

Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.



Consolidated Financial Results for the Three Months Ended March 31, 2022 [Japanese GAAP]

May 12, 2022

Company name: Golf Digest Online Inc.
 Stock exchange listing: Tokyo
 Code number: 3319
 URL: <https://www.golfdigest.co.jp>
 Representative: Nobuya Ishizaka President and CEO
 Contact: Ryo Nakamura CFO
 Phone: 03-5656-2888
 Scheduled date of filing quarterly securities report: May 13, 2022
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Three Months Ended March 31, 2022 (January 01, 2022 to March 31, 2022)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

Three months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	9,585	10.5	224	(1.5)	224	(3.3)	936	780.7
March 31, 2021	8,677	7.5	227	432.8	232	493.5	106	-

(Note) Comprehensive income: Three months ended March 31, 2022: ¥ 1,093 million 404.0%]
 Three months ended March 31, 2021: ¥ 216 million -%]

Three months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2022	51.27	-
March 31, 2021	5.82	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2022	23,146	8,405	36.3	459.41
December 31, 2021	21,851	7,411	33.9	405.17

(Reference) Equity: As of March 31, 2022: ¥ 8,395 million
As of December 31, 2021: ¥ 7,403 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2021	-	4.00	-	5.50	9.50
Fiscal year ending December 31, 2022	-				
Fiscal year ending December 31, 2022 (Forecast)		4.00	-	5.50	9.50

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 1st quarter dividend for the fiscal year ending December 31, 2022 :

Commemorative dividend - yen
Special dividend - yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2022(January 01, 2022 to December 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	43,900	10.9	2,100	23.0	2,100	22.4	1,900	83.4	103.98

(Note) Revision to the financial results forecast announced most recently: No

Since the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29), etc. are applying from the beginning of the fiscal year ending December 31, 2022, the above forecasts reflect the amounts after the application of the accounting standard, etc. However in the calculation for each of percentages, the accounting standard, etc. do not apply to the amounts in the same period of the previous year. Assuming that the accounting standard, etc. applied from the beginning of the fiscal year ending December 31, 2021, the rate of changes for Net sales to the previous year are as follows:

Net Sales: 16.4%

The application of the accounting standard is insignificant on Operating profit, Ordinary profit, and Profit attributable to owners of parent.

* Notes:

(1) Changes in significant subsidiaries during the three months ended March 31, 2022

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2022: 18,274,000 shares

December 31, 2021: 18,274,000 shares

2) Total number of treasury shares at the end of the period:

March 31, 2022: 390 shares

December 31, 2021: 390 shares

3) Average number of shares during the period:

Three months ended March 31, 2022: 18,273,610 shares

Three months ended March 31, 2021: 18,273,696 shares

Table of Contents

1. Qualitative Information on First Quarter Consolidated Results	1
(1) Overview of Results of Operations	1
(2) Overview of Financial Position	1
(3) Overview of Consolidated Earnings Forecast	2
2. Quarterly Consolidated Financial Statements	3
(1) Quarterly Consolidated Balance Sheets	3
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Notes to the Consolidated Financial Statements	8
(Notes on Going Concern Assumption)	8
(Notes in the case of significant changes in shareholders' equity)	8
(Changes in accounting policies)	8
(Segment Information, etc.)	10

1. Qualitative Information on First Quarter Consolidated Results

(1) Overview of Operating Results

During the first quarter of the fiscal year under review (January 1, 2022 to March 31, 2022), the business environment remained uncertain, mainly reflecting restrictions on economic activity due to the resurgence of the COVID-19 coronavirus, the risk of global instability and other factors.

In the environment surrounding the Internet, markets such as those for e-commerce and Internet-related services continued to expand. Meanwhile, digital technologies, notable examples of which are those for IoT and AI, continued to evolve, advancing digitization in numerous fields. In the golf market, the demands of golfers were changing day by day, including the permeation of a play style adapted to the new lifestyle required given the influence of COVID-19.

In this environment, the Golf Digest Online Group (the "GDO Group") offered greater playing comfort and pleasure to golfers as a group of IT service providers specializing in golf, with overwhelming information content and the capacity to provide specialized golf services as its strengths. The GDO Group also worked on business operation under the basic policy in its mid-term strategic plan "LEAD THE WAY" announced in February 2021.

As a result, the Group recorded net sales of 9,585 million yen (up 10.5% year on year), operating profit of 244 million yen (down 1.5% year on year), and ordinary profit of 224 million yen (down 3.3% year on year) during the first quarter under review (January 1, 2022 to March 31, 2022). In addition, the Group posted extraordinary income of 766 million yen (compared to 22 million yen in the same period of the previous year) including a gain on the forgiveness of debt recorded by the U.S.-based subsidiary (For details, please see Notice Regarding Posting of Extraordinary Income (gain on forgiveness of debt recorded by the U.S.-based subsidiary) published on February 15, 2022). Consequently, profit attributable to owners of parent stood at 936 million yen (up 780.7% year on year).

From the beginning of the first quarter of the fiscal year under review, the Revenue Recognition Accounting Standard (ASBJ Statement No. 29.), etc. began to be adopted. For details, please see 2. Quarterly Consolidated Financial Statements and the Primary Notes for the First Quarter of the Fiscal Year under Review (3) Notes regarding the Quarterly Consolidated Financial Statements (Changes in accounting policies).

The results in each main segment are as follows.

Domestic segment

During the first quarter of the fiscal year under review, the domestic segment recorded net sales of 5,865 million yen (down 7.6% year on year), primarily reflecting the impact of snowfall and rainfall in February and new waves of COVID-19 infections, and the application of the Revenue Recognition Accounting Standard starting from the beginning of the first quarter of the fiscal year under review. On the other hand, with marketing measures implemented as planned for future growth, segment income decreased 61.2% year on year, to 157 million yen.

Overseas segment

During the first quarter of the fiscal year under review, the overseas segment posted net sales of 3,720 million yen (up 59.8% year on year), reflecting successful efforts to tap into strong golf-related demand. In line with growth in net sales, the segment income came to 66 million yen (compared to segment loss of 179 million yen in the same period of the previous year).

(2) Overview of Financial Position

Looking at the financial position at the end of the first quarter of the fiscal year under review, total assets stood at 23,146 million yen, up 1,294 million yen from the end of the previous fiscal year. Liabilities totaled 14,740 million yen at the end of the first quarter, increasing 300 million yen from the end of the previous fiscal year. Total net assets at the end of the first quarter increased 994 million yen from the end of the previous fiscal year, to 8,405 million yen.

In terms of the balances of accounts for main items, merchandise, property, plant and equipment, and accounts payable - trade increased by 732 million yen, 579 million yen and 1,105 million yen, respectively, while short-term borrowings decreased 925 million yen. Retained earnings increased by 834 million yen.

(3) Overview of Consolidated Earnings Forecast

Consolidated results forecasts for the fiscal year ending December 31, 2022 remain unchanged from the consolidated results forecasts revised on February 15, 2022.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of December 31,2021	As of March 31,2022
Assets		
Current assets		
Cash and deposits	2,904,770	2,849,767
Accounts receivable - trade	2,689,067	2,586,691
Merchandise	3,219,906	3,952,399
Work in process	601	2,619
Supplies	72,934	125,476
Other	1,671,120	1,768,789
Allowance for doubtful accounts	(15,871)	(15,878)
Current assets	10,542,529	11,269,865
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,378,001	4,875,528
Other	2,212,636	2,624,883
Accumulated depreciation	(2,775,756)	(3,106,217)
Property, plant and equipment	3,814,880	4,394,194
Intangible assets		
Goodwill	4,059,538	4,178,560
Other	2,431,668	2,431,606
Intangible assets	6,491,206	6,610,166
Investments and other assets		
Other	1,009,821	878,895
Allowance for doubtful accounts	(6,925)	(6,925)
Investments and other assets	1,002,895	871,969
Non-current assets	11,308,982	11,876,330
Assets	21,851,512	23,146,195
Liabilities		
Current liabilities		
Accounts payable - trade	2,244,851	3,350,463
Short-term borrowings	2,025,715	1,100,000
Income taxes payable	258,382	16,806
Deferred revenue	4,751,412	-
Contract liabilities	-	5,890,881
Provision for bonuses	140,000	3,000
Provision for point card certificates	322,183	23,685
Provision for shareholder benefit program	29,782	18,978
Provision for loss on litigation	69,012	73,446
Asset retirement obligations	-	10,728
Other	3,780,084	3,259,529
Current liabilities	13,621,424	13,747,518
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	109,002	111,999
Asset retirement obligations	286,779	284,289

(Thousand yen)

	As of December 31,2021	As of March 31,2022
Other	422,934	596,931
Non-current liabilities	818,715	993,220
Liabilities	14,440,140	14,740,739

(Thousand yen)

	As of December 31,2021	As of March 31,2022
Net assets		
Shareholders' equity		
Share capital	1,458,953	1,458,953
Capital surplus	2,447,104	2,447,104
Retained earnings	3,466,545	4,301,137
Treasury shares	(422)	(422)
Shareholders' equity	7,372,180	8,206,772
Valuation and translation adjustments		
Foreign currency translation adjustment	31,654	188,320
Valuation and translation adjustments	31,654	188,320
Share acquisition rights	7,536	10,362
Net assets	7,411,371	8,405,456
Liabilities and net assets	21,851,512	23,146,195

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Thousand yen)

	For the three months ended March 31,2021	For the three months ended March 31,2022
Net sales	8,677,436	9,585,882
Cost of sales	5,182,490	6,248,001
Gross profit	3,494,945	3,337,880
Selling, general and administrative expenses	3,267,055	3,113,506
Operating profit	227,889	224,373
Non-operating income		
Interest income	28	34
Foreign exchange gains	2,561	-
Rental income from real estate	3,623	3,258
Subsidy income	-	1,266
Other	2,713	523
Total non-operating income	8,927	5,083
Non-operating expenses		
Interest expenses	3,643	2,929
Foreign exchange losses	-	1,855
Other	901	65
Total non-operating expenses	4,545	4,851
Ordinary profit	232,272	224,605
Extraordinary income		
Gain on sale of non-current assets	2,553	1,062
Gain on differences between the asset retirement obligation balance and the actual retirement costs	20,194	101
Gain on forgiveness of debts	-	765,068
Total extraordinary income	22,747	766,233
Extraordinary losses		
Loss on retirement of non-current assets	10,715	4,783
Total extraordinary losses	10,715	4,783
Profit before income taxes	244,304	986,055
Income taxes - current	79,119	4,810
Income taxes - deferred	58,808	44,357
Total income taxes	137,927	49,168
Profit	106,377	936,887
Profit attributable to owners of parent	106,377	936,887

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Thousand yen)

	For the three months ended March 31,2021	For the three months ended March 31,2022
Profit	106,377	936,887
Other comprehensive income		
Foreign currency translation adjustment	110,589	156,666
Total other comprehensive income	110,589	156,666
Comprehensive income	216,966	1,093,553
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	216,966	1,093,553

(3) Notes to Condensed Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

None

(Changes in accounting policies)

(Application of Revenue Recognition Accounting Standard, etc.)

The Group began applying the Revenue Recognition Accounting Standard (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter. Under this standard, the Company recognizes the amount of revenue as that which it expects to be entitled to in exchange for promised goods or services to the customer, and the recognition is made at the time of the transfer of the control of the said goods or services to the customer.

Major changes attributable to the application of the Revenue Recognition Accounting Standard and related measures are as follows.

① Sales with return rights

Regarding golf clubs and golf-related goods sold by the Group, the Group repurchases items and accepts returns under certain conditions. The Group has changed its previous method of processing repurchases as the purchase of used items when repurchasing and canceling net sales and the cost of sales when receiving returns. Now, the Group will deduct the expected amounts of returns from revenues according to rules on variable consideration, as sales with return rights, and post this amount as refund liabilities, while recognizing assets pertaining to rights to collect products to be returned.

② Principal/agent

For transactions in which the role of the Group in the sale of goods or provision of services to customers is that of an agent, the Group has changed its previous method of recognizing the total amount of consideration received from customers as revenue to the method of recognizing revenue at the net amount after deducting the amount paid to third parties from the total consideration.

③ Revenue recognition related to the Group's point system

In conjunction with the point system operated by the Group, it has changed the past method of posting expenses that it bears in association with the future use of points as provisions. Now, if such points offer important rights to customers, the Group will identify provided points as obligation that it should fulfill, and defer the posting of revenue until goods or various types of services are provided through the use of points.

④ Consideration to be paid to customers

The Group has changed the previous method of posting expenses pertaining to coupons that customers may use to purchase goods and various types of services that the Group provides. Now, these expenses are treated as consideration to be paid to customers and therefore reduced from net sales.

The Revenue Recognition Accounting Standard is applied according to the provisional measures stipulated in the proviso in Paragraph 84 of the standard. With respect to the application of a new accounting policy, it is applied to the balance of retained surplus at the beginning of the first quarter of the fiscal year under review. This balance of retained surplus is obtained through calculation using the cumulative amount of the impact from retrospective application of the new accounting policy to periods prior to the beginning of the first quarter, either by adding it to or deducting it from the retained surplus.

However, applying the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the Company does not retroactively apply the new accounting policy to the contracts almost all of whose revenue was recognized in compliance with the conventional method before the beginning of the first quarter of the fiscal year under review. In addition, we account for all contract changes made prior to the beginning of the first quarter of the fiscal year under review by applying the method prescribed in (1) of Paragraph 86 of the Revenue Recognition Accounting Standard based on the contract terms, after reflecting all contract changes, and added or subtracted their cumulative effect to or from retained earnings at the beginning of the first quarter of the fiscal year under review.

As a result, net sales for the first quarter of the fiscal year under review decreased by 533,150 thousand yen, and cost of sales by 291,879 thousand yen. Operating profit, ordinary profit and profit before income taxes declined by 45,080 thousand yen each. In addition, the beginning balance of retained earnings decreased 1,790 thousand yen.

As a result of the application of the Revenue Recognition Accounting Standard, the Group has decided to present part of the deferred revenue and the provision for point card certificates, which was presented in current liabilities on the consolidated balance sheet for the previous fiscal year, by including them in contract liabilities starting from the first quarter of the fiscal year under review.

In accordance with the provisional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification has been made to the consolidated financial statements for the previous fiscal year based on the new presentation method.

(Application of Accounting Standard for Fair Value Measurement, etc.)

We started to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard") at the beginning of the first quarter of the fiscal year under review. Accordingly, we have decided to continue to apply the new accounting policies specified in the Fair Value Measurement Accounting Standard and related measures according to the provisional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of the Fair Value Measurement Accounting Standard and others mentioned above have no impact on quarterly consolidated financial statements.

(Segment Information, etc.)

(Segment information)

1. Information on net sales and amount of profit or loss by each reported segment

Previous consolidated cumulative first quarter (From January 1, 2021 to Mar. 31 2021)

(Thousands of yen)

	Reported segment			Adjustment (Note) 1	Amount booked in the consolidated financial statements (Note) 2
	Domestic	Overseas	Total		
Net sales					
Net sales to external customers	6,348,738	2,328,698	8,677,436	—	8,677,436
Internal sales or transferred amount between segments	—	6,271	6,271	(6,271)	—
Total	6,348,738	2,334,969	8,683,707	(6,271)	8,677,436
Segment profit or loss	407,029	(179,139)	227,889	—	227,889

Note:

1. Adjustments to segment sales are eliminations between segments
2. Segment profit is consistent with operating profit in the consolidated statements of income.

Consolidated cumulative first quarter (From January 1, 2022 to Mar. 31, 2022)

(Thousands of yen)

	Reported segment			Adjustment	Amount booked in the consolidated financial statements (Note) 1
	Domestic	Overseas	Total		
Net sales					
Net sales to external customers	5,865,111	3,720,770	9,585,882	—	9,585,882
Internal sales or transferred amount between segments	—	3,698	3,698	(3,698)	—
Total	5,865,111	3,724,469	9,589,580	(3,698)	9,585,882
Segment profit or loss	157,770	66,603	224,373	—	224,373

Note:

1. Adjustments to segment sales are eliminations between segments
2. Segment profit is consistent with operating profit in the consolidated statements of income.

2. Matters Concerning Changes in Reportable Segment and Others

As stated in (Changes in accounting policies), the Company began applying the Revenue Recognition Accounting Standard, etc., and changed the method of accounting in connection with revenue recognition from the first quarter of the fiscal year under review. Accordingly, the Company changed the method of calculating profits and losses for its business segments.

As a result of said change, the sales of the Domestic segment for the first quarter decreased by 533,150 thousand yen and segment income decreased by 45,080 thousand yen compared with the previous method.