

September 22, 2022

Listed company name: Golf Digest Online Inc.
Stock code: 3319 (TSE Prime)
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**Notice regarding Additional Acquisition of Equity Interest in Consolidated Subsidiary,
Issuance of Class A Preferred Shares by way of Third-party Allotment,
Amendment of Articles of Incorporation, and Reduction in Amounts of Stated Capital and
Capital Reserve**

Golf Digest Online Inc. (the “**Company**”) hereby announces as follows that, at its Board of Directors meeting held on September 22, 2022, the Company resolved the following matters in items (1) through (5).

- (1) GDO Sports, Inc., which is a 100.0% subsidiary of the Company in the US (whose head office is located in California, USA; “**GDOS**”) will acquire from GTE Step1 HoldCo LLC (whose head office is located in Colorado, USA) a 37.0% equity interest in GolfTEC Enterprises, LLC (whose head office is located in Colorado, USA; “**US GOLFTEC**”) and make US GOLFTEC a 97.0% subsidiary of GDOS (the “**Additional Equity Interest Acquisition**”).
- (2) The Company will execute an investment agreement (the “**Investment Agreement**”) with Fivestar Mezzanine No.2 Investment Limited Partnership (the “**Scheduled Allottee**”), pursuant to which the Company will issue to the Scheduled Allottee by way of third-party allotment on November 25, 2022 (the “**Payment Date**”) Class A Preferred Shares with an aggregate value of 6,000,000,000 yen (the “**Capital Increase by Third-Party Allotment**”).
- (3) The Company will partially amend its Articles of Incorporation for newly establishing provisions related to the Class A Preferred Shares (the “**Articles of Incorporation Amendment**”).
- (4) The Company will reduce the amount of its stated capital and capital reserve in respect of the full amount by which the stated capital and capital reserve will increase as a result of the incorporation of the paid-in amount for the Class A Preferred Shares into the stated capital and capital reserve, effective as of the Payment Date (the “**Reduction in Amount of Stated Capital, Etc.**”).
- (5) The Company will submit to an extraordinary shareholders meeting of the Company scheduled to be held on November 24, 2022 (the “**Extraordinary Shareholders Meeting**”) proposals relating to (i) the Capital Increase by Third-Party Allotment (including a special resolution pertaining to the favorable issuance of Class A Preferred Shares) and (ii) the Articles of Incorporation Amendment.

The Capital Increase by Third-Party Allotment is subject to the condition that shareholder approval is obtained at the Extraordinary Shareholders Meeting for the resolutions pertaining to the Capital Increase by Third-Party Allotment and the Articles of Incorporation Amendment, and the Articles of Incorporation Amendment is subject to the condition that shareholder approval is obtained at the Extraordinary Shareholders Meeting for the resolution pertaining to the Articles of Incorporation Amendment. The Reduction in Amount of Stated Capital, Etc. is subject to the condition that the Capital Increase by Third-Party Allotment becomes effective.

Further, under the Investment Agreement, the payment for the Class A Preferred Shares by the Scheduled Allottee is subject to conditions such as (i) that shareholder approval is obtained at the Extraordinary Shareholders Meeting for the resolutions pertaining to the Capital Increase by Third-Party Allotment and the Articles of Incorporation Amendment, (ii) that the loan the purpose of use of funds of which is the Additional Equity Interest Acquisition is certain to be drawn down or has already been drawn down, and (iii) that it is certain that the Additional Equity Interest Acquisition will be implemented within 6 business days from the Payment Date.

I. Additional Equity Interest Acquisition

1. Reasons for additional equity interest acquisition

Uniquely offering lessons and golf club fittings customized to suit each individual based on three levels of data—swing data, ball and golf club data, and user profile data—derived from world-leading technology, US GOLFTEC, a consolidated subsidiary of the Company, has over 230 locations in six countries including the US as well as Canada and the Southeast Asian region and provides over 1.5 million lessons annually by over 900 accredited coaches.

The US golf market has seen new technology and the COVID-19 situation impact golfing habits and the way people enjoy golf, and there has been an increase in ways to enjoy golf outside the golf course as well as golf becoming a closer part of players’ lives.

Under such environment, US GOLFTEC, based on the basic policy of the Company’s medium-term management policy “LEAD THE WAY” announced in February 2021, has adopted a growth strategy focused on expanding locations and is engaging in its business operations to achieve such strategy. With its sights on further growth and expansion, US GOLFTEC has adopted its concept “GOLFTEC ANYWHERE,” aimed at offering more golfers world-class know-how to improve their performance for all scenes and locations based on its conventional one-on-one lessons.

Since the Company’s acquisition of 60.0% of US GOLFTEC’s equity interest and turning US GOLFTEC into a subsidiary of the Company in July 2018, and up to today, the Company and GTE Step1 HoldCo LLC have steadily expanded the business while establishing a favorable partnership. As a result, US GOLFTEC, which was in a state of insolvency when it became a subsidiary of the Company, is expected to resolve its insolvency during the 2022 fiscal year. At this time, in order to accelerate the long-term expansion of profits by realizing the “GOLFTEC ANYWHERE” concept, the Company has decided to increase its equity interests in US GOLFTEC.

2. Outline of subsidiary receiving capital contribution

(1) Name	GolfTEC Enterprises, LLC	
(2) Location	67 Inverness Drive East, Suite 175, Englewood, Colorado 80112, U.S.A.	
(3) Name and position of representative	Joseph L. Assell (President & CEO)	
(4) Business activities	Operates directly managed and franchise locations mainly in the US and Canada (total of 232 locations as of the end of June 2022) and provides a golf lesson service business utilizing IT.	
(5) Stated capital	Approximately 17.1 million USD	
(6) Date of incorporation	October 24, 2001	
(7) Largest shareholders and their shareholding ratios	GDO Sports, Inc. (60.0%) GTE Step1 HoldCo LLC (40.0%)	
(8) Relationship with the Company	Capital relationship	The Company holds 60.0% of the equity interests of the target company through GDOS.
	Personnel relationship	The Company’s President & CEO Nobuya Ishizaka, Executive Vice-President Takehiro Yoshikawa, and

		Executive Officer Ryo Nakamura are concurrently serving as Directors of the target company.		
	Transactional relationship	GDOS has loan claims against the target company. GDO GolfTEC Co., Ltd., a subsidiary of the Company, is paying franchise fees to and has purchased lesson equipment from the target company.		
(9) Consolidated financial position and consolidated operating results for the past three years (amounts in USD)				
	Fiscal year ended	Dec 2019	Dec 2020	Dec 2021
	Consolidated net assets	(4.0 million)	(8.7 million)	(4.6 million)
	Consolidated total assets	43.6 million	48.0 million	76.6 million
	Consolidated net sales	69.7 million	66.7 million	108.6 million
	Consolidated operating profit	0.9 million	(4.2 million)	4.4 million
	Consolidated net income	0.3 million	(4.8 million)	4.0 million

3. Outline of counterparty to acquisition of equity interest

(1) Name	GTE Step1 HoldCo LLC		
(2) Location	67 Inverness Drive East, Suite 175, Englewood, Colorado 80112, U.S.A.		
(3) Name of representative	Thomas A. Gart		
(4) Business activities	Management of equity interest of GolfTEC Enterprises, LLC		
(5) Date of incorporation	May 23, 2018		
(6) Net assets and total assets	Not disclosed at request of counterparty.		
(7) Largest shareholders and their shareholding ratios	GolfTEC Investors, LLC (50.8%) GolfTEC Holdings, LLC (39.1%)		
(8) Relationship with the Company	Capital relationship	The counterparty holds 40.0% of the equity interests of GolfTEC Enterprises, LLC, a consolidated subsidiary of the Company.	
	Personnel relationship	Thomas A. Gart, who is a Director of GolfTEC Enterprises, LLC, a consolidated subsidiary of the Company, is concurrently serving as the representative of the counterparty.	
	Transactional relationship	Not a related party of the Company.	

4. Acquisition price and status of equity interests

(1) Equity interest before additional acquisition	60.0%
(2) Equity interest to be additionally acquired	37.0%
(3) Acquisition price	Approximately 85.7 million USD (122 hundred million yen) (See Note 1)
(4) Equity interest after additional acquisition	97.0%

Note 1: Converted at an exchange rate of 1 USD = 142yen.

5. Outline of accounting

The Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 issued on September 13, 2013) and the Practical Guidelines on Capital Consolidation Procedures in Consolidated Financial Statements (Accounting System Committee Report No. 7, February 16, 2018) will apply to the Additional Equity Interest Acquisition, which will be treated as a transaction for additional acquisition of shares of subsidiaries. Specifically, the amount of non-controlling interests will be reduced by an amount equal to the additionally acquired equity interest (the acquisition price), and if the acquisition price is greater than the amount by which the amount of non-controlling interests is reduced, the capital surplus will be reduced by such difference. Since the amount of non-controlling interests under the consolidated balance sheet is zero, the capital surplus in the consolidated balance sheet will be reduced by an amount equal to the acquisition price in accordance with the process prescribed above.

Also, US GOLFTEC is expected to resolve its insolvency during the 2022 fiscal year, and since the Company's equity interests in US GOLFTEC will be 97.0% as a result of the Additional Equity Interest Acquisition after resolving its insolvency, 97.0% of the consolidated net income of US GOLFTEC will be recorded as net income attributable to owners of parent.

In addition, as a countermeasure in response to the reduction of the amount of Consolidated Net Assets, the Company will conduct the Capital Increase by Third-Party Allotment. For details, please refer to "II. Capital Increase by Third-Party Allotment" below.

6. Schedule

(1) Board of Directors resolution	September 22, 2022
(2) Agreement execution date	September 22, 2022 (tentative)
(3) Date of implementation of Additional Equity Interest Acquisition	November 30, 2022 (tentative)

7. Future outlook

The Company has decided to revise the full-year financial forecast for FY 2022 (January 1, 2022 to December 31, 2022) previously announced on February 15, 2022. For details, please refer to "Notice of Revision to Full-Year Financial Forecast" announced today.

II. Capital Increase by Third-Party Allotment

1. Outline of offering

(1) Payment date	November 25, 2022
(2) Number of shares to be issued	60,000 shares of Class A Preferred Shares
(3) Issuance price	100,000 yen per share
(4) Amount of funds to be procured	6,000,000,000 yen
(5) Method of offering or allotment (scheduled allottee)	All of the Class A Preferred Shares will be allotted to Fivestar Mezzanine No.2 Investment Limited Partnership by way of third-party allotment
(6) Other	<p>For details, please see “2. (3) Outline of Class A Preferred Shares” and Exhibit 1 “Class A Preferred Shares Offering Conditions.”</p> <p>The Company has also executed with the Scheduled Allottee as of today the Investment Agreement, which contains the terms and conditions stated in “6. (2) Reasons for selecting Scheduled Allottee.”</p> <p>The Capital Increase by Third Party Allotment is subject to the condition that shareholder approval is obtained for each of the proposals related to the Capital Increase by Third Party Allotment and the Articles of Incorporation Amendment at the Extraordinary Shareholders Meeting. Also, under the Investment Agreement, the payment for the Class A Preferred Shares by the Scheduled Allottee is subject to conditions including that shareholder approval is obtained for each of the proposals related to the Capital Increase by Third Party Allotment and the Articles of Incorporation Amendment at the Extraordinary Shareholders Meeting.</p>

2. Purpose of and reasons for offering

(1) Background to and purpose of offering

As stated in “1. Reasons for Additional Equity Interest Acquisition” in “I. Additional Equity Interest Acquisition” above, the Company has decided to conduct the Additional Equity Interest Acquisition in order to accelerate the long-term expansion of profits by realizing the “GOLFTEC ANYWHERE” concept in addition to achieving the medium-term management policy. While the Additional Equity Interest Acquisition is an essential transaction in order for the Company to achieve its medium-term management policy and by extension enhance its long-term corporate value, as stated in “5. Outline of accounting” in “I. Additional Equity Interest Acquisition” above the amount of total net assets of the Company in the consolidated balance sheet (“**Consolidated Net Assets**”) will be reduced by the Additional Equity Interest Acquisition, and therefore the Company believes that implementing the Additional Equity Interest Acquisition after procuring funds by a method that enables the Company to augment its Consolidated Net Assets and attain improved financial health is an important issue to be addressed.

In examining such issue, the Company examined a range of methods premised on conditions such as that it be able to augment its Consolidated Net Assets and attain improved financial

health even while giving consideration to the impacts of dilution on existing shareholders of the Company and that there be a high degree of certainty of being able to procure funds at the time of execution of the definitive agreement for the Additional Equity Interest Acquisition, and as a result of such examinations the Company determined, from the perspective of protecting the interests of existing shareholders, the perspective of its financial health after the Additional Equity Interest Acquisition, and the perspective of certainty of being able to procure funds, that a capital increase by third-party allotment of so-called “redeemable preferred shares”—which are not able to be converted into common shares—is the optimal method for part of the funds procurement for the Additional Equity Interest Acquisition.

As part of such process, from early 2022 onward the Company has had contact with multiple investor candidates and engaged in discussions regarding the possibility of their subscribing for redeemable preferred shares. In April 2022, the Company requested approximately 10 Japanese financial institutions to submit indication letters and at the end of May 2022 received proposed terms from multiple institutions, and from among these the Company selected as a subscriber candidate for the Capital Increase by Third-Party Allotment and pursued discussions on detailed terms with Fivestar Mezzanine No.2 Investment Limited Partnership which presented the best overall terms including financial terms, possesses a deep understanding of the Company business, and has abundant experience in mezzanine finance (finance using subordinated funds) in Japan including preferred shares. As a result of such discussions, the two parties reached agreement on the issuance of redeemable preferred shares on terms satisfactory to the Company from the perspective of protecting the interests of existing shareholders, the perspective of its financial health after the Additional Equity Interest Acquisition, and the perspective of certainty of being able to procure funds, and therefore the Company decided to conduct a capital increase by third-party allotment to Fivestar Mezzanine No.2 Investment Limited Partnership and use this to procure part of the funds for the Additional Equity Interest Acquisition.

(2) Reasons for selecting Capital Increase by Third-Party Allotment to procure funds

The Company examined a range of methods premised on conditions such as that it be able to augment its Consolidated Net Assets and attain improved financial health and that there be expected a high degree of certainty of being able to procure funds at the time of execution of the definitive agreement for the Additional Equity Interest Acquisition

In the course of such process, the Company also examined methods aimed at general investors such as a public offering or a shareholder allotment but decided that none of these could be regarded as the optimal fund procurement method from the perspective of protecting the interests of existing shareholders and certainty of being able to procure funds.

In the Capital Increase by Third-Party Allotment, the Company has, taking into account the impacts of dilution on existing shareholders of the Company, decided to procure funds by issuing Class A Preferred Shares that are not convertible into common shares. The Company ultimately reached the decision that the Capital Increase by Third-Party Allotment is the best choice for the Company at the present time because it will augment the Consolidated Net Assets and contribute to the financial health of the Company without causing any dilution of common shares of the Company and also provides a high degree of certainty of being able to procure funds.

(3) Outline of Class A Preferred Shares

(i) Preferred dividends

Shareholders of the Class A Preferred Shares (“**Class A Preferred Shareholders**”) are entitled to receive dividends in preference to shareholders of common shares. The amount of preferred dividend will be calculated by prorating the value obtained by multiplying 100,000

yen by the preferred dividend rate. The preferred dividend rate is initially 6.50% per annum, to which 0.5% per annum will be added for each year that passes after the payment date. If there is a shortfall in preferred dividends in any given business year, such shortfall amount will accumulate in the following or subsequent business years. The Class A Preferred Shares are non-participatory, and Class A Preferred Shareholders may not receive common dividends in addition to such preferred dividends.

(ii) Redemption right

The Class A Preferred Shares are redeemable for cash. Under the conditions of issuance of the Class A Preferred Shares, a Class A Preferred Shareholder may, in principle, at any time on or after the payment date make a demand that the Company acquire all or part of the Class A Preferred Shares for cash (a “**Redemption Demand**”), but pursuant to the provisions of the Investment Agreement the cases in which the Scheduled Allottee is entitled to make a Redemption Demand are limited to when the date November 25, 2027 has passed or where other certain grounds are met.

The amount of cash to be delivered to a Class A Preferred Shareholder who exercises the redemption right attached to the Class A Preferred Shares is the amount per Class A Preferred Share equal to the paid-in amount plus the accumulated unpaid preferred dividends and preferred dividends prorated amount as of the pro rata calculation record date which is the date on which the Redemption Demand becomes effective.

(iii) Mandatory redemption

The Class A Preferred Shares are subject to mandatory redemption for cash at the option of the Company. The Company may acquire all or part of the Class A Preferred Shares upon the arrival of a date prescribed separately by the Board of Directors of the Company (the “**Mandatory Redemption Date**”) which is not earlier than November 25, 2022 (and excluding the period from November 25, 2024 to May 24, 2025).

The amount of cash to be delivered to Class A Preferred Shareholders when the Company exercises the mandatory redemption option attached to the Class A Preferred Shares is the amount per Class A Preferred Share equal to the paid-in amount plus the accumulated unpaid preferred dividends and preferred dividends prorated amount as of the pro rata calculation record date which is the date on which the Redemption Demand becomes effective.

(iv) Voting rights

The Class A Preferred Shares are non-voting shares under the Companies Act, and Class A Preferred Shareholders do not have voting rights at shareholders meetings except as otherwise prescribed by law.

(v) Restrictions on transfer

The Class A Preferred Shares are not subject to restrictions on transfer, but pursuant to the provisions of the Investment Agreement the consent of the Company is required for any transfer of the Class A Preferred Shares.

For other details regarding the Class A Preferred Shares, please refer to Attachment 1 “Class A Preferred Shares Issuance Conditions.”

3. Amount of funds to be procured, purpose of use, and scheduled timing of expenditure

(1) Amount of funds to be procured

(1) Aggregate amount of amounts to be paid in	6,000,000,000 yen
(2) Estimated amount of expenses related to issuance	220,000,000 yen
(3) Estimated amount of net proceeds	5,780,000,000 yen

Note 1: “Estimated amount of expenses related to issuance” does not include consumption tax.

Note 2: “Estimated amount of expenses related to issuance” mainly comprises expenses for experts (including attorneys), expenses related to registrations, and financial advisory fees, etc.

(2) Purpose of use of funds to be procured

Specific purpose of use	Amount	Scheduled timing of expenditure
(1) Part of funds for the Additional Equity Interest Acquisition	5,780,000,000 yen	November 30, 2022

Because 5,780,000,000 yen procured by the Company through the Capital Increase by Third-Party Allotment will be applied to part of the funds for the Additional Equity Interest Acquisition by GDOS, such full amount will be provided to GDOS by way of capital contribution or loan.

4. Views regarding reasonableness of purpose of use of funds

Whereas the funds procured through the Capital Increase by Third-Party Allotment will be applied to the consideration for the Additional Equity Interest Acquisition, the Company believes, as stated in “1. Reasons for Additional Equity Interest Acquisition” in “I. Additional Equity Interest Acquisition” above, that the Additional Equity Interest Acquisition will contribute to enhancing the corporate value of the Company and that the Capital Increase by Third-Party Allotment will ultimately contribute to the interests of our existing shareholders, so the Company decided that the purpose of use of funds from the Capital Increase by Third-Party Allotment is reasonable.

5. Reasonableness of issuance conditions, etc.

(1) Calculation basis for amount to be paid in and specific details thereof

In order to secure fairness in the Capital Increase by Third-Party Allotment, the Company requested a valuation of the Class A Preferred Shares by Plutus Consulting Co., Ltd. (“**Plutus Consulting**”), a third-party valuation institution independent from the Company and the Scheduled Allottee, and has obtained from Plutus Consulting a “Golf Digest Online Inc. Class A Preferred Shares Valuation Report” dated today (the “**Class A Preferred Shares Valuation Report**”).

As a result of examining methods for valuing the Class A Preferred Shares, Plutus Consulting adopted the discounted cash flow method, which is a typical valuation calculation model, and conducted a valuation of the Class A Preferred Shares based on certain assumptions and after taking into account the various conditions prescribed in the issuance conditions of the Class A Preferred Shares and the Investment Agreement. The value of the Class A Preferred Shares in the Class A Preferred Shares Valuation Report is a range of 96,550 yen to 102,640 yen per share.

After taking into account the above valuation results by Plutus Consulting and as a result of carefully engaging in multiple negotiations and discussions with the Scheduled Allottee, the

Company reached agreement with the Scheduled Allottee on conditions that the Company determined reasonable including in terms of pricing, and it was determined that the amount to be paid in for the Class A Preferred Shares be 100,000 yen per share. After comprehensively taking into account considerations such as the above valuation results by Plutus Consulting and the business environment and financial situation of the Company and matters determined with the Scheduled Allottee through carefully engaging in multiple negotiations and discussions as stated in “(1) Background to and purpose of offering” in “2. Purpose of and reasons for offering” above, the Company has determined that the amount to be paid in for the Class A Preferred Shares is a fair and appropriate price, but because under the Companies Act the possibility cannot be completely disregarded that the amount to be paid in for the Class A Preferred Shares may be deemed a particularly favorable amount for the Scheduled Allottee due to the fact that there is no objective market price for the Class A Preferred Shares and that the valuation of class shares is advanced and complex and various opinions are possible as to their valuation, the Company believes it appropriate to confirm the intentions of our shareholders and, by way of precaution, has decided to issue the Class A Preferred Shares subject to the condition that shareholder approval is obtained at the Shareholders Meeting for a special resolution pertaining to favorable issuance under Article 199, paragraph 2 of the Companies Act.

(2) Basis for determining that issuance volume and scale of share dilution are reasonable

Although the Company will procure an aggregate amount of 6,000,000,000 yen by issuing 60,000 Class A Preferred Shares, the Company has determined that the issuance volume of Class A Preferred Shares is reasonable in light of the purposes of issuance of the Class A Preferred Shares and purpose of use of funds as stated above. Further, the Class A Preferred Shares do not have voting rights for shareholders meetings, nor are they convertible into common shares of the Company. Accordingly, the Company has determined that the Capital Increase by Third-Party Allotment will not give rise to any dilutive effect for our existing shareholders.

6. Reasons for selecting the Scheduled Allottee, etc.

(1) Outline of Scheduled Allottee

(1) Name	Fivestar Mezzanine No.2 Investment Limited Partnership	
(2) Location	6-10-1 Ginza, Chuo-ku, Tokyo	
(3) Law governing formation, etc.	Investment Limited Partnership Act of Japan	
(4) Purpose of formation	Acquisition and holding, etc. of monetary claims and securities, etc.	
(5) Date of formation	October 10, 2021	
(6) Total fund value	Approximately 51.2 billion yen	
(7) Outline of investors	The Scheduled Allottee has received capital contributions from its general partner FSM GP2 LLP and FSM GP Sub-2 GK, and from its limited partners (such as Japanese financial institutions and pension funds). The capital contribution ratios and the names of the limited partners are not disclosed in this announcement because the partnership agreement with the Scheduled Allottee contains a confidentiality clause.	
(8) Outline of managing	Name	FSM GP2 LLP

partner	Location	6-10-1 Ginza, Chuo-ku, Tokyo
	Position and name of representative	Partner: NS Partners Co., Ltd. Executive manager: Noriyuki Sando
	Business activities	Executing operations of investment limited partnerships
	Stated capital	—
	Name	FSM GP Sub-2 GK
	Location	6-10-1 Ginza, Chuo-ku, Tokyo
	Position and name of representative	Partner: NS Partners Co., Ltd. Executive manager: Noriyuki Sando
	Business activities	Executing operations of investment limited partnerships
	Stated capital	400,000 yen
(9) Relationship between listed company and fund	Relationship between listed company and fund	There is no capital, personnel, or transactional relationship.
	Relationship between listed company and managing partner	There is no capital, personnel, or transactional relationship.

Note 1: The Company has confirmed through interviews with the representative of the managing partner of the Scheduled Allottee and investigations by the Company that the managing partner of the Scheduled Allottee does not have any relationship with antisocial forces. The Company has also received a response from the Scheduled Allottee to the effect that the partnership agreement of the Scheduled Allottee contains an antisocial forces exclusion provision and to the effect that the Scheduled Allottee performs strict identity verification procedures including as to whether counterparties constitute antisocial forces, and the Company has also conducted interviews with the representatives of the managing partner of the Scheduled Allottee and confirmed that the limited partners of the Scheduled Allottee do not have any relationship with antisocial forces. The Scheduled Allottee has also made representations and warranties in the Investment Agreement regarding the Scheduled Allottee, its general partner, and its limited partners having no relationship with antisocial forces.

(2) Reasons for selecting Scheduled Allottee

As stated in “(1) Background to and purpose of offering” in “2. Purpose of and reasons for offering” above, the Company selected Fivestar Mezzanine No.2 Investment Limited Partnership as the Scheduled Allottee after determining that it was the most suitable counterparty as subscriber for a third-party allotment because it presented the best financial terms from among the Japanese financial institutions from which the Company received indication letters, it possesses a deep understanding of the Company business, and it has abundant experience in mezzanine finance (finance using subordinated funds) in Japan including preferred shares.

The Investment Agreement between the Company and the Scheduled Allottee includes the following terms and conditions.

(i) Prior consent matters

Under the Investment Agreement, the prior written consent of the Class A Shareholder or Class A Preferred Shareholders whose aggregate paid-in amount for the Class A Preferred Shares is equal to 50.1% or more (the “**Majority Preferred Shareholders**”) in cases where the Company seeks to undertake certain actions listed in the Investment Agreement. The actions requiring prior written consent include actions of a type that may potentially harm the value of the Class A Preferred Shares and those that would have a material impact on the organization or management of the Company Group.

(ii) Financial covenants

Under the Investment Agreement, the Company bears an obligation to maintain its net profit or net assets at or above a certain level.

(iii) Constraints on Redemption Demands

Under the issuance conditions for the Class A Preferred Shares, Class A Preferred Shareholders may, in principle, make a Redemption Demand to the Company at any time on or after the payment date, but pursuant to the provisions of the Investment Agreement the cases in which the Scheduled Allottee is entitled to make a Redemption Demand are limited to when the date November 25, 2027 has passed or where other certain grounds are met.

(iv) Restrictions on transfer

Under the Investment Agreement, the consent of the Company is required for transfers of Class A Preferred Shares other than in the case of a transfer to a designated transferee (limited to five companies or less and the qualified transferees prescribed in the Investment Agreement) within a scope not exceeding 49.9% of the total number of issued Class A Preferred Shares. However, the Company shall in principle consent to a transfer that falls under any of the following items:

- where the Scheduled Allottee is entitled to make a Redemption Demand for the Class A Preferred Shares; or
- where the Company is in material breach of an obligation it bears under the Investment Agreement and despite a demand for cure by the Class A Preferred Shareholder the Company fails to cure such breach within 20 days from such demand.

(3) Shareholding policy of Scheduled Allottee

The Company has received an explanation from the Scheduled Allottee to the effect that within approximately 1 year after the payment date it plans to transfer up to 49.9% of the Class A Shares it holds to other investors such as the limited partners of the Scheduled Allottee.

(4) Details confirmed regarding existence of assets required for payment by Scheduled Allottee

The Company has confirmed from reviewing the partnership agreement of the Scheduled Allottee that the Scheduled Allottee has a capital contribution limit that would enable contribution of capital necessary for the payment for the Capital Increase by Third-Party Allotment as of the date of this announcement, and that each investor bears an obligation to make capital contributions to the Scheduled Allottee in response to capital calls issued by the general partner FSM GP2 LLP in the case that the Scheduled Allottee requires funds, and therefore the Company has determined that the Scheduled Allottee will be able to secure sufficient funds to subscribe for the Class A Preferred Shares on the Payment Date.

7. Largest shareholders and shareholding ratios after third-party allotment

(1) Common shares

Before offering (as of June 30, 2022)		After offering
Golf Digest Sha Co., Ltd.	17.78%	Same as left column.
Nobuya Ishizaka	17.73%	
The Master Trust Bank of Japan, Ltd. (Trust Account)	10.73%	
Custody Bank of Japan, Ltd. (Trust Account)	6.88%	
Genichi Kimura	6.29%	
Masahiro Kimura	4.92%	
STATE STREET BANK AND TRUST COMPANY 505019 (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Operations Department)	1.52%	
Dai Nippon Printing Co., Ltd.	1.51%	
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing proxy: MUFG Bank, Ltd.)	1.36%	
PERSHING-DIV. OF DLJ SECS. CORP. (Standing Proxy: Citibank N.A., Tokyo Branch)	1.14%	

(2) Class A Preferred Shares

Before offering (as of June 30, 2022)	After offering
N/A	Fivestar Mezzanine No.2 Investment Limited Partnership 100.00%

8. Future outlook

The Company has decided to revise the full-year financial forecast for FY 2022 (January 1, 2022 to December 31, 2022) previously announced on February 15, 2022. For details, please refer to “Notice of Revision to Full-Year Financial Forecast” announced today.

9. Matters relating to procedures under Corporate Code of Conduct

The Capital Increase by Third-Party Allotment does not require obtainment of an opinion from an independent third party and procedures to confirm shareholder intentions as prescribed in Article 432 of the Listing Regulations prescribed by the Tokyo Stock Exchange because (i) the dilution rate will be less than 25% and (ii) there will be no change in controlling

shareholders.

10. Financial results and equity finance status for most recent three years

(1) Financial results for most recent 3 years (consolidated) (amounts in yen)

	FY 2019	FY 2020	FY 2021
Consolidated net sales	34,274 million	33,690 million	39,594 million
Consolidated operating profit	979 million	838 million	1,706 million
Consolidated ordinary profit	971 million	907 million	1,715 million
Consolidated net profit attributable to owners of parent	358 million	261 million	1,035 million
Consolidated basic earnings per share	19.63	14.31	56.68
Dividend per share	9.50	5.50	9.50
Consolidated net assets per share	345.61	347.85	405.17

(2) Status of current number of issued shares and number of potential shares (as of June 30, 2022)

	Number of shares	Ratio of total number of issued shares
Number of issued shares	18,274,000 shares	100.00%
Number of potential shares at the current conversion price (exercise price)	88,500 shares	0.48%
Number of potential shares at the minimum conversion price (exercise price)	88,500 shares	0.48%
Number of potential shares at the maximum conversion price (exercise price)	88,500 shares	0.48%

(3) Status of recent share prices

(i) Status for most recent three years (amounts in yen)

	FY 2019	FY 2020	FY 2021
Opening price	693	680	903
Highest price	722	1,199	1,793
Lowest price	540	414	814
Closing price	684	903	1,188

(ii) Status for most recent six months (amounts in yen)

	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022
Opening price	996	1,009	1,220	1,375	1,717	2,092
Highest price	1,175	1,219	1,513	1,782	2,250	2,099
Lowest price	975	894	1,191	1,256	1,470	1,875
Closing price	1,025	1,216	1,374	1,720	2,123	1,922

Note 1: Share price in September 2022 above is as of September 21, 2022.

(iii) Share price on business day immediately preceding issuance resolution (amounts in yen)

	September 21, 2022
Opening price	1,945
Highest price	1,945
Lowest price	1,878
Closing price	1,922

(4) Status of equity finance in the most recent three years

There are no applicable matters other than the granting of stock options to the Directors, Executive Officers, and employees of the Company.

11. Conditions of issuance

Please refer to Attachment 1 “Class A Preferred Shares Issuance Conditions.”

12. Schedule

(1) Board of Directors resolution	September 22, 2022
(2) Investment Agreement execution date	September 22, 2022 (tentative)
(3) Extraordinary Shareholders Meeting resolution	November 24, 2022 (tentative)
(4) Payment Date	November 25, 2022 (tentative)

III. Articles of Incorporation Amendment

1. Purpose of Articles of Incorporation Amendment

In order to enable the Class A Preferred Shares to be issued, the Company will create Class A Preferred Shares as a new class of shares and establish new provisions regarding Class A Preferred Shares in the Articles of Incorporation.

The Articles of Incorporation Amendment will be subject to the condition that shareholder approval is obtained for each of the proposals related to the Capital Increase by Third Party Allotment and the Articles of Incorporation Amendment at the Extraordinary Shareholders Meeting.

2. Details of Articles of Incorporation Amendment

For details of the Articles of Incorporation Amendment, please refer to Appendix 2 “Proposed Amendment to Articles of Incorporation”

3. Schedule

(1) Board of Directors resolution	September 22, 2022
(2) Extraordinary Shareholders Meeting resolution	November 24, 2022 (tentative)
(3) Effective date	November 24, 2022 (tentative)

IV. Reduction in Amount of Stated Capital, Etc.

1. Purpose of Reduction in Amount of Stated Capital, Etc.

In order to secure and enhance distributable amounts for dividends of capital surplus and prepare for an agile and flexible capital policy in the future, the Company decided to reduce the amounts of stated capital and capital reserves and to transfer the amount to other capital surplus.

The Reduction in Amount of Stated Capital, Etc. will be conditional upon the Capital Increase by Third-Party Allotment becoming effective.

2. Amount of Reduction in Amount of Stated Capital, Etc.

(1) Amount by which stated capital is to be reduced

The amount of stated capital, which is 4,458,953,070 yen, will be reduced by 3,000,000,000 yen to 1,458,953,070 yen.

The amount of stated capital above includes the amount by which the stated capital will be increased by the Capital Increase by Third-Party Allotment (3,000,000,000 yen).

(2) Amount by which capital reserve is to be reduced

The amount of capital reserve, which is 4,420,071,948 yen, will be reduced by 3,000,000,000 yen to 1,420,071,948 yen.

The amount of capital reserve above includes the amount by which the capital reserve will be increased by the Capital Increase by Third-Party Allotment (3,000,000,000 yen).

(3) Method of Reduction in Amount of Stated Capital, Etc.

After implementing the Reduction in Amount of Stated Capital, Etc. as described above in accordance with the provisions of Article 447, Paragraph 1, and Article 448, Paragraph 1, of the Companies Act, the Company will transfer the entire amounts by which the stated capital and capital reserves are reduced to other capital surplus.

3. Schedule

(1) Board of Directors resolution	September 22, 2022
(2) Public notice with respect to statements of objection by creditors	September 26, 2022 (tentative)
(3) Final deadline for statements of objection by creditors	October 26, 2022 (tentative)
(4) Effective date	November 25, 2022 (tentative)

4. Future outlook

The Reduction in Amount of Stated Capital, Etc. is a process of transferring stated capital and capital reserve to the accounts of other capital surplus in the net assets section of the Company's balance sheet and will not change the amount of net assets of the Company, and there will be no impact on the Company's financial results.

End

Attachment 1 Class A Preferred Shares Issuance Conditions

[Translation omitted]

Attachment 2 Proposed Amendment to Articles of Incorporation

[Translation omitted]