

Results Briefing for the Second Quarter Ended June 30, 2022

Golf Digest Online Inc.

The logo for Golf Digest Online (GDO) features the letters 'GDO' in a bold, black, sans-serif font. To the right of the 'O', there are three short, horizontal black lines stacked vertically, resembling a stylized flag or a signal.

Connect the World with Golf

- ▶ **This results briefing may contain forecasts for the GDO Group’s future business results. Readers are cautioned that actual business results may differ from these forecasts due to a variety of elements, including latent risks and uncertainties. For more information on factors that may impact our business results, please refer to the Business Risks section in our Securities Report. However, please note that elements that may impact our business results are not limited to those included in the Business Risks section.**
- ▶ **Effective from the fiscal year ending December 31, 2022, the GDO Group applies Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, hereinafter referred to as Accounting Standard for Revenue Recognition, etc.). Unless otherwise stated, comparative amounts for the previous fiscal year in this briefing have been calculated on the assumption that this accounting standard had been applied.**
- ▶ **Readers are asked to refrain from the unauthorized reproduction of this briefing or any data therein.**

INDEX

- 1. Review of the First Half of FY2022**
- 2. GDO Group Initiatives in the First Half of FY2022**
- 3. (Reference material)**



Review of the First Half of FY2022

Double-Digit Growth for Net Sales and EBITDA as Both Hit Record Highs

- ▶ Golf demand remained firm. The Overseas Segment in particular drove growth
- ▶ In February 2022, U.S. GOLFTEC recorded an extraordinary gain of 809 million yen due to a gain on debt forgiveness



P/L Overview

	1H/2021	1H/2021	1H/2022	(YOY)	
	(Former Accounting Standard for Revenue Recognition)	New Accounting Standard for Revenue Recognition ※)	(New Accounting Standard for Revenue Recognition ※)		
(million yen)					
Net sales	19,090	18,193	21,352	+ 3,159	(+17.4%)
(Domestic)	13,599	12,703	13,009	+ 305	(+2.4%)
(Overseas)	5,490	5,490	8,343	+ 2,853	(+52.0%)
Gross profit	8,020	6,518	7,641	+ 1,122	(+17.2%)
SG&A	7,062	5,560	6,790	+ 1,230	(+22.1%)
EBITDA	1,778	1,778	2,024	+ 245	(+13.8%)
(Domestic)	1,250	1,250	1,060	- 190	(- 15.2%)
(Overseas)	528	528	964	+ 436	(+82.6%)
Operating profit	958	958	850	- 107	(- 11.2%)
(Domestic)	983	983	748	- 234	(- 23.9%)
(Overseas)	-24	-24	102	+ 127	(- %)
Ordinary profit	963	963	862	- 101	(- 10.5%)
Net income	632	632	1,398	+ 766	(+121.3%)

※Effective from the fiscal year ending December 31, 2022, the GDO Group applies Accounting Standard for Revenue Recognition, etc. Figures for FY2021 have been calculated on the assumption that this accounting standard had been applied.

※Extraordinary gain (gain on debt forgiveness) recorded in February 2022. For details, please refer to Notice for Recording of Extraordinary Gain (U.S. Subsidiary's Gain on Debt Forgiveness) (Japanese only).

P/L Overview

The translation of Japanese yen amounts into U.S.

- FY2021 ¥107.81 = \$1USD
- FY2022 ¥123.14 = \$1USD

GDO

	1H/2021	1H/2021		1H/2022	
	(Former Accounting Standard for Revenue Recognition)	New Accounting Standard for Revenue Recognition ※)	New Accounting Standard for Revenue Recognition ※)	(YOY)	
(million USD)					
Net sales	177.1	168.8	173.4	4.6	(+2.8%)
(Domestic)	126.1	117.8	105.6	-12.2	(- 10.3%)
(Overseas)	50.9	50.9	67.8	16.8	(+33.0%)
Gross profit	74.4	60.5	62.1	1.6	(+2.6%)
SG&A	65.5	51.6	55.1	3.6	(+6.9%)
EBITDA	16.5	16.5	16.4	-0.1	(- 0.3%)
(Domestic)	11.6	11.6	8.6	-3.0	(- 25.8%)
(Overseas)	4.9	4.9	7.8	2.9	(+59.8%)
Operating profit	8.9	8.9	6.9	-2.0	(- 22.3%)
(Domestic)	9.1	9.1	6.1	-3.0	(- 33.4%)
(Overseas)	-0.2	-0.2	0.8	1.1	(- %)
Ordinary profit	8.9	8.9	7.0	-1.9	(- 21.6%)
Net income	5.9	5.9	11.4	5.5	(+93.7%)

※Effective from the fiscal year ending December 31, 2022, the GDO Group applies Accounting Standard for Revenue Recognition, etc. Figures for FY2021 have been calculated on the assumption that this accounting standard had been applied.

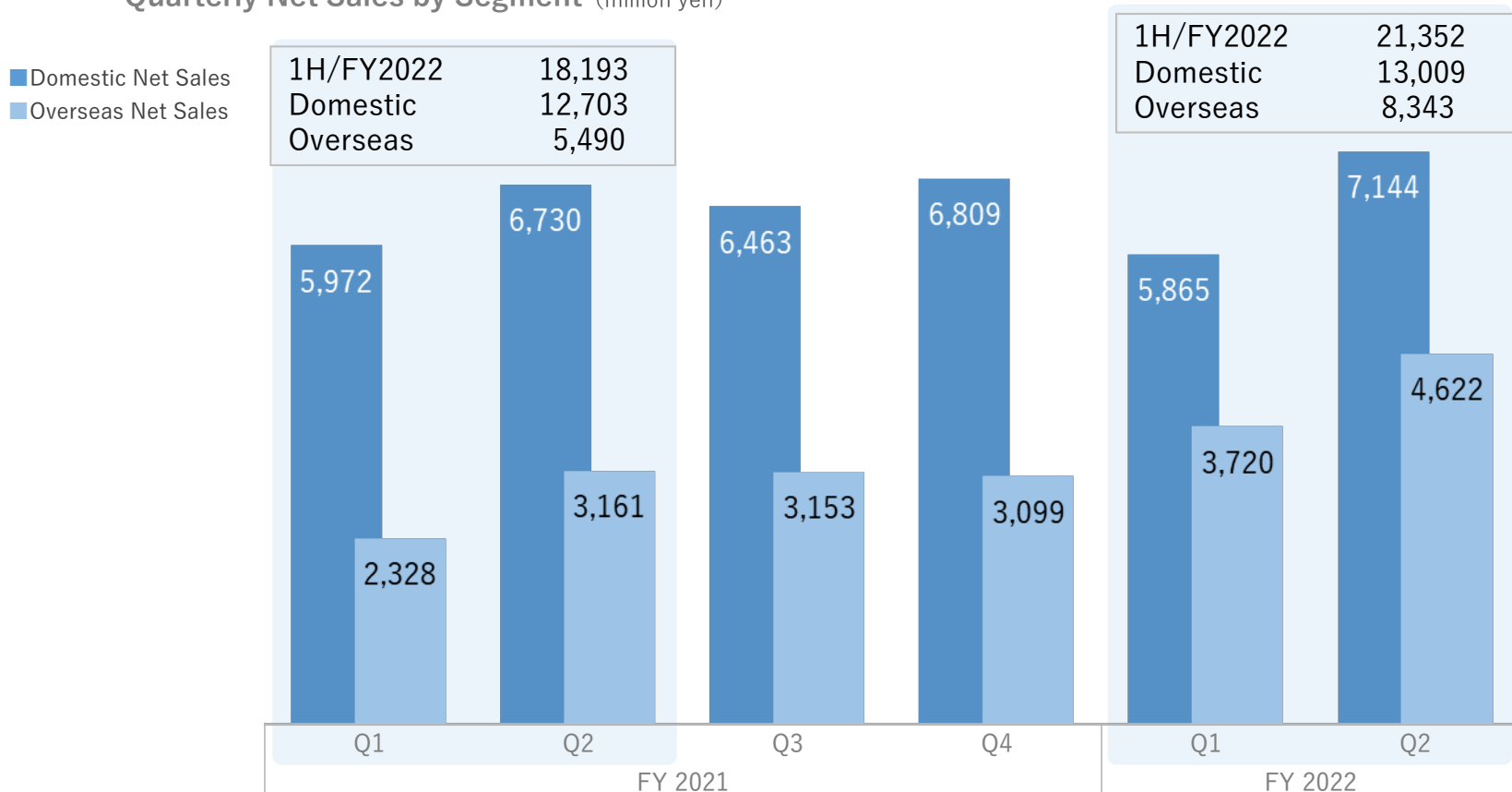
※Extraordinary gain (gain on debt forgiveness) recorded in February 2022. For details, please refer to Notice for Recording of Extraordinary Gain (U.S.

Consolidated Net Sales by Segment

Further Exceeded the Favorable Performance of FY2021 in Domestic and Overseas Segments

- ▶ Strong growth for U.S. GOLFTEC, the Group’s consolidated subsidiary
- ▶ Results in the second quarter in the Domestic Segment offset an underperformance in the first quarter to exceed the favorable performance of the first half of FY2021

Quarterly Net Sales by Segment (million yen)



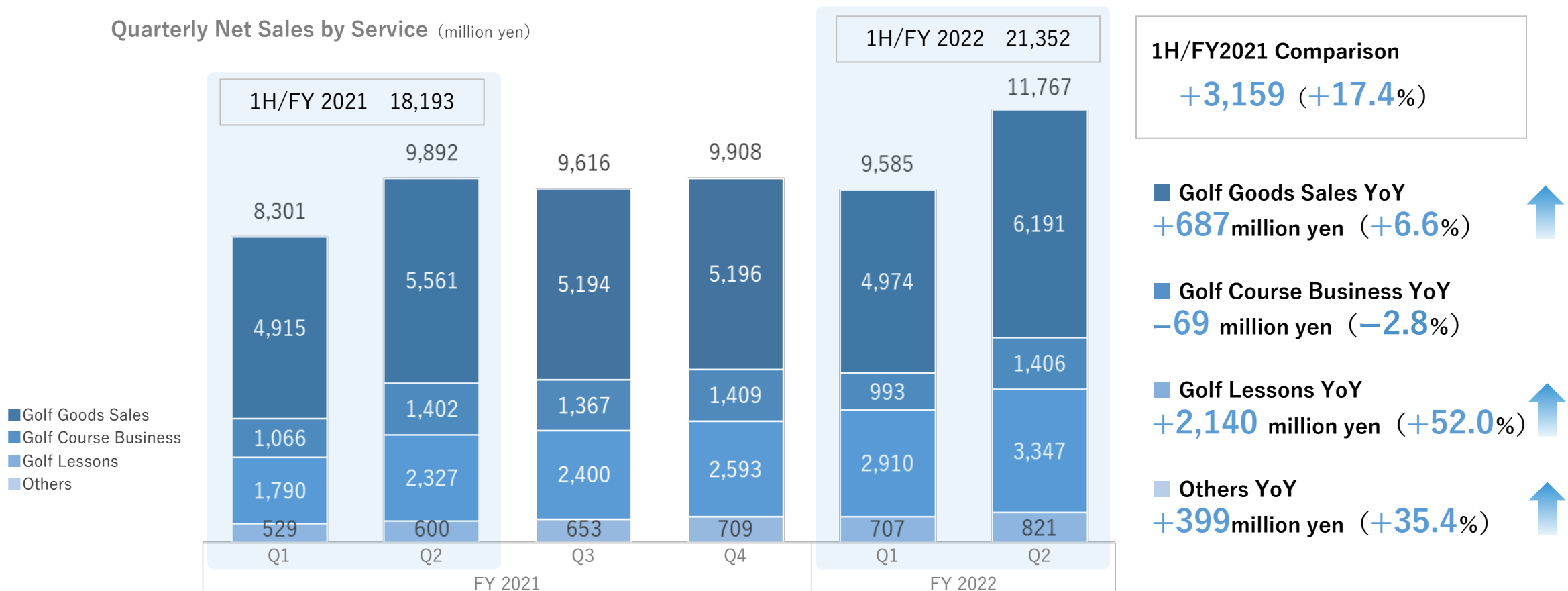
1H/FY2021 Comparison	
	+3,159 million yen (+17.4%)

- Domestic Net Sales YoY +305 million yen (+2.4%) ↑
- Overseas Net Sales YoY +2,853 million yen (+52.0%) ↑

Growth of Golf Lessons Expanded

- ▶ Golf lessons registered particular growth in the U.S.
- ▶ The Golf Driving Range Business, which is included in Others, grew steadily

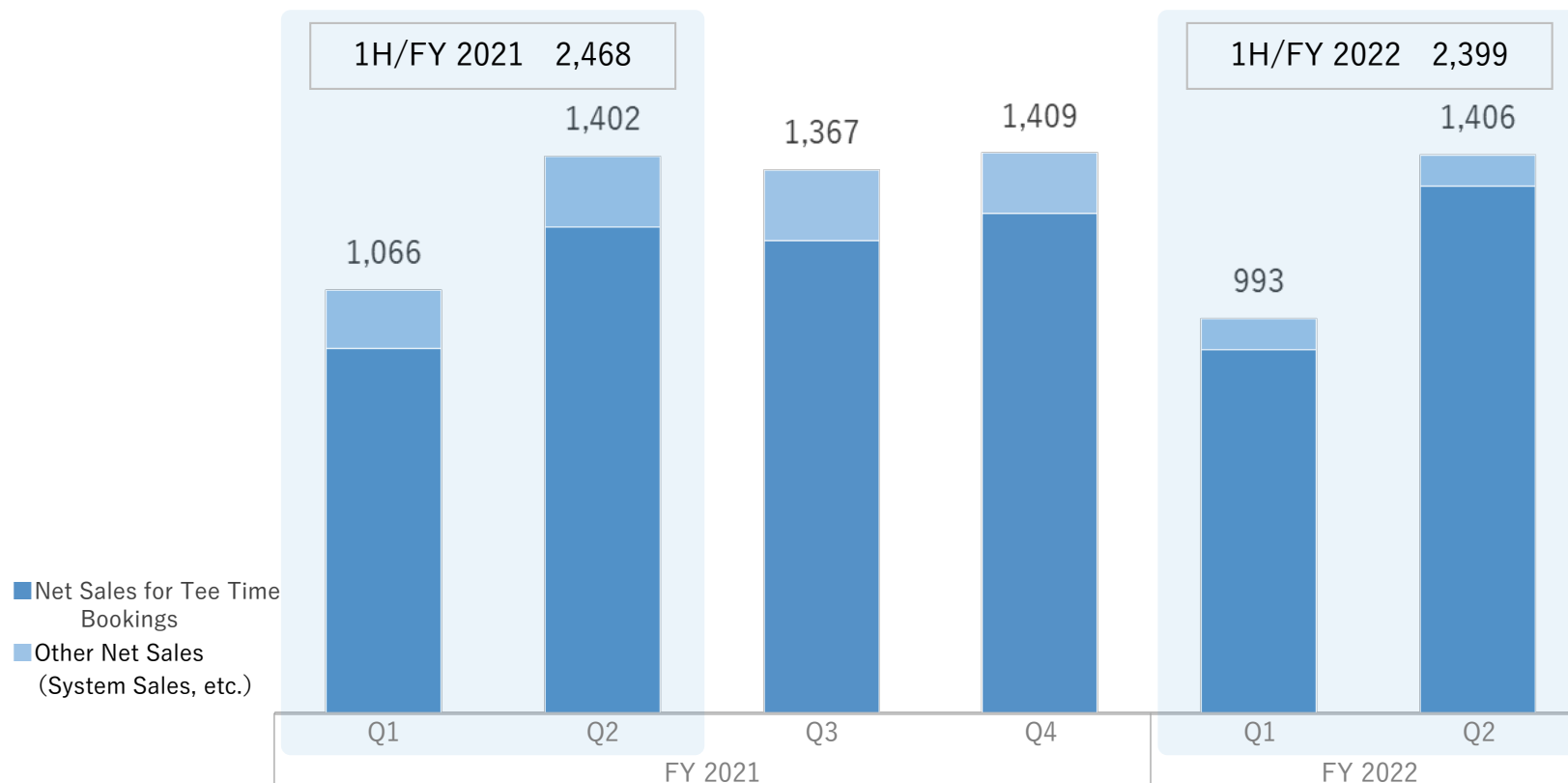
Quarterly Net Sales by Service (million yen)



Results for Tee-Time Bookings in the Second Quarter Offset an Underperformance in the First Quarter to Exceed the Favorable Performance of the First Half of FY2021

- ▶ Continued to focus on tee time bookings, which has relatively high profit margins
- ▶ Despite an increase in cancellations due to snowfall and rainfall in February 2022, tee time bookings exceeded the level of the first half of FY2021 thanks to the success of proactive marketing activities from March onward

Golf Course Business Quarterly Net Sales (million yen)

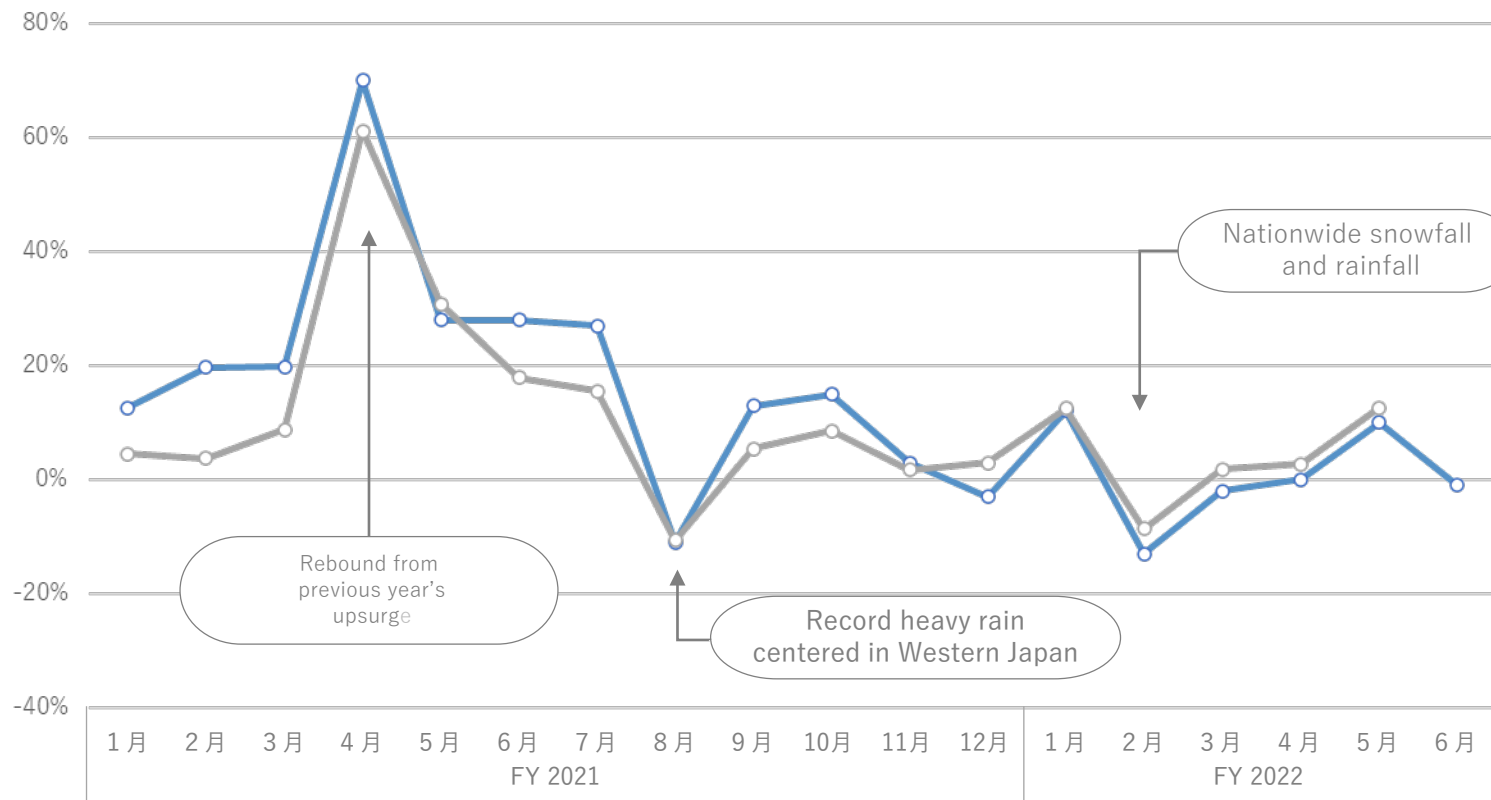


Net Sales for Golf Course Business YoY
 - 69 million yen (- 2.8%)

Continued to Focus on Tee Time Bookings

Customer Numbers in Eight Prefectures (YOY)

— GDO — Number of players at golf courses in eight prefectures (Hokkaido, Miyagi, Tokyo, Aichi, Osaka, Hiroshima, Kagawa, and Fukuoka)

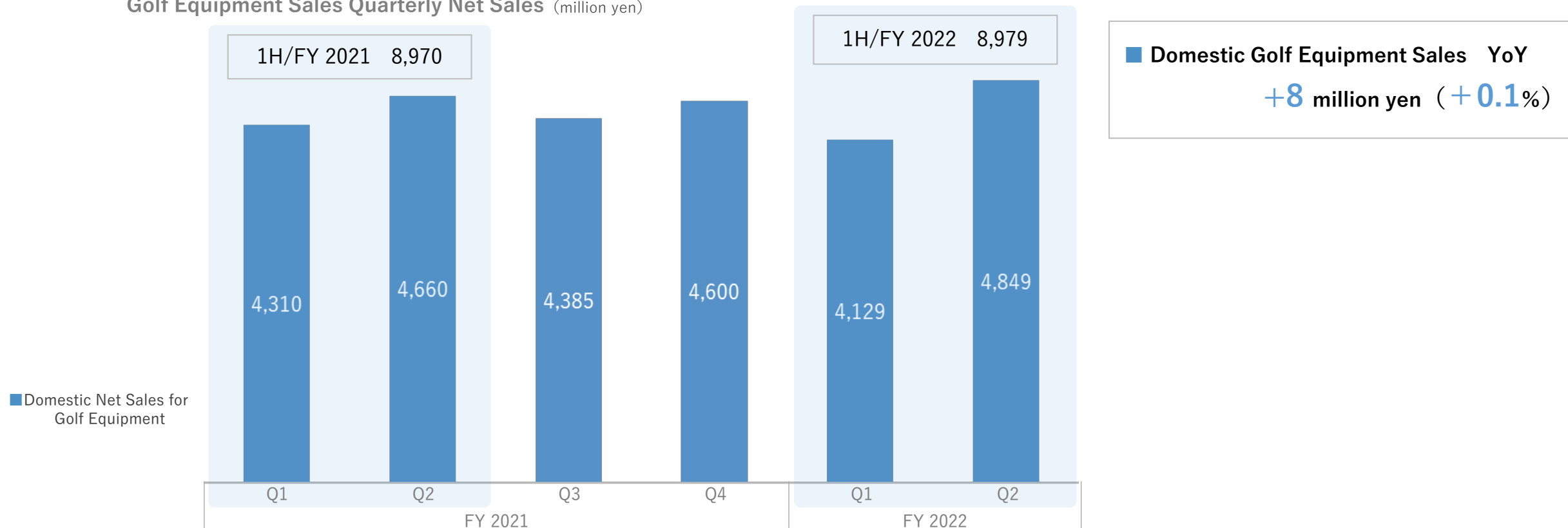


Prepared by the GDO Group based on the Ministry of Economy, Trade and Industry's Survey of Selected Service Industries (Golf Courses)

Product Shortages Steadily Alleviated. Discounted Products Declined Reflecting a Rebound from the Upsurge in the Previous Year

- ▶ The shortage of golf club products is primarily being alleviated by new products
- ▶ Procurement volumes of discounted products centered on golf wear contracted, reflecting a rebound from the strong sales at various manufacturers in the previous year. On the other hand, gross profit was high due to the restraint of discounts

Golf Equipment Sales Quarterly Net Sales (million yen)



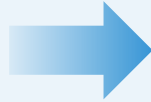
Product Shortages Steadily Alleviated. Discounted Products Declined Reflecting a Rebound from the Upsurge in the Previous Year

- ▶ **Golf club shortages steadily improved. Shortages of discounted golf wear products continued**
- ▶ **Efforts to secure inventory progressed. Aiming for sales growth in the third quarter**



Golf clubs

YoY



- ▶ New models of certain manufacturers performed strongly
- ▶ Shipment delays by manufacturers persisted



Golf wear



- ▶ Affected by the shortage of discounted products at manufacturers

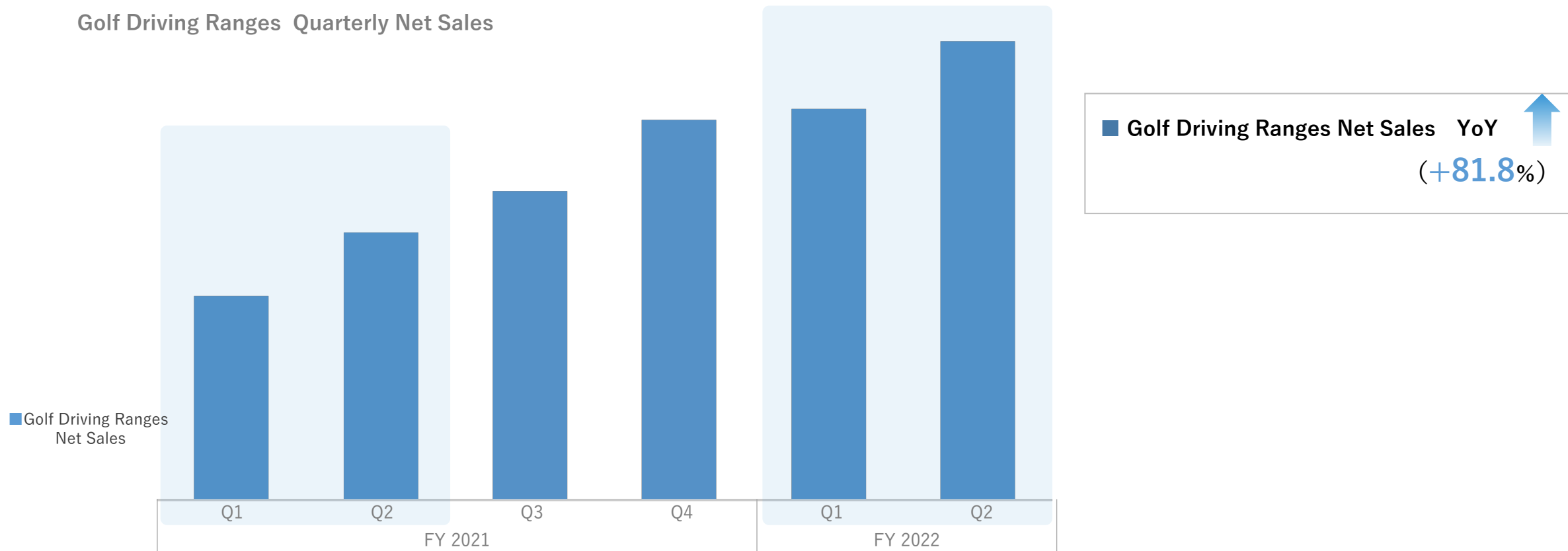
Accessories
(golf bags, golf balls, etc.)

- ▶ Success in expanding product lineup, such as golf bags and golf balls, led to favorable sales

Increases in the Number of Toptracer Range Installation Facilities and Bays

- ▶ Installed Toptracer Range at 10 more facilities/560 bays. Plan to install at a further 14 facilities/982 bays from July onward
- ▶ Increased the number of facilities and grew the number of users at facilities where Toptracer Range had already been installed

Golf Driving Ranges Quarterly Net Sales

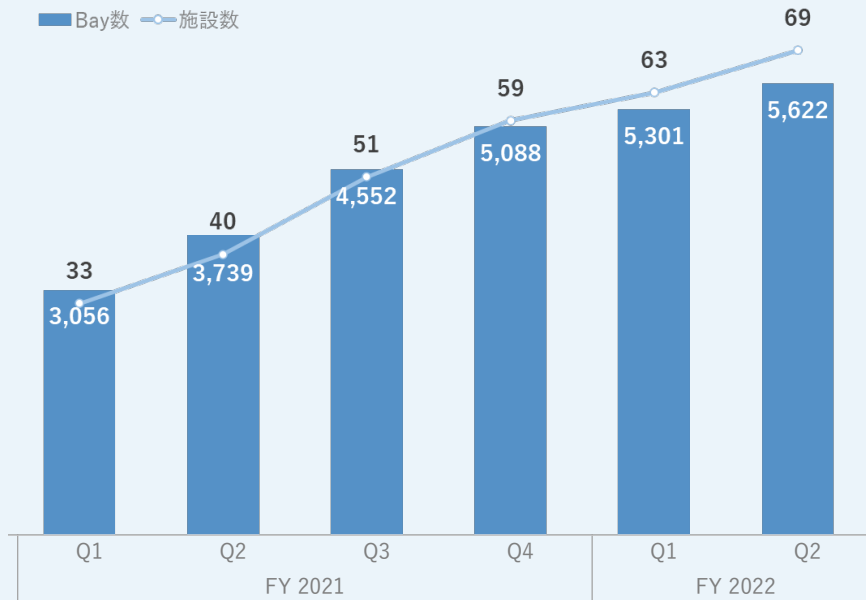


Increase in the Number of Toptracer Range Installation Facilities

- ▶ Number of Toptracer Range facilities installed as of June 31, 2022: 69 facilities/5,622 bays (planned installations from July onward: 14 facilities/982 bays)
- ▶ User numbers: The cumulative total number of users since the launch of the service stands at more than 10 million due to an increase in the number of new installations at facilities and a rise in user numbers at existing facilities

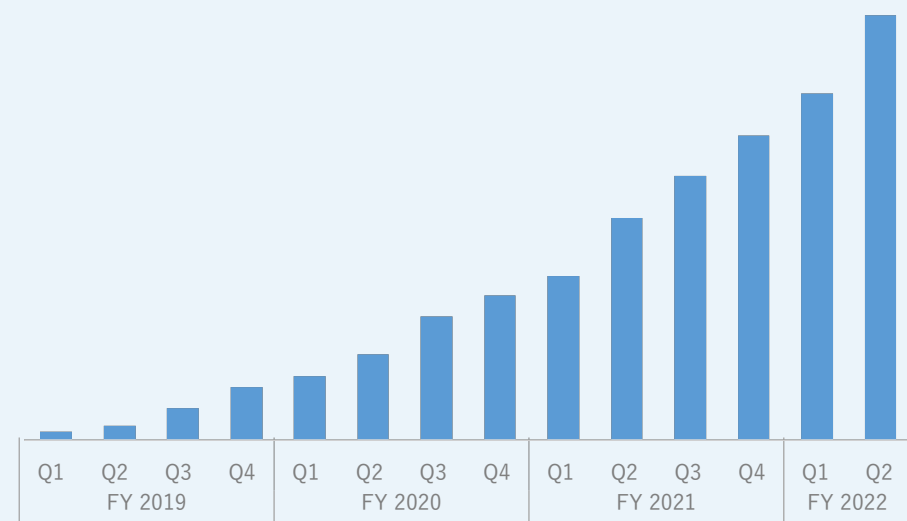
Number of installation facilities/bays

Fixed-Fee Sales Corresponding to Number of Bays



Number of Users

Pay-Per-Use sales corresponding to number of users



Golf Demand Remained Firm

- ▶ Even amid the impact of supply chain disruption, the golf equipment market achieved double-digit growth compared with the previous year
- ▶ Despite a decline compared with the previous year, the golf round market grew compared with its pre-COVID-19 level (annual average from 2017 to 2019)

Golf is growing more diverse, making it a closer part of people's lives

- ▶ Ways of enjoying golf other than on the golf course are expanding, with the number of off-course golfers* increasing. This development is boosting the golfing population.
- ▶ New technologies are affecting golfing habits and ways of enjoying the sport

*Off-course golfers:

Golfers who enjoy golf at locations other than golf courses.

In FY2014, off-course golfers accounted for 5.4 million of the U.S. golfing population of 30.1 million. However, in FY2021, the number of off-course golfers had increased to 12.4 million, equivalent to a third of the U.S. golfing population of 37.5 million.



(Million USD)	H1/2021	H1/2022	(YOY)	
Net sales	50.9	67.8	16.8	(+33.0%)
Golf Lessons	34.2	46.9	12.7	(+37.2%)
Club Fitting Equipment Sales	14.0	17.7	3.8	(+27.0%)
Other	2.8	3.1	0.3	(+12.1%)
EBITDA	4.9	7.8	2.9	(+59.8%)
Operating profit	-0.2	0.8	1.1	(- %)
Amortization of goodwill, ets	2.2	2.8	0.6	(+26.4%)
Ordinary profit	2.0	3.7	1.7	(- %)

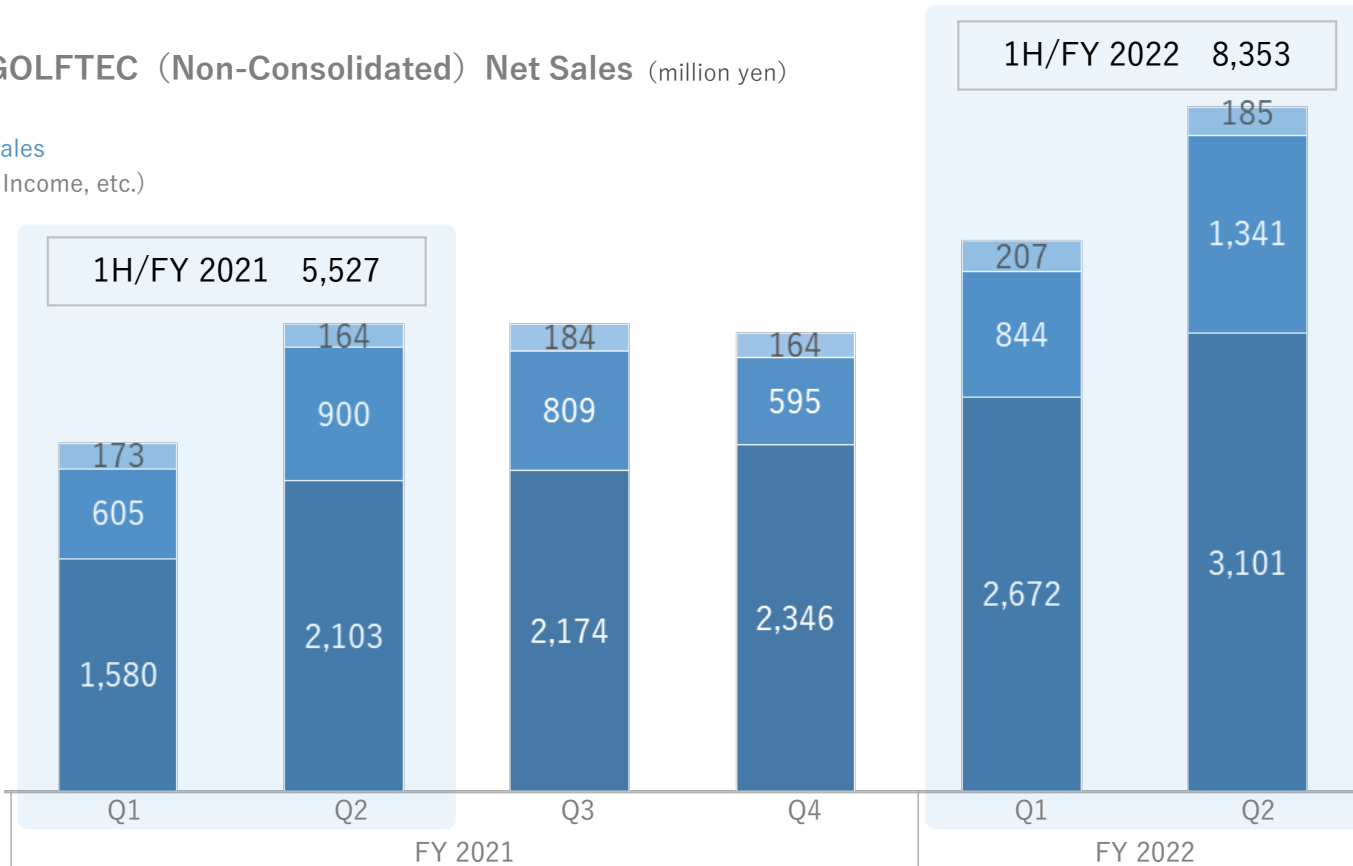
	(Million yen)	1H/2021	1H/2022	(YOY)	
Net sales		5,490	8,343	+ 2,853	(+52.0%)
Golf Lessons		3,684	5,773	+ 2,089	(+56.7%)
Club Fitting Equipment Sales		1,506	2,185	+ 679	(+45.1%)
Other		299	383	+ 83	(+28.0%)
EBITDA		528	964	+ 436	(+82.6%)
Operating profit		-24	102	+ 127	(- %)
Amortization of goodwill, ets		241	348	+ 107	(+44.6%)
Ordinary profit		216	450	+ 234	(+108.4%)

Strong Performances at New and Existing Centers

- ▶ Centered on lesson sales, U.S. GOLFTEC performed strongly, reflecting the effect of new center openings and the ongoing favorable performance of existing centers

U.S. GOLFTEC (Non-Consolidated) Net Sales (million yen)

■ Golf Lessons
■ Club Fitting Equipment Sales
■ Others(Franchise Center Income, etc.)



U.S. GOLFTEC (Non-Consolidated)

Net Sales YoY

+2,825 million yen (+51.1%)

Others YoY

+56 million yen (+16.6%)

Club Fitting Equipment Sales YoY

+679 million yen (+45.1%)

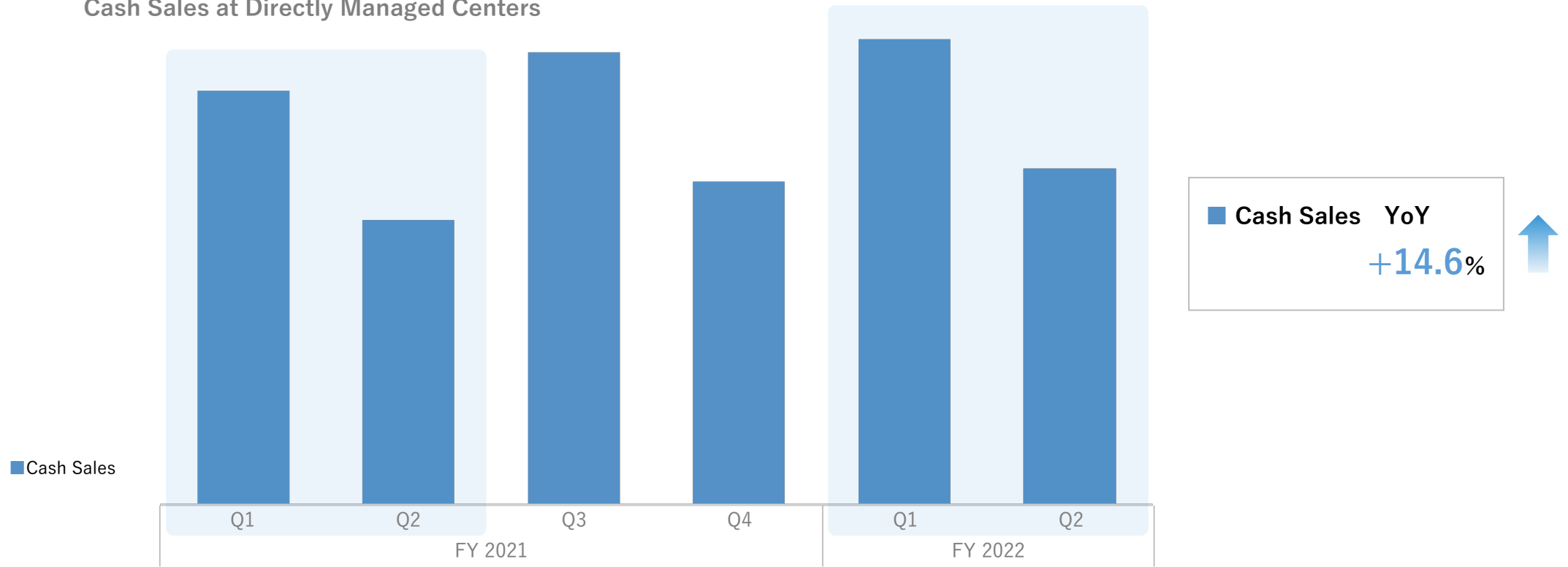
Golf Lessons YoY

+2,089 million yen (+56.7%)

Strong Performances at New and Existing Centers

- ▶ Cash sales rose steadily due to the increase in the number of corporate centers
- ▶ Large-scale sale scheduled for August, as it is every year. Deferred Revenue (Contract liability on B/S) expected to increase in the third quarter

Cash Sales at Directly Managed Centers



Contract liabilities
by U.S. GOLFTTEC
(million USD)

34.9

31.4

37.9

36.2

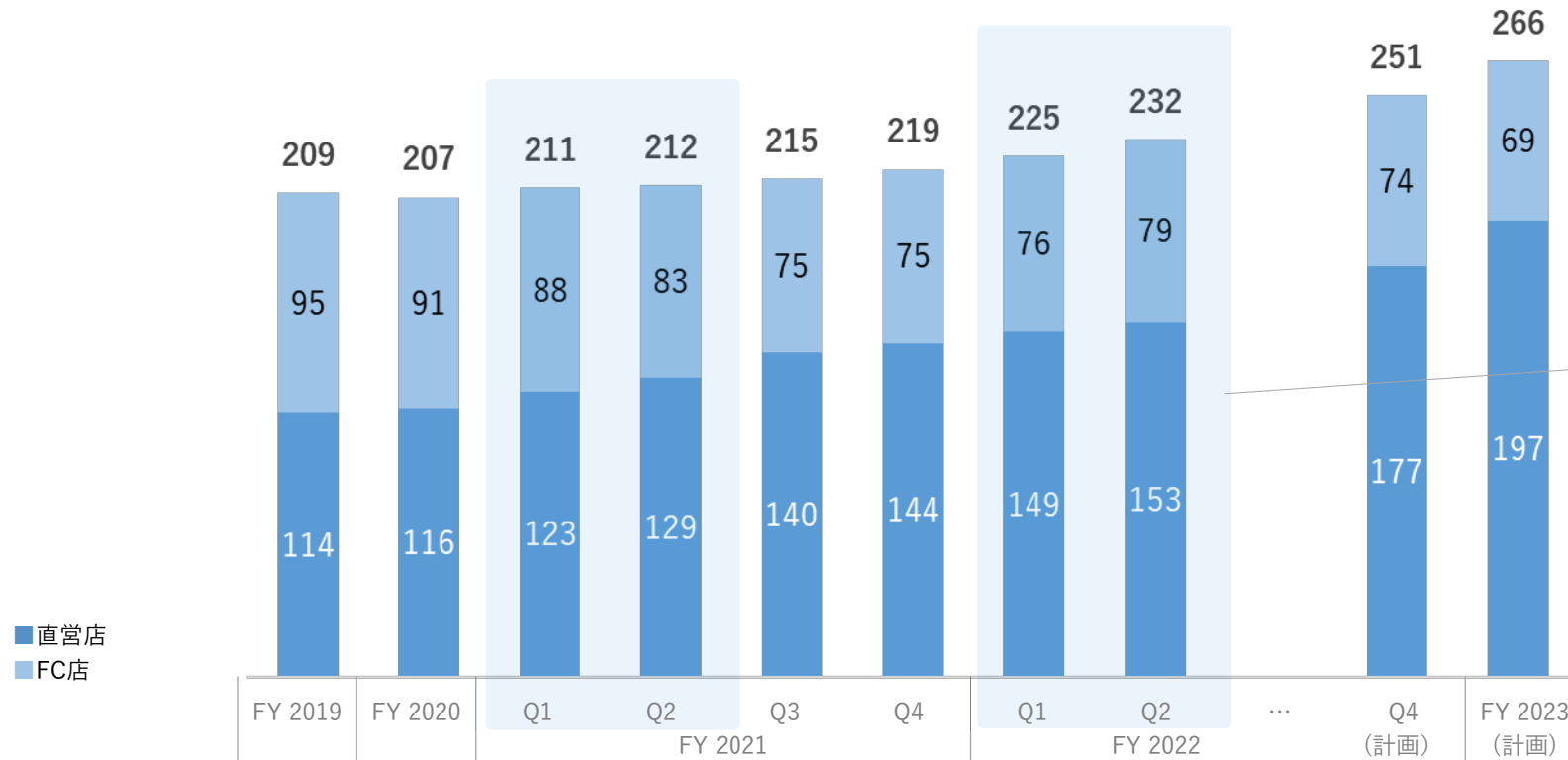
40.9

31.6

Strong Performances at New and Existing Centers

- ▶ Opened nine new corporate centers in the first half of FY2022. Plan to continue opening new centers in the second half and beyond

Number of Centers

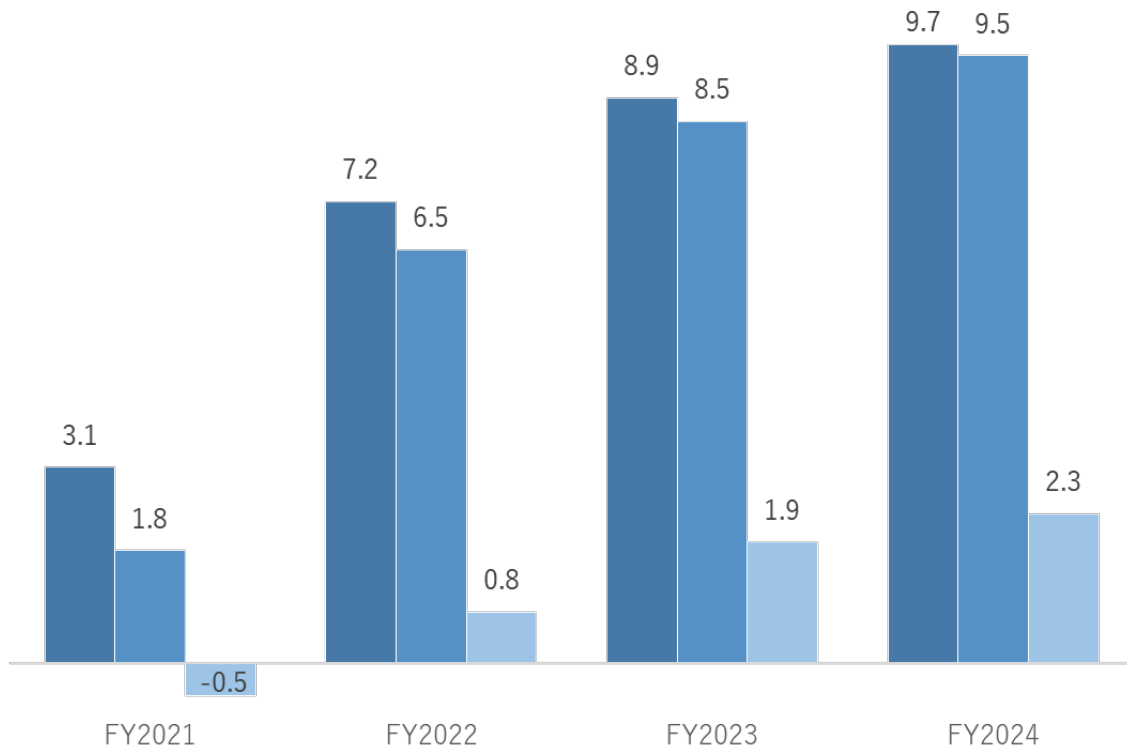


Store Openings and Closures in 1H/FY 2022

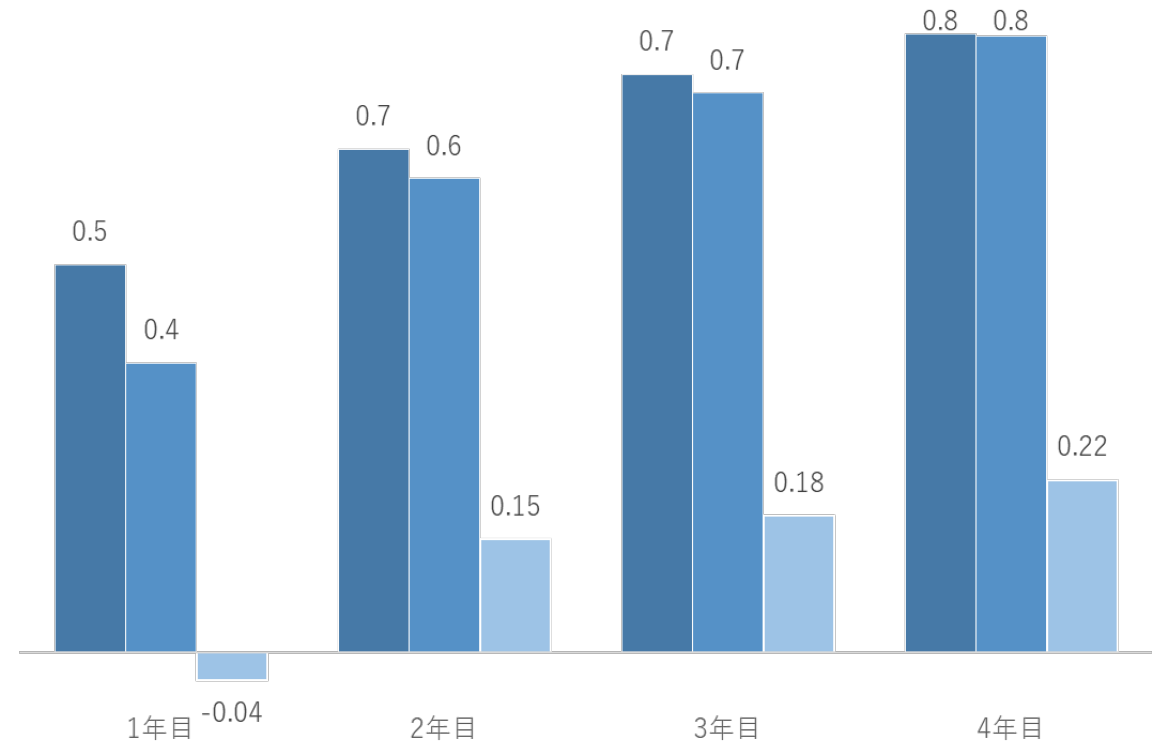
- New corporate center openings: +9
- Franchise center acquisitions: 0
- New franchise center openings: +5
- Franchise center withdraw: -1

— (For Reference) Future Profit Contribution of New Centers

Expected impact on future business results of new centers opened in FY2021



(For Reference) Average business results per newly opened center from opening through to getting on track



■ Cash Sales ■ Net Sales ■ EBITDA

(million USD)

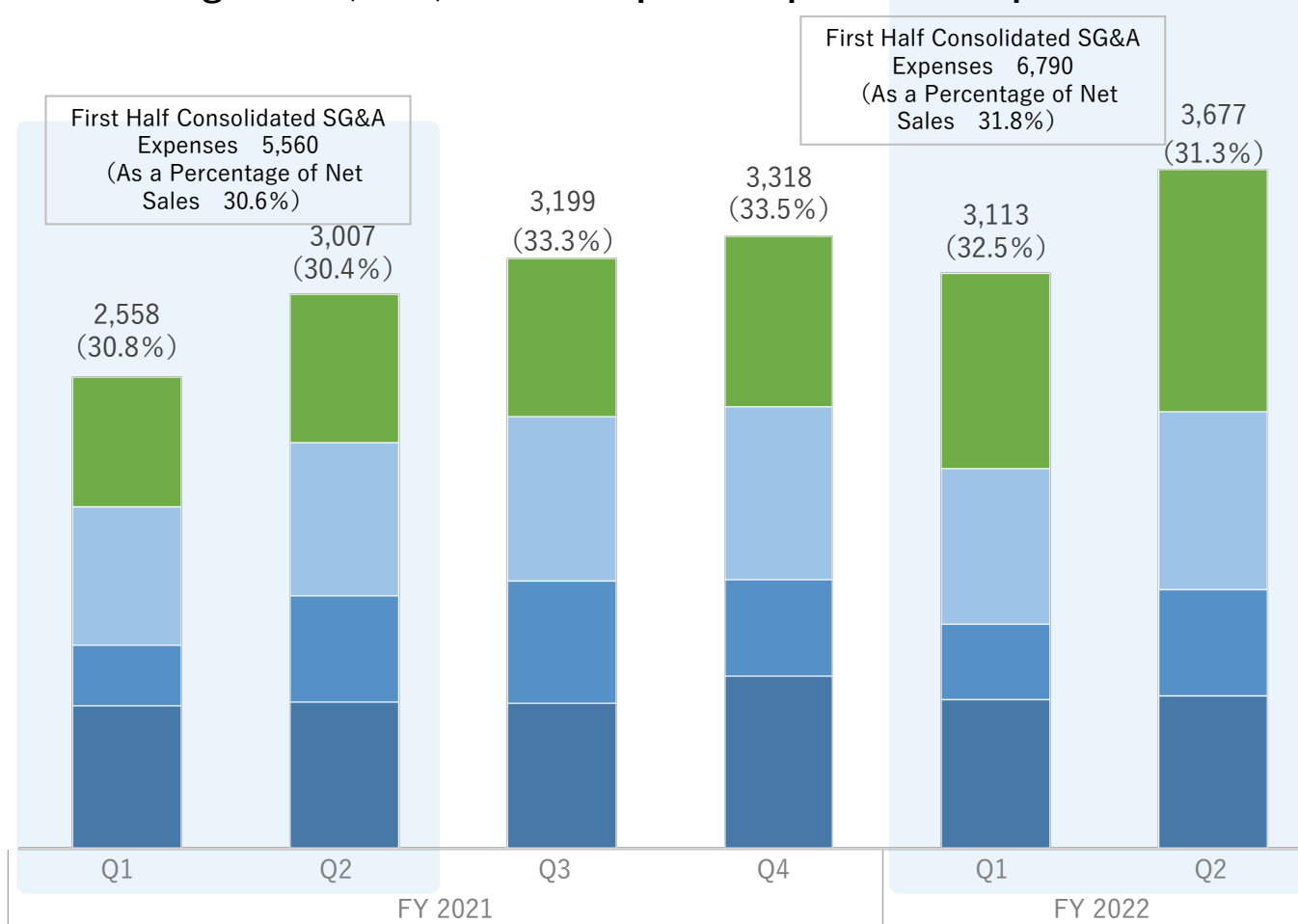
Use of SG&A Expenses for Implementing Investments for Future Growth

- ▶ Expenses incurred on domestic marketing were as planned
- ▶ In the Overseas Segment, the growth in the number of corporate centers led to an increase in corporate center operating costs and amortization of goodwill, etc., and a steep rise in personnel expenses to meet the economic environment in the U.S.

SG&A Expenses

(million yen/SG&A margin: %)

- Domestic Personnel Expense
- Domestic Marketing Expense
- Domestic Other Expense
- Overseas SG&A Expense



First Half Consolidated SG&A Expenses 6,790
(As a Percentage of Net Sales 31.8%)

First Half Consolidated SG&A Expenses 5,560
(As a Percentage of Net Sales 30.6%)

SG&A Expense YoY
+1,230百万円 (+22.1%)

- Overseas SG&A Expense YoY (+56.5%)
- Domestic Other Expense YoY (+15.1%)
- Domestic Marketing Expense YoY (+8.2%)
- Domestic Personnel Expense YoY (+4.2%)

Consolidated Operating Profit

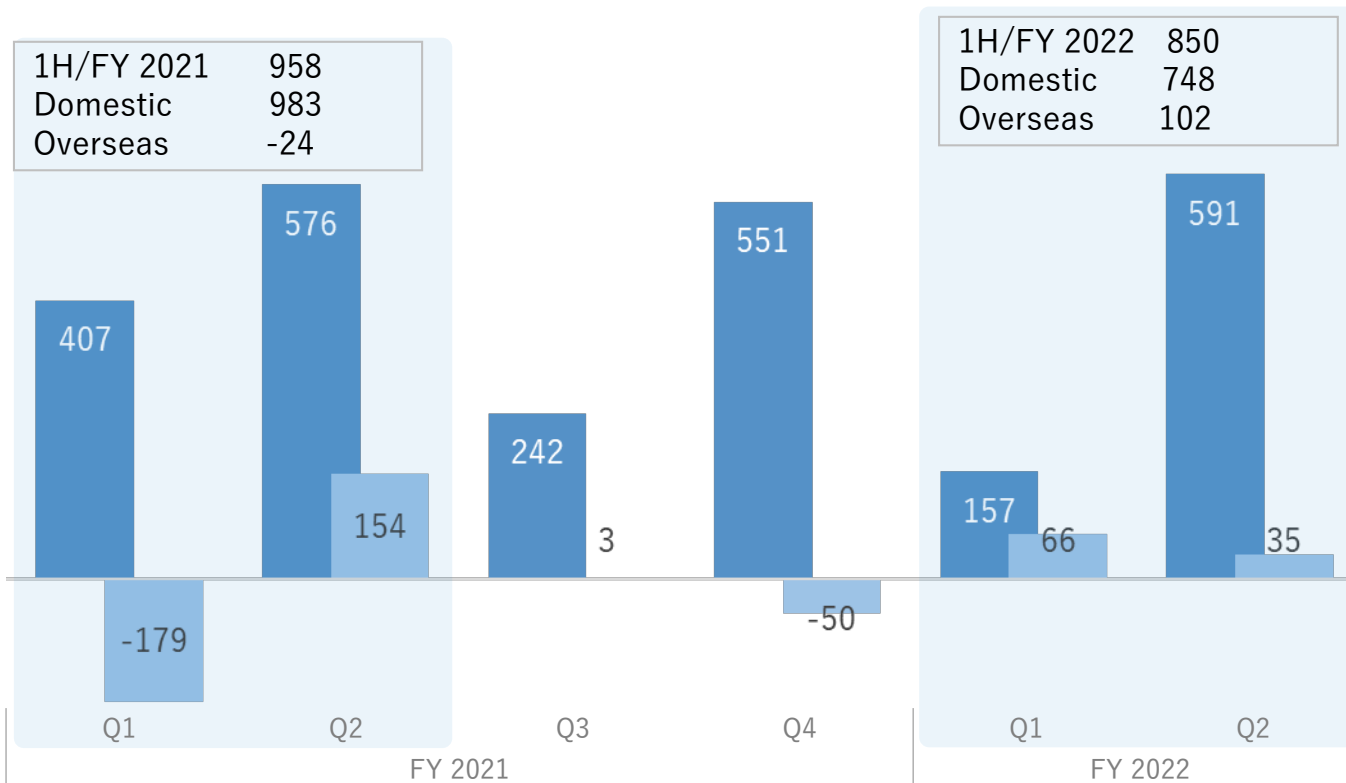
Although Operating Profit Decreased YoY, It Was Higher Than Planned

- ▶ Although operating profit decreased year on year in the Domestic Segment, it was higher than planned. The decrease was attributable to a rise in costs associated with the expansion of the Golf Driving Range Business and other businesses and an increase in SG&A expenses due to the implementation of marketing measures and other activities as planned, outweighing an improvement in the gross profit margin, which increased as a result of factors including changes in the percentage of sales accounted for by golf equipment sales
- ▶ The Overseas Segment turned a profit in the first half of the fiscal year by absorbing initial upfront costs for new corporate centers as a result of an improvement in the gross profit margin of two percentage points atop the successful effects of acquiring franchise centers, the favorable performance of existing centers.

Operating Profit

(million yen)

- Domestic Operating Profit
- Overseas Operating Profit



Operating Profit YoY

-107 million yen (-11.2%)

■ Domestic Operating Profit YoY

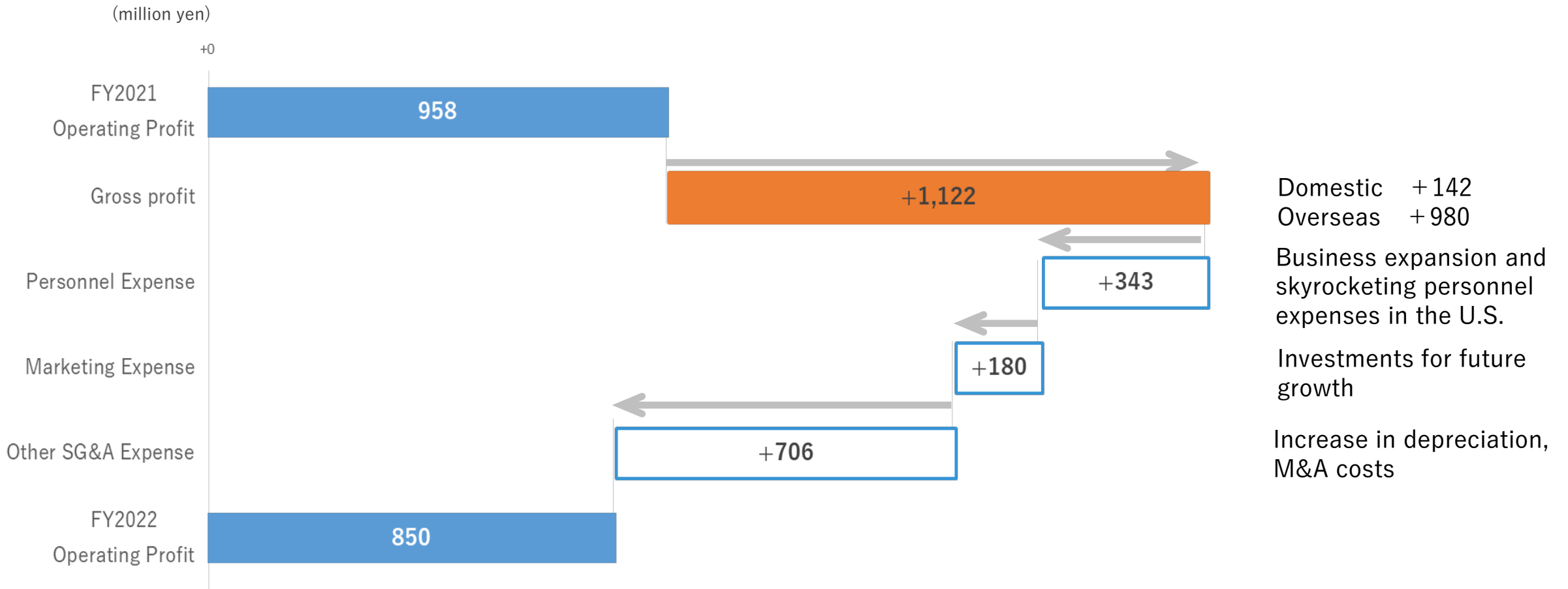
- 234 million yen (- 23.9%)

■ Overseas Operating Profit YoY

+127 million yen (- %)

Amortization of Goodwill and Intangible Assets
348 million yen

Turning of a Profit in the Overseas Segment

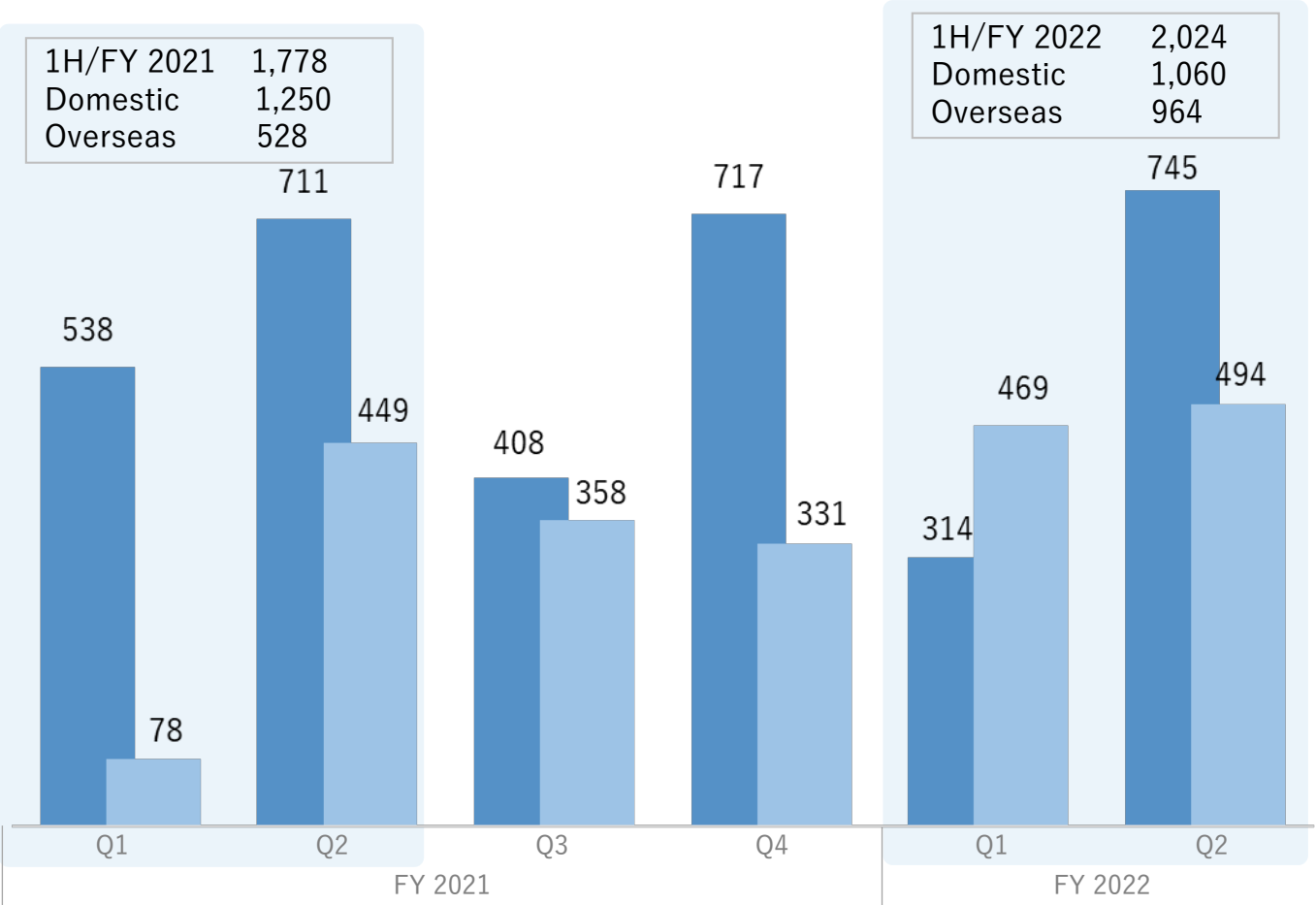


Consolidated EBITDA

Sharp Rise in Overseas EBITDA

EBITDA (million yen)

■ Domestic EBITDA ■ Overseas EBITDA



EBITDA YoY
+245 million yen (+13.8%)

■ Domestic EBITDA YoY
-190 million yen (-15.2%)

■ Overseas EBITDA YoY
+436 million yen (+82.6%) ↑

- ▶ U.S. GOLFTEC's short-term borrowings decreased due to an 8.09 million yen gain on debt forgiveness, which led to an increase in retained earnings
- ▶ Merchandise volumes rose as a result of efforts to secure inventory for the second half of the fiscal year

(million yen)

	End of Dec.2021	(Composition ratio)	End of Jun.2021	(YOY)	(Composition ratio)
Current Assets	10,542	48%	11,301	+759	46%
Cash deposits	2,904		2,318	-585	
Accounts receivable	2,689		3,086	+397	
Merchandise	3,219		4,132	+912	
Other current assets	1,728		1,763	+34	
Non-Current Assets	11,308	52%	13,158	+1,849	54%
Tangible assets	3,814		5,193	+1,378	
Intangible asset (Goodwill)	6,491 4,059		7,056 4,507	+565 +448	
Investments and other asset:	1,002		908	-94	
	0		0		
Total Assets	21,851	100%	24,459	+2,608	100%

	End of Dec.2021	(Composition ratio)	End of Jun.2021	(YOY)	(Composition ratio)
Current Liabilities	13,621	62%	14,176	+555	58%
Accounts payable	2,244		3,039	+794	
Interest-bearing liabilities	2,025		1,765	-260	
Unearned revenue	4,751		5,216	+464	
Other Current liabilities	4,599		4,155	-444	
Non-Current Liabilities	818	4%	1,215	+397	5%
Total Liabilities	14,440	66%	15,392	+952	63%
Shareholders' equity	7,372		8,582	+1,210	
Valuation and translation adjustments	31		470	+438	
Share acquisition rights	7		14	+6	
Total Equity	7,411	34%	9,067	+1,656	37%
Total Liabilities & Equity	21,851	100%	24,459	+2,608	100%

- ▶ U.S. GOLFTEC's short-term borrowings decreased due to an 8.09 million yen gain on debt forgiveness, which led to an increase in retained earnings
- ▶ Merchandise volumes rose as a result of efforts to secure inventory for the second half of the fiscal year

The translation of Japanese yen amounts into U.S.

- FY2021 ¥115.02 = \$1USD
- FY2022 ¥136.69 = \$1USD

(million USD)

	End of Dec.2021	(Composition ratio)	End of Jun.2021	(YOY)	(Composition ratio)
Current Assets	91.66	48%	82.68	-8.98	46%
Cash deposits	25.25		16.96	-8.29	
Accounts receivable	23.38		22.58	-0.80	
Merchandise	27.99		30.23	2.24	
Other current assets	15.03		12.90	-2.13	
Non-Current Assets	98.32	52%	96.26	-2.06	54%
Tangible assets	33.17		37.99	4.82	
Intangible asset (Goodwill)	56.44		51.62	-4.81	
Investments and other asset:	8.72		6.65	-2.07	
Total Assets	189.98	100%	178.94	-11.04	100%

	End of Dec.2021	(Composition ratio)	End of Jun.2021	(YOY)	(Composition ratio)
Current Liabilities	118.43	62%	103.71	-14.71	58%
Accounts payable	19.52		22.23	2.72	
Interest-bearing liabilities	17.61		12.92	-4.69	
Unearned revenue	41.31		38.16	-3.15	
Other Current liabilities	39.99		30.40	-9.59	
Non-Current Liabilities	7.12	4%	8.89	1.78	5%
Total Liabilities	125.54	66%	112.61	-12.94	63%
Shareholders' equity	64.09		62.79	-1.31	
Valuation and translation adjustments	0.28		3.44	3.17	
Share acquisition rights	0.07		0.11	0.04	
Total Equity	64.44	34%	66.34	1.90	37%
Total Liabilities & Equity	189.98	100%	178.94	-11.04	100%

Implementation of 1.79 Billion Yen in IT Investment, Capital Investment, and Other Investments for the Fiscal Year



Overseas Business New Businesses

Overseas Business: 1.46 billion yen

- ❖ Added 9 U.S. GOLFTEC corporate
- ❖ Implemented investment, including on software development

New Businesses: 0.1 billion yen

- ❖ New Installations of Toptracer Range

Domestic Business

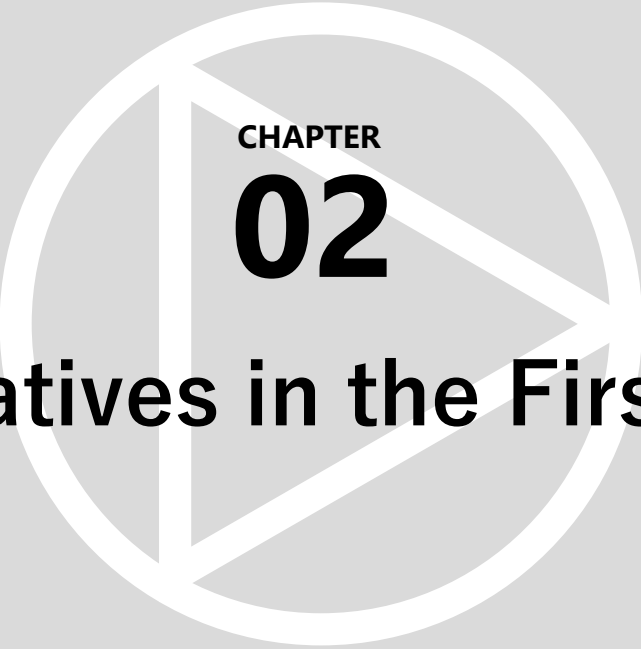
Domestic Business: 0.23 billion yen

- ❖ Expanded system infrastructure that supports the foundation of GDO's businesses
- ❖ Implemented investment for strengthening services

Shareholder Returns

Paid an interim dividend of 4.0 yen for FY2022

Planning to pay a year-end dividend of 5.5 yen



CHAPTER

02

GDO Group Initiatives in the First Half of FY2022

Launch of a New Service: GDO Trade-In Discount

- ▶ Expanded services at golf garages in brick-and-mortar centers to e-commerce
- ▶ Encouraged replacement purchases of golf clubs and expanded range of second-hand products

欲しいクラブを差額で購入

下取り割

価格をチェック

例えば... 欲しいクラブ ¥50,000 - 下取りクラブ -¥30,000 = 支払い金額 ¥20,000

お支払いは差額のみ！

便利でスマートな下取り割
3つの特長

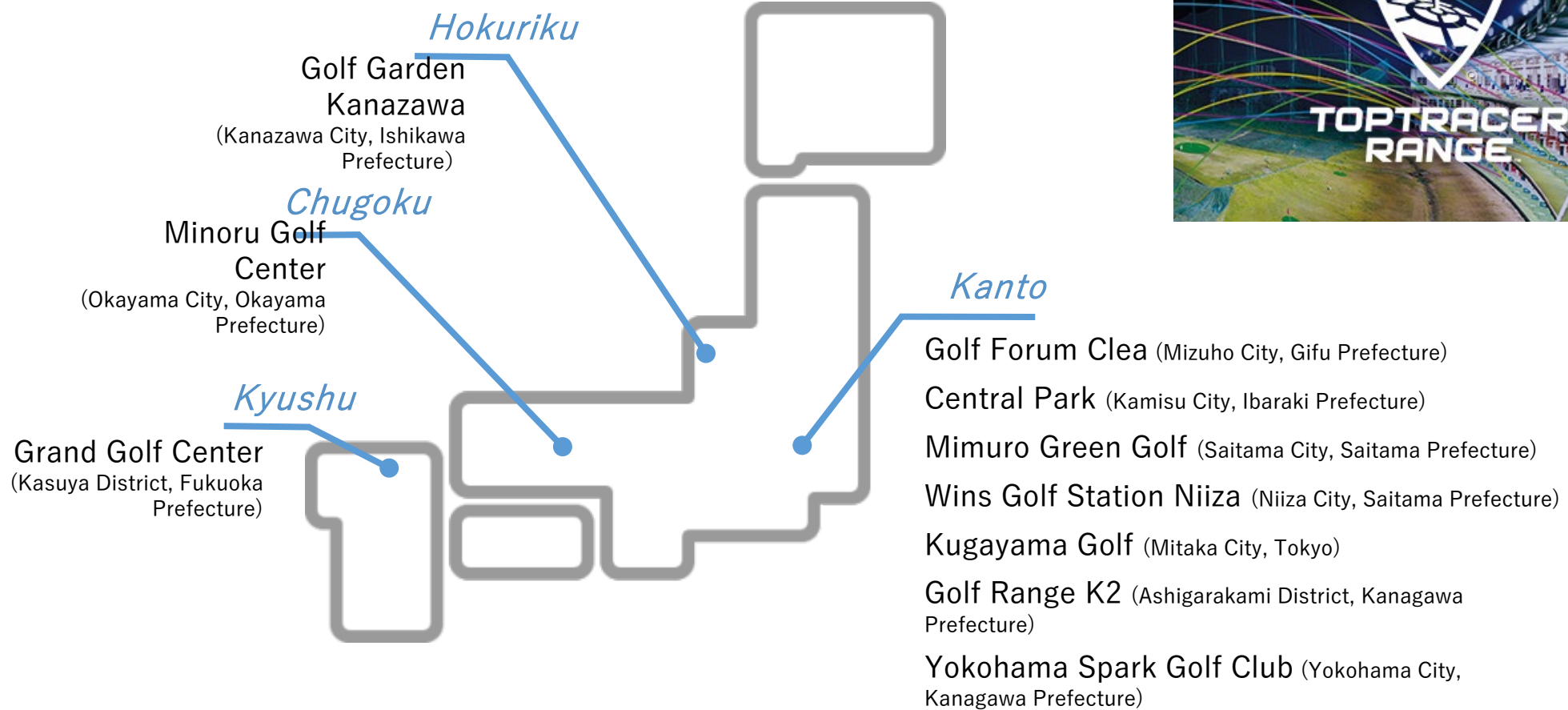
- 下取り額 価格保証
注文時に価格が
わかって安心
- かんたん 手続き
注文ついでに
下取り登録
- らくらく 発送
返送は梱包箱を
再利用OK

Incorporates eKYC*, an online identity verification system, to simplify procedures for identity authentication required when using the service for the first time.



* eKYC stands for “electronic Know Your Customer,” an online identity authentication system provided by Liquid, Inc.

Toptracer Range Installations in the First Half of FY2022 (10 Facilities across Japan)



Promotion of the Toptracer Range

Held a Toptracer Range Festival

at Golf Club Daiju Seto

Turned a section of the facilities into a festival venue and arranged a variety of events using Toptracer Range

Offered a setting for families and friends with no experience of golf to enjoy it together



Cultivated new customers through a collaboration with *BIRDIE WING-Golf Girls' Story*, an animated cartoon for television



Plan in which participants received a limited-edition product for completing a mission

Streaming of a collaborative commercial on YouTube

Other Toptracer Range (TTR) Initiatives

▶ Added a New Function to TTR: Toptracer30

Implemented a function that determines and provides insights on a player's current golfing level based on 30 shots hit as if playing a normal round of golf



▶ Held the TTR Summit

Arranged a conference for facilities that have installed TTR

The conference offered opportunities for employees from Toptracer Range (headquartered in Sweden) to share information on future developments and for interactions among those with responsibility for TTR



Sustainable Development Goals (SDGs) Initiatives at Chigasaki Golf Links

▶ Promoting ZERO WASTE GOLF

Aiming to achieve sustainable and smart golf that takes into account the environment and other people by eliminating various types of wastefulness



GDO

CHIGASAKI GOLF LINKS

Ending sales of plastic bottles and transitioning to sales of served drinks by the end of 2022



Working to resolve issues in order to achieve SDGs together with pupils in cooperation with the SDGs committees of local elementary schools

Switching to sourcing 100% of the electricity used at the golf course from renewable energy from July 2022 onward

Utilizing the Kanagawa Renewable Energy Joint Auction operated by Kanagawa Prefecture

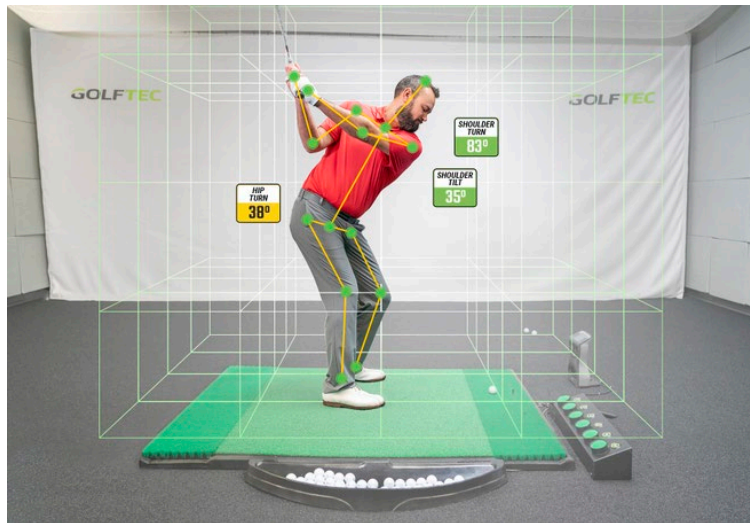
Promoting ZERO WASTE GOLF

Endorsing an ecological and smart as well as Chigasaki-focused playing style

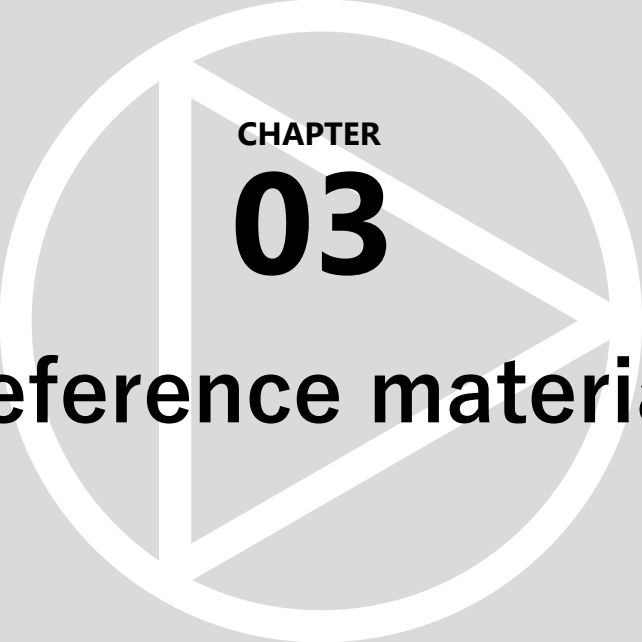
Rise in U.S. GOLFTEC's Presence in the U.S. Golf Industry

“The 10 most innovative companies in sports in 2022” GOLFTEC Takes Third Place

Selected by “FAST COMPANY”, a leading business magazine in the U.S.



- ▶ GOLTEC won praise for realizing the industry's first lessons based on data in a wireless and sensor-less environment using Optimotion, the image analysis technology it released in 2021



CHAPTER
03
(Reference material)

▶ **Major Changes Resulting from the Adoption of the Accounting Standard for Revenue Recognition**

1) Principal / Agent Transactions

The Group previously recognized revenue based on the gross amount received from customers for transactions in which it acts as an agent in the sale or provision of services to them. However, in light of the adoption of the new accounting standard, it the Group recognizes revenue based on the net amount, subtracting the amount payable to third parties from the gross amount.

[Segments Affected: Domestic Business \(Golf Equipment Sales and Golf Course Services \)](#)

2) Revenue Recognition Related to Points Program

Regarding its point program, the Group previously recorded costs accompanying the future use of points as a provision. However, in light of the adoption of the new accounting standard, for cases where such points provide customers with important rights, the Group identifies points granted as performance obligations and defers recording of revenue until the use of points results in it providing products or services.

[Segment Affected: Domestic Business in general](#)

3) Amounts Payable to Customers

The Group previously recorded coupons that can be used to purchase the Group's products or services as expenses. However, in light of the adoption of the new accounting standard, the Group deducts the coupons from its net sales as amounts payable to customers.

[Segment Affected: Domestic Business in general](#)

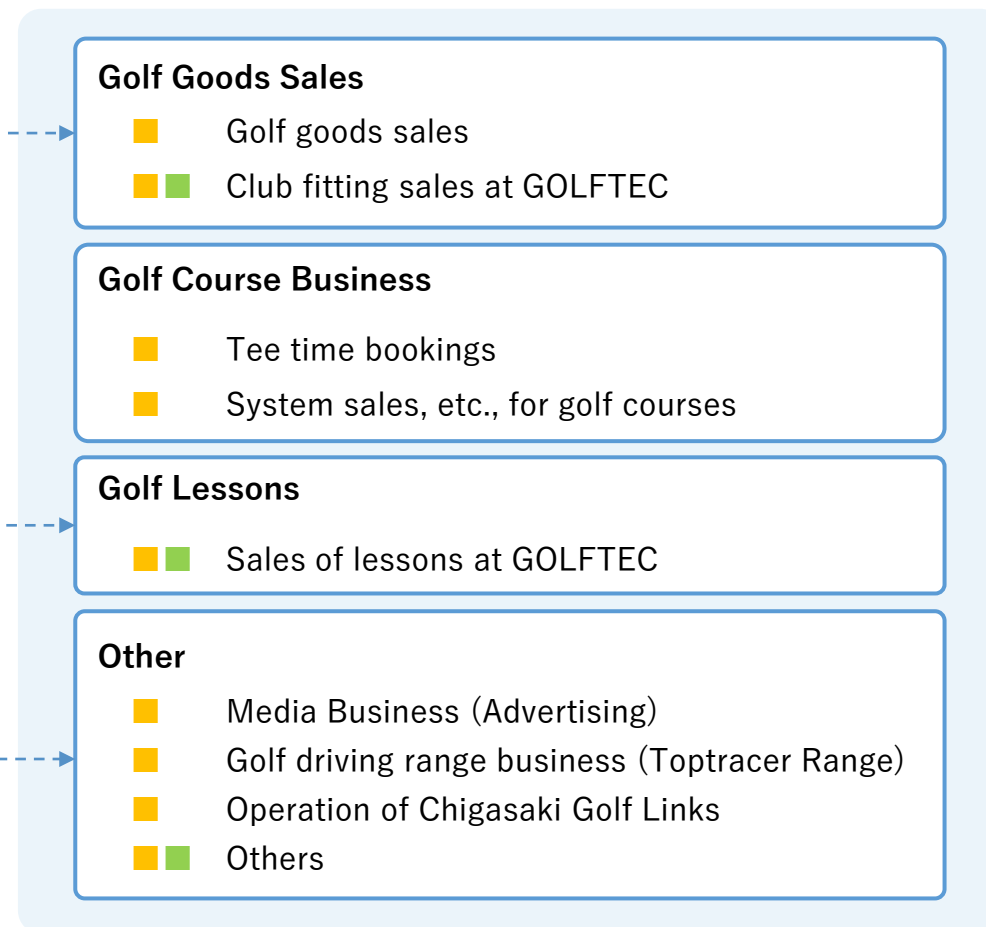
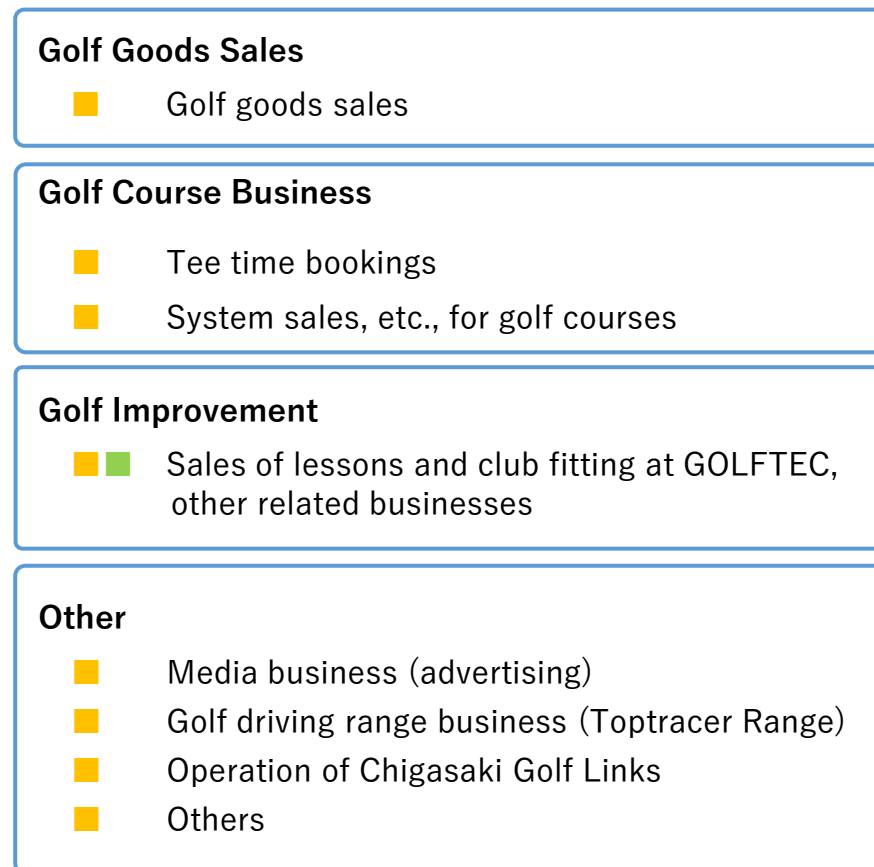
► Changes in Service Categories

■ Domestic Segment

■ Overseas Segment

Before

After



Connect the World with Golf

GDO≡

Golf Digest Online Inc.