Consolidated Financial Results for the Year Ended December 31, 2022 [Japanese GAAP]

February 14, 2023

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 Annual General Meeting of Shareholders: March 29, 2023
Scheduled date of commencing dividend payments: March 30, 2023
Scheduled date of filing annual securities report: March 29, 2023
Availability of supplementary briefing material on annual financial results: Yes
Schedule of annual financial results briefing session: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (January 01, 2022, to December 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2022	46,090	16.4	1,189	(30.3)	(175)	-	339	(67.2)
December 31, 2021	39,594	17.5	1,706	103.4	1,715	89.0	1,035	296.1

(Note) Comprehensive income: Fiscal year ended December 31, 2022: ¥ 654 million [(46.4)%]
Fiscal year ended December 31, 2021: ¥ 1,221 million [762.8%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2022	16.44	16.43	7.6	(0.5)	2.6
December 31, 2021	56.68	-	15.1	8.6	4.3

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended December 31, 2022: ¥ - million
Fiscal year ended December 31, 2021: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
December 31, 2022	43,459	1,598	3.6	(245.32)
December 31, 2021	21,851	7,411	33.9	405.17

(Reference) Equity: As of December 31, 2022: ¥ 1,573 million
As of December 31, 2021: ¥ 7,403 million

(Note) The "Net assets per share" for the fiscal year ended December 31, 2022 is calculated by deducting from the total net assets the amount to be paid in for Class A preferred shares, which have different rights from those of common shares and the amount of preferred dividend.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2022	1,372	(12,753)	11,914	2,421
December 31, 2021	3,919	(3,580)	(372)	2,904

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2021	-	4.00	-	5.50	9.50	173	16.8	2.5
December 31, 2022	-	4.00	-	5.50	9.50	173	57.8	11.9
Fiscal year ending December 31, 2023 (Forecast)	-	4.00	-	5.50	9.50		-	

（Note）The above-mentioned "Cash dividends" refers to the status of dividends on common shares. For information on the status of dividends on class shares (unlisted) with different relationship of interest from the common shares, see "Cash dividends on class shares" below.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 01, 2023, to December 31, 2023)

(% 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	53,000	15.0	2,050	72.3	1,226	-	550	62.1	8.50

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) 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

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

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

December 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:

December 31, 2022: 70,393 shares
December 31, 2021: 390 shares

3) Average number of shares during the period:

Fiscal Year ended December 31, 2022: 18,231,589 shares
Fiscal Year ended December 31, 2021: 18,273,644 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (January 01, 2022, to December 31, 2022)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net income	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2022	26,608	(1.1)	1,968	10.8	557	(68.8)	281	(76.2)
December 31, 2021	26,916	4.0	1,777	(4.4)	1,784	(0.5)	1,180	4.3

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
December 31, 2022	13.25	13.24
December 31, 2021	64.62	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
December 31, 2022	37,008	14,885	40.2	484.56
December 31, 2021	14,007	8,841	63.1	483.45

(Reference) Equity: As of December 31, 2022: ¥ 14,860 million
As of December 31, 2021: ¥ 8,834 million

* Consolidated financial results (Japanese GAAP) are not subject to audit.
* Summaries for relevant use of forecasts and other specific affairs the forward-looking statements described in this document including results forecasts, etc., are based on information currently available to Golf Digest Online Inc. and certain assumptions that are deemed to be reasonable as of the date of the release of this document. Golf Digest Online Inc. makes no warranty as to the achievability of the forecasts. For the basis of presumption of the results forecast, please refer to “1. Overview of Results of Operations, Etc., (4) Future Outlook” on page 3 of the attached document.

(Reference) Cash dividends on class shares

The following provides a breakdown of the dividends per share related to class shares (Class A preferred shares) with different relationship of interest from the common shares.

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2022	Yen -	Yen -	Yen -	Yen -	Yen -
Fiscal year ending December 31, 2023 (Forecast)	-	-	-	7,242.43	7,242.43

(Note) Class A preferred shares were issued on November 25, 2022.

Table of Contents

1. Overview of Results of Operations, Etc.

(1) Overview of Results of Operations for the Fiscal Year under Review

During the fiscal year under review (January 1, 2022, to December 31, 2022), the coronavirus ("COVID-19") situation gradually improved and consumption activity slowly returned to normal. However, economic uncertainty increased, chiefly due to rapid exchange rate fluctuations as well as global supply chains disruption and accelerating global inflation against the backdrop of the Russia-Ukraine war.

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. Furthermore, with the aim of meeting new demand and creating new demand for golf, in accordance with the basic policy of the mid-term strategic plan "LEAD THE WAY" announced in February 2021, GOLFTEC Enterprises LLC ("US GOLFTEC"), which is a consolidated subsidiary, acquired SkyTrak on August 31, 2022. (Note 1)

As a result, the Group recorded net sales of 46,090 million yen (up 16.4% year on year) during the fiscal year under review (January 1, 2022, to December 31, 2022). Meanwhile, the Group posted operating profit of 1,189 million yen (down 30.3% year on year), mainly due to expenses for the acquisition of SkyTrak and one-time expenses for the additional acquisition of equity interest in US GOLFTEC (Note 2), as well as an ordinary loss of 175 million yen (compared to ordinary profit of 1,715 million yen in the previous year), primarily reflecting the recording of foreign exchange losses. In addition, the Group posted extraordinary income of 901 million yen (compared to 51 million yen in the previous year) including a gain on the forgiveness of debt recorded by the U.S.-based subsidiary (Note 3). Consequently, profit attributable to owners of parent stood at 339 million yen (down 67.2% year on year).

From the first quarter of the fiscal year under review, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; the "Revenue Recognition Accounting Standard"), etc. began to be adopted. For details, please see 3. Consolidated Financial Statements and Primary Notes (5) Notes to the Consolidated Financial Statements (Changes in accounting policies).

(Note) 1. See the "Notice regarding Asset Purchase by Consolidated Subsidiary and Borrowing of Funds" dated August 10, 2022.
2. See the "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" dated September 22, 2022.
3. See the "Notice regarding Posting of Extraordinary Income (Gain on Forgiveness of Debt Recorded by the U.S.-Based Subsidiary)" dated February 15, 2022.

The results in each main segment are as follows.

Domestic segment

During the fiscal year under review, the domestic segment recorded net sales of 27,593 million yen (down 0.9% year on year) due to the adoption of the Revenue Recognition Accounting Standard from the beginning of the first quarter of the fiscal year under review. Segment profit stood at 2,015 million yen (up 13.4% year on year).

Overseas segment

During the fiscal year under review, the overseas segment posted net sales of 18,496 million yen (up 57.5% year on year), mainly aided by the successful implementation of a store opening strategy with a focus on strong golf-related demand. Meanwhile, the segment loss was 825 million yen (compared to a segment loss of 71 million yen a year before), chiefly owing to expenses for the acquisition of SkyTrak and one-time expenses for additional acquisition of equity interest in US GOLFTEC.

(2) Overview of Financial Position for the Fiscal Year under Review

Looking at the financial position at the end of the fiscal year under review, total assets stood at 43,459 million yen, up

21,607 million yen from the end of the previous fiscal year. Liabilities totaled 41,860 million yen at the end of the fiscal year under review, increasing 27,420 million yen from the end of the previous fiscal year. Total net assets as of the same date decreased 5,812 million yen from the end of the previous fiscal year, to 1,598 million yen.

In terms of the balances of accounts for main items, merchandise, buildings and structures, right-of-use assets, goodwill, short-term borrowings and a current portion of long-term borrowings, long-term borrowings, and long-term lease liabilities increased by 2,994 million yen, 2,333 million yen, 7,631 million yen, 4,419 million yen, 5,092 million yen, 12,961 million yen, and 7,728 million yen, respectively. Meanwhile, capital surplus and retained earnings decreased by 2,447 million yen and 3,618 million yen, respectively.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (“cash”) at the end of the fiscal year under review decreased 483 million yen from the end of the previous fiscal year, to 2,421 million yen (a decrease of 16.6% from the end of previous fiscal year).

The status of each of the cash flow segments and contributing factors in the fiscal year under review is as follows:

(Cash Flows from Operating Activities)

Cash flows from operating activities during the fiscal year under review resulted in cash inflow of 1,372 million yen (cash inflow of 3,919 million during the previous year). This was mainly because non-cash items, such as income before income taxes of 565 million yen and depreciation of 2,097 million yen, increase exceeded an increase in inventories of 2,199 million yen.

(Cash Flows from Investing Activities)

Cash flows from investing activities during the fiscal year under review resulted in a cash outflow of 12,753 million yen (cash outflow of 3,580 million yen during the previous year). This was mainly due to the acquisition of SkyTrak in US GOLFTEC, which amounted to 8,723 million yen, and the purchase of property, plant and equipment, which amounted to 2,768 million yen.

(Cash Flows from Financing Activities)

Cash flows from financing activities during the fiscal year under review resulted in cash inflow of 11,914 million yen (cash outflow of 372 million yen during the previous year). The increase was mainly due to a net increase in short-term loans payable of 4,277 million yen, proceeds from long-term loans payable of 14,870 million yen, and proceeds from issuance of shares of 6,000 million yen, which exceeded the purchase of additional investment in US GOLFTEC of 12,341 million yen.

(4) Future Outlook

The outlook of the business environment surrounding the Group remains uncertain amid concern about the impact of the protracted Ukraine crisis on economic conditions, the risk of economic slowdown due to a global credit crunch and rapid foreign exchange rate fluctuations as a result of such a monetary tightening policy, among other factors.

Looking at the golf industry, in Japan, it appears that COVID-19 has made people realize the appeal of golf amid risks such as a decrease in the number of people who play golf resulting from the aging population with low birth rates, and a decline in the population and abnormal climate conditions and natural disasters in recent years, among other factors. Globally, against the backdrop of changes in the IT and IoT environments, golfers’ play styles, their attributes and ways in which they enjoy golf are becoming more diversified.

In this environment, the GDO Group has been focusing on the following three objectives based on the theme of the mid-term strategic plan announced on February 12, 2021, namely, “LEAD THE WAY (to the next generation of golf business)”: 1) Driving growth by refining the core business and developing new businesses, 2) gaining overwhelming support from customers by pursuing differentiation in marketing, content and technology, and 3) improving our capability to invest in the future growth through profit growth in our mainstay business.

With respect to consolidated results for the next fiscal year (January 1, 2023, to December 31, 2023), or the last year of this mid-term strategic plan, the GDO Group will work on a range of initiatives to achieve the mid-term strategic plan and with an eye on the continuation of growth after the period of this mid-term strategic plan. On the other hand, based on a conservative assessment of current economic trends in the U.S., the Group expects in its full-year consolidated results forecast for the next fiscal year that net sales will increase to 53,000 million yen (up 15.0% year on year), operating profit will rise to 2,050 million yen (up 72.3% year on year), ordinary profit will come to 1,226 million yen (Ordinary loss of 175 million yen in the previous year) and profit attributable to owners of parent will stand at 550 million yen (up 62.1% year on year).

2. Basic Views on Selection of Accounting Standards

The GDO Group has adopted a policy of preparing its consolidated financial statements according to the Japanese standards for the time being in consideration of comparability with respect to reportable periods for consolidated financial statements and those adopted by the respective companies. With respect to the adoption of the International Financial Reporting Standards (IFRS) in the future, the GDO Group will take appropriate steps, taking a range of conditions both in Japan and overseas into consideration.

3.Consolidated Financial Statements

（1） Consolidated Balance Sheets

(Thousand yen)

	As of December 31,2021	As of December 31,2022
Assets		
Current assets		
Cash and deposits	2,904,770	2,421,492
Accounts receivable - trade	2,689,067	3,063,950
Merchandise	3,219,906	6,214,068
Work in process	601	694
Supplies	72,934	186,183
Other	1,671,120	2,248,574
Allowance for doubtful accounts	(15,871)	(16,022)
Total current assets	10,542,529	14,118,942
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,378,001	6,711,466
Machinery, equipment and vehicles	4,301	13,757
Tools, furniture and fixtures	2,033,243	3,054,209
Leased assets	13,506	13,506
Right of use assets	-	7,631,816
Construction in progress	161,585	217,280
Accumulated depreciation	(2,775,756)	(3,970,111)
Total property, plant and equipment	3,814,880	13,671,924
Intangible assets		
Goodwill	4,059,538	8,479,098
Contract based intangible assets	-	2,212,627
Other	2,431,668	4,056,608
Total intangible assets	6,491,206	14,748,333
Investments and other assets		
Investment securities	10,467	10,519
Deferred tax assets	252,395	210,436
Other	746,957	706,290
Allowance for doubtful accounts	(6,925)	(6,974)
Total investments and other assets	1,002,895	920,271
Total non-current assets	11,308,982	29,340,530
Total assets	21,851,512	43,459,472

(Thousand yen)

	As of December 31,2021	As of December 31,2022
Liabilities		
Current liabilities		
Accounts payable - trade	2,244,851	2,893,669
Short-term borrowings	2,025,715	5,603,721
Current portion of long-term borrowings	-	1,514,167
Lease liabilities	276	1,322,399
Accounts payable - other	1,801,457	1,615,567
Income taxes payable	258,382	61,396
Deferred revenue	4,751,412	-
Contract liabilities	-	5,562,340
Provision for bonuses	140,000	390
Provision for point card certificates	322,183	38,642
Provision for shareholder benefit program	29,782	27,787
Provision for loss on litigation	69,012	-
Other	1,978,350	1,220,960
Total current liabilities	13,621,424	19,861,040
Non-current liabilities		
Long-term borrowings	-	12,961,461
Lease liabilities	1,022	7,729,247
Provision for retirement benefits for directors (and other officers)	109,002	121,002
Provision for share awards for directors (and other officers)	-	17,486
Deferred tax liabilities	146,883	120,811
Asset retirement obligations	286,779	344,812
Other	275,028	704,735
Total non-current liabilities	818,715	21,999,556
Total liabilities	14,440,140	41,860,597
Net assets		
Shareholders' equity		
Share capital	1,458,953	1,458,953
Capital surplus	2,447,104	-
Retained earnings	3,466,545	(152,151)
Treasury shares	(422)	(80,253)
Total shareholders' equity	7,372,180	1,226,547
Accumulated other comprehensive income		
Foreign currency translation adjustment	31,654	347,321
Total accumulated other comprehensive income	31,654	347,321
Share acquisition rights	7,536	25,006
Total net assets	7,411,371	1,598,875
Total liabilities and net assets	21,851,512	43,459,472

（2） Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended December 31,2021	For the fiscal year ended December 31,2022
Net sales	39,594,705	46,090,292
Cost of sales	22,569,362	30,091,276
Gross profit	17,025,342	15,999,015
Selling, general and administrative expenses	15,318,646	14,809,060
Operating profit	1,706,696	1,189,955
Non-operating income		
Interest income	84	488
Rental income from real estate	14,098	12,191
Subsidy income	-	9,054
Other	14,354	3,051
Total non-operating income	28,538	24,785
Non-operating expenses		
Interest expenses	13,847	160,712
Foreign exchange losses	1,025	824,996
Financing expenses	-	402,937
Other	4,662	1,373
Total non-operating expenses	19,535	1,390,020
Ordinary profit (loss)	1,715,698	(175,279)
Extraordinary income		
Gain on sale of non-current assets	-	4,440
Gain on reversal of share acquisition rights	1,611	322
Gain on forgiveness of debts	-	865,617
Other	49,564	30,818
Total extraordinary income	51,175	901,198
Extraordinary losses		
Loss on retirement of non-current assets	128,473	43,374
Impairment losses	-	114,678
Loss on cancellation of rental contracts	41,542	1,959
Provision for loss on litigation	65,940	-
Other	-	470
Total extraordinary losses	235,955	160,481
Profit before income taxes	1,530,918	565,436
Income taxes - current	545,172	227,971
Income taxes - deferred	(50,076)	(1,859)
Total income taxes	495,095	226,111
Profit	1,035,822	339,325
Profit attributable to owners of parent	1,035,822	339,325

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended December 31,2021	For the fiscal year ended December 31,2022
Profit	1,035,822	339,325
Other comprehensive income		
Foreign currency translation adjustment	185,213	315,667
Total other comprehensive income	185,213	315,667
Comprehensive income	1,221,036	654,992
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,221,036	654,992

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended December 31,2021

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,458,953	2,447,104	2,604,322	(296)	6,510,084
Cumulative effects of changes in accounting policies					-
Restated balance	1,458,953	2,447,104	2,604,322	(296)	6,510,084
Changes during period					
Issuance of new shares					-
Dividends of surplus			(173,600)		(173,600)
Profit attributable to owners of parent			1,035,822		1,035,822
Purchase of treasury shares				(126)	(126)
Transfer from share capital to other capital surplus					-
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	862,222	(126)	862,096
Balance at end of period	1,458,953	2,447,104	3,466,545	(422)	7,372,180

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(153,558)	(153,558)	-	6,356,525
Cumulative effects of changes in accounting policies				-
Restated balance	(153,558)	(153,558)		6,356,525
Changes during period				
Issuance of new shares				-
Dividends of surplus				(173,600)
Profit attributable to owners of parent				1,035,822
Purchase of treasury shares				(126)
Transfer from share capital to other capital surplus				-
Change in ownership interest of parent due to transactions with				-

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
non-controlling interests				
Net changes in items other than shareholders' equity	185,213	185,213	7,536	192,749
Total changes during period	185,213	185,213	7,536	1,054,846
Balance at end of period	31,654	31,654	7,536	7,411,371

For the fiscal year ended December 31,2022

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,458,953	2,447,104	3,466,545	(422)	7,372,180
Cumulative effects of changes in accounting policies			(1,790)		(1,790)
Restated balance	1,458,953	2,447,104	3,464,755	(422)	7,370,390
Changes during period					
Issuance of new shares	3,000,000	3,000,000			6,000,000
Dividends of surplus			(180,084)		(180,084)
Profit attributable to owners of parent			339,325		339,325
Purchase of treasury shares				(79,831)	(79,831)
Transfer from share capital to other capital surplus	(3,000,000)	3,000,000			-
Change in ownership interest of parent due to transactions with non-controlling interests		(8,447,104)	(3,776,149)		(12,223,254)
Net changes in items other than shareholders' equity					-
Total changes during period	-	(2,447,104)	(3,616,907)	(79,831)	(6,143,843)
Balance at end of period	1,458,953	-	(152,151)	(80,253)	1,226,547

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	31,654	31,654	7,536	7,411,371
Cumulative effects of changes in accounting policies				(1,790)
Restated balance	31,654	31,654	7,536	7,409,581
Changes during period				
Issuance of new shares				6,000,000
Dividends of surplus				(180,084)
Profit attributable to owners of parent				339,325
Purchase of treasury shares				(79,831)
Transfer from share capital to other capital surplus				-
Change in ownership interest of parent due to transactions with non-controlling				(12,223,254)

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
interests				
Net changes in items other than shareholders' equity	315,667	315,667	17,469	333,136
Total changes during period	315,667	315,667	17,469	(5,810,706)
Balance at end of period	347,321	347,321	25,006	1,598,875

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended December 31,2021	For the fiscal year ended December 31,2022
Cash flows from operating activities		
Profit before income taxes	1,530,918	565,436
Depreciation	1,443,241	2,097,160
Amortization of goodwill	443,803	760,788
Impairment losses	-	114,678
Increase (decrease) in provision for point card certificates	32,603	16,628
Increase (decrease) in allowance for doubtful accounts	3,132	(1,200)
Increase (decrease) in provision for bonuses	63,024	(139,610)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	6,750	12,000
Increase (decrease) in provision for shareholder benefit program	(6,865)	(1,995)
Increase (decrease) in provision for loss on litigation	65,940	(78,978)
Increase (decrease) in provision for share awards for directors (and other officers)	-	17,486
Interest and dividend income	(84)	(488)
Interest expenses	13,847	160,712
Foreign exchange losses (gains)	9,035	875,711
Financing expenses	-	402,937
Gain on forgiveness of debt	-	(865,617)
Loss on retirement of non-current assets	128,473	43,374
Decrease (increase) in trade receivables	(8,181)	(252,049)
Decrease (increase) in inventories	(178,906)	(2,199,673)
Increase (decrease) in trade payables	115,589	551,161
Increase (decrease) in advances received	1,178,673	-
Increase (decrease) in contract liabilities	-	(417,766)
Decrease (increase) in other assets	(518,738)	(435,468)
Increase (decrease) in other liabilities	340,593	670,669
Other, net	39,675	(24,612)
Subtotal	4,702,523	1,871,286
Interest and dividends received	945	488
Interest paid	(8,280)	(96,008)
Income taxes paid	(775,611)	(403,575)
Net cash provided by (used in) operating activities	3,919,578	1,372,191
Cash flows from investing activities		
Payments for acquisition of businesses	(1,373,385)	(8,723,713)
Payment for settlement of conditional acquisition consideration	-	(261,979)
Purchase of property, plant and equipment	(1,288,403)	(2,768,814)
Purchase of intangible assets	(902,528)	(1,057,729)
Loan advances	(226)	(26)
Proceeds from collection of loans receivable	426	117
Proceeds from refund of leasehold deposits	13,841	110,644
Payments of leasehold deposits	(26,462)	(42,826)
Other, net	(3,355)	(8,932)
Net cash provided by (used in) investing activities	(3,580,093)	(12,753,259)

(Thousand yen)

	For the fiscal year ended December 31,2021	For the fiscal year ended December 31,2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	468,142	4,277,063
Proceeds from long-term borrowings	-	14,870,550
Repayments of long-term borrowings	(666,400)	(228,505)
Repayments of finance lease liabilities	(893)	(778)
Proceeds from issuance of shares	-	6,000,000
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(12,341,025)
Payments for financing expenses	-	(402,937)
Dividends paid	(173,330)	(173,330)
Dividends paid to non-controlling interests	-	(6,624)
Purchase of treasury shares	(126)	(79,831)
Net cash provided by (used in) financing activities	(372,607)	11,914,580
Effect of exchange rate change on cash and cash equivalents	64,817	(1,016,790)
Net increase (decrease) in cash and cash equivalents	31,694	(483,278)
Cash and cash equivalents at beginning of period	2,873,076	2,904,770
Cash and cash equivalents at end of period	2,904,770	2,421,492

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(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 Group 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 Group 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, the Group accounts 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 decreased 2,339,372 thousand yen, cost of sales decreased 1,262,220 thousand yen, and operating income, ordinary income, and income before income taxes and minority interests each decreased 17,979 thousand yen in the current fiscal year. In addition, the balance of retained earnings at the beginning of the period decreased by 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 transitional measures stipulated in paragraph 89-2 of the standard, the reported amounts for the previous fiscal year thereof have not been reclassified to conform with the current classifications.

(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.

(Application of ASC 842 Leases)

Certain consolidated subsidiaries in the United States that adopted the U.S. accounting standards began implementing the ASC 842 leasing standard in the fiscal year under review.

Therefore, lessees will recognize assets and liabilities for all leases in the balance sheet, in principle. On the occasion of adopting this standard, a method of recognizing the cumulative effects of applying the standard on the commencement date of adoption, which is accepted as a transitional measure, was applied.

Reflecting the application of this standard, right-of-use assets of the property, plant and equipment, lease liabilities in the current liabilities, and lease liabilities in the non-current liabilities increased by 7,631,816 thousand yen, 1,321,815 thousand yen and 7,729,247 thousand yen, respectively, in the consolidated balance sheet of the fiscal year under review.

The impact on the consolidated statement of income for the consolidated fiscal year under review is limited.

(Segment Information, etc.)

(Segment information)

1.Overview of reportable segments

The reported segment of the GDO Group is one for which separate financial statements for each unit of the Group are available. The Board of Directors undertakes reviews on a regular basis to determine the distribution of management resources and assess the results.

The Group is principally an operator of golf-related businesses in Japan and overseas, and it conducts business based on a comprehensive strategy under the management system to supervise its domestic and overseas businesses. Therefore, the Group has classified the reported segment into the domestic golf business for customers in Japan and the overseas golf business for customers overseas.

The main operations of each segment are as follows:

The domestic golf business consists of four core operations in Japan including sales of golf equipment (new, used) on the Internet, a golf course booking service, a golf lesson service, and a golf media service, and conducts comprehensive business activities for golfers and golf courses.

The overseas golf business operates golf-related businesses centered on GolfTEC Enterprises LLC, a consolidated subsidiary’s golf lesson service in the U.S. and five other countries worldwide, and GDO Sports, Inc., another consolidated subsidiary’s import and sales of golf-related products in the U.S.

2.Calculation method of net sales, profit or loss, assets, liabilities, and other amount for each reported segment

The method of account procedures for the reported business segment complies with the accounting principles and procedures adopted for the preparation of financial statements.

The profit of the reported segment is the figures on the basis of operating profit.

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

For the fiscal year ended December 31, 2021 (from January 1, 2021, to December 31, 2021) (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	27,851,972	11,742,733	39,594,705	–	39,594,705
Internal sales or transferred amount between segments	—	105,760	105,760	(105,760)	–
Total	27,851,972	11,848,493	39,700,466	(105,760)	39,594,705
Segment profit or loss	1,778,047	(71,350)	1,706,696	–	1,706,696
Segment assets	11,532,841	10,318,670	21,851,512	–	21,851,512
Other					
Depreciation	596,858	846,383	1,443,241	–	1,443,241
Depreciation of goodwill	—	443,803	443,803	–	443,803

Note: 1. Adjustments to segment sales are eliminations between segments
2. Segment profit is consistent with operating profit in the consolidated statements of income.
3. Segment loss is not stated because it is not distributed to the business segment.

For the fiscal year ended December 31, 2022 (from January 1, 2022, to December 31,2022) (Thousands of yen)

	Reported segment			Adjustment	Amount booked in the consolidated financial statements (Note) 1
	Domestic	Overseas	Tot al		
Net sales					
Net sales to external customers	27,593,838	18,496,454	46,090,292	—	46,090,292
Internal sales or transferred amount between segments	—	106,812	106,812	(106,812)	—
Total	27,593,838	18,603,266	46,197,104	(106,812)	46,090,292
Segment profit or loss	2,015,936	(825,981)	1,189,955	—	1,189,955
Segment assets	13,247,531	30,211,941	43,459,472	—	43,459,472
Other					
Depreciation	622,040	1,475,120	2,097,160	—	2,097,160
Depreciation of goodwill	—	760,788	760,788	—	443,803
Impairment loss	114,678	—	114,678	—	114,678

Note: 1. Adjustments to segment sales are eliminations between segments
2. Segment profit is consistent with operating profit in the consolidated statements of income.
3. Segment loss is not stated because it is not distributed to the business segment.
4. As stated in "Changes in Accounting Policies," the Company has applied the Accounting Standard for Revenue Recognition, etc., from the beginning of the first quarter of the current consolidated fiscal year, and has changed its accounting method for revenue recognition, and has therefore changed the calculation method of profit or loss by business segment in the same manner. As a result of this change, compared with the previous method, net sales and segment income in "Domestic" decreased by 2,339,372 thousand yen and 17,979 thousand yen, respectively, in the current consolidated fiscal year.

(Per Share Information) (Yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Net assets per share	405.17	(245.32)
Basic earnings per share	56.68	16.44
Diluted earnings per share	—	16.43

Note: 1.As no residual securities exist to dilute existing shares, no net profit per share (diluted) is reported in this term.

2. The basis for the calculation of net income per share and diluted net income per share is as follows. (Thousands of yen)

	For the fiscal year endedDecember 31, 2021	For the fiscal year endedDecember 31, 2022
Total net assets	7,411,371	1,598,875
Amount deducted from total net assets	7,536	6,064,540
(Stock acquisition rights)	7,536	25,006
(Amount to be paid in for preferred shares)	—	6,000,000
(Preferred dividend)	—	39,534
Net assets related to common stock at the end of the period	7,403,835	(4,465,665)
Number of shares of common shares used in the calculation of net assets per share at the end of the fiscal year	18,273,610	18,203,607

3.The Company has introduced a stock compensation plan, " Board Benefit Trust (BBT)" from the current consolidated fiscal year, and the Company shares held by the trust account are included in the treasury stock deducted from the total number of shares issued and outstanding at the end of the period for the calculation of "net assets per share" (70,000 shares for the current consolidated fiscal year).

4.The basis for calculating net income per share and diluted net income per share is as follows. (Thousands of yen)

	For the fiscal year endedDecember 31, 2021	For the fiscal year endedDecember 31, 2022
Basic earnings per share		
Profit attributable to owners of parent	1,035,822	339,325
Amount not attributable to common shareholders	—	39,534
Profit attributable to owners of the parent for common stock	1,035,822	299,791
Average number of shares during the period (Shares)	18,273,644	18,231,589
Diluted earnings per share		
Adjustment of net profit attributable to owners of the parent	—	—
Increase in common shares	—	9,776
(Share acquisition rights)	—	9,776
Summary of potential shares not included in the calculation of diluted earnings per share due to the absence of dilutive effects	—	—

5.The Company's shares held by the Trust Account of the Stock Benefit Trust (BBT) are included in treasury stock as a deduction in the calculation of average number of shares during the period for the purpose of calculating "Basic earnings per share" and "diluted earnings per share" (42,018 shares for the current fiscal year).

(Significant Subsequent Events)

None.