores among major golf companies, providing consumers with a 360-degree experience of the HONMA brand and its products. During the Period, the number of HONMA's self-operated stores dropped slightly by 3 to 77, while sales grew by 34.6% to JPY 3,516.1 million ,

demonstrating visible SSS growth.

Sales from third-party retailers and wholesalers increased by 29.7% to JPY 8,355.9 million (equivalent to USD 75.2 million) for the Period as retail operation stabilized after Covid-19. In particular, sales to the Group's retail partners in Japan grew by 265.3% as most retailers recovered from extended and lingering business closure during the pandemic. Total POS in all markets increased by 182 to 4,117 by the end of the Period.

It is worth noting that sales from the Group's e-commerce channels jumped by 99% during the Period. The Group currently operates e-commerce channels in China, Japan, South Korea and the US and all these markets reported record sales results during the Period, led by sales growth from China of 114.9%. During the most recent 2021 'Double 11' e-commerce campaign in China, total GMV from HONMA's Tmall and JD flagship stores more than doubled compared with the same period last year. Such robust growth was fuelled by accelerated digital marketing efforts, in particular content marketing and full-channel approach, executed by dedicated e-commerce teams. The Group has seen continued momentum in e-commerce driven by profound and accelerated change in consumer behaviour and business environment through digital transformation.

Re-defining the HONMA brand

The Group made further efforts to improve its global brand positioning and its communication and engagement with existing and potential consumers in the super premium and premium performance segments, with a view to re-define HONMA as a premium, dynamic, modern and global brand through the 360-degree HONMA experience in retail stores, dedicated customer events and topical digital content. HONMA has been proactively engaging with younger internet-savvy golfers by regularly updating its global website and social media platforms.

Through continuous efforts in recent years, HONMA has gained strengthened brand awareness and recognition in the global golf community. In September 2021, HONMA was featured by CNN Living Golf in its Tokyo Olympics episode, showcasing HONMA's more than 60 years of dedication towards premium club development.

Business Outlook

With the global easing of Covid-19 related restrictions, the golf industry has seen a speedy recovery and continued increase in participation and purchase interest worldwide. HONMA has 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. The Group fully expects the golf industry to settle into the new environment.

Moving forward, the Group will continue to execute its long-term growth strategy to build a world-leading golf lifestyle business by leveraging HONMA's brand legacy, expanding its distribution network, innovative technologies and traditional Japanese craftsmanship. In the face of continued uncertainty posed by the Covid-19 pandemic, the Group will continue to take proactive action to optimize cost, maximize liquidity and protect the health of its employees.

The Group will also continue to transform its brand values into customer loyalty, with the exclusive brand experience through its self-operated stores forming the centerpiece of HONMA's new consumer touchpoints and acting as hubs to generate traffic to HONMA's extensive shop-in-shops, third-party retailers, golf courses and online e-commerce platforms. The Group will further increase market share in its biggest markets of 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 striving to pivot growth in North America and Europe based on updated products and a 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 push forward product innovation and development to cater to the latest market trends.

Mr. LIU Jianguo, Chairman of the Board, President and Executive Director of HONMA Golf Limited, said, "We have seen a significant ramp-up of interest worldwide in playing golf, purchasing golf products and participating in the industry. Our global HONMA teams have spared no efforts to seize the opportunities and achieved excellent results across all product lines in most of our markets. Although challenges remain, especially with the pandemic continuing to affect mobility and supply chains and with global inflationary pressures, we are positive that our efforts will outpace the headwinds as we forge ahead with our growth strategies."

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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 Group utilizes the latest innovative technologies and traditional Japanese craftsmanship to provide golfers around the world 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 Group 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 Group 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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