

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



Consolidated Financial Results for the Six Months Ended June 30, 2023 [Japanese GAAP]

August 9, 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: +81-3-5656-2888
 Scheduled date of filing quarterly securities report: August 10, 2023
 Scheduled date of commencing dividend payments: September 1, 2023
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: Yes

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2023 (January 1, 2023 to June 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
June 30, 2023	25,332	18.6	(239)	-	258	(70.0)	277	(80.1)
June 30, 2022	21,352	11.9	850	(11.2)	862	(10.5)	1,398	121.3

(Note) Comprehensive income: Six months ended June 30, 2023: ¥ 317 million [(82.7)%]
 Six months ended June 30, 2022: ¥ 1,837 million [145.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
June 30, 2023	4.60	4.59
June 30, 2022	76.61	76.60

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
June 30, 2023	47,216	1,826	3.8	(244.06)
December 31, 2022	43,524	1,598	3.6	(245.32)

(Reference) Equity: As of June 30, 2023: ¥ 1,790 million
 As of December 31, 2022: ¥ 1,573 million

(Note) The "Net assets per share" 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.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	-	4.00	-	5.50	9.50
Fiscal year ending December 31, 2023	-	4.00			
Fiscal year ending December 31, 2023 (Forecast)			-	5.50	9.50

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

(Note) The above-mentioned “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 1, 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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	53,000	15.0	2,050	72.3	1,226	-	550	62.1	8.50

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

* Notes:

(1) Changes in significant subsidiaries during the six months ended June 30, 2023

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

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

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

1) Changes in accounting policies due to the revision of accounting standards: No

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

June 30, 2023: 18,274,000 shares

December 31, 2022: 18,274,000 shares

2) Number of treasury shares at the end of the period:

June 30, 2023: 70,393 shares

December 31, 2022: 70,393 shares

3) Average number of shares outstanding during the period:

Six months ended June 30, 2023: 18,203,607 shares

Six months ended June 30, 2022: 18,260,037 shares

(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.

(Note) The dividend amount for Class A shares is the amount calculated in accordance with the Company's Articles of Incorporation. The dividend amount for the fiscal year ending December 31, 2023 includes the dividend amount for the relevant fiscal year plus the accumulated dividends for the fiscal year ended December 31, 2022

Table of Contents

1. Qualitative Information on Second Quarter Consolidated Results	2
(1) Overview of Results of Operations	2
(2) Overview of Financial Position	2
(3) Overview of Consolidated Earnings Forecast	3
2. Quarterly Consolidated Financial Statements	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Quarterly Consolidated Statements of Cash Flows	8
(4) Notes to the Consolidated Financial Statements	10
(Notes on Going Concern Assumption)	10
(Notes in the case of significant changes in shareholders' equity)	10
(Segment Information, etc.)	10

1. Qualitative Information on Second Quarter Consolidated Results

(1) Overview of Operating Results

During the first six month of the fiscal year under review (January 1, 2023 to June 30, 2023), the Japanese economy showed signs of a moderate recovery, mainly in face-to-face services such as restaurants and travel. The global economic outlook, on the other hand, remains uncertain, primarily reflecting surges in resource prices, higher inflation and the impact of the prolonged Russian invasion of Ukraine.

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

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

As a result, the Group recorded net sales of 25,332 million yen (up 18.6% year on year) during the first six months under review (January 1, 2023 to June 30, 2023), while an operating loss of 239 million yen (compared to an operating profit of 850 million yen a year ago) was posted due to up-front costs in the Golf Launch Monitors Business launched in the previous year. Ordinary profit was 258 million yen (down 70.0% year on year), reflecting foreign exchange gains of 542 million yen due to the weakening yen, and profit attributable to owners of parent stood at 277 million yen (down 80.1%).

The results in each main segment are as follows.

Domestic segment

During the first six months under review, the domestic segment recorded net sales of 13,992 million yen (up 7.6% year on year). The gross profit margin of the Golf Equipment Sales declined temporarily, mainly due to sales strategies implemented in response to demand, resulting in segment profit of 625 million yen (down 16.5% year on year).

Overseas segment

During the first six months under review, the overseas segment posted net sales of 11,339 million yen (up 35.9% year on year), attributable to the favorable performance of the Golf Launch Monitors Business acquired in August 2022. On the other hand, due to the up-front costs in the business, a segment loss of 864 million yen (compared to segment profit of 102 million yen a year ago) was posted.

(2) Overview of Financial Position

i. Assets, Liabilities and Net Assets

Looking at the financial position at the end of the second quarter of the fiscal year under review, total assets stood at 47,216 million yen, up 3,692 million yen from the end of the previous fiscal year. Liabilities totaled 45,390 million yen at the end of the second quarter, increasing 3,464 million yen from the end of the previous fiscal year. Total net assets at the end of the second quarter increased 227 million yen from the end of the previous fiscal year, to 1,826 million yen.

Regarding assets, merchandise, property, plant and equipment, and intangible assets increased 528 million yen, 1,771 million yen, and 872 million yen, respectively. Regarding liabilities, short-term borrowings and lease liabilities (long-term) increased 1,453 million yen and 869 million yen, respectively, while long-term borrowings decreased 407 million yen. Retained earnings rose 177 million yen.

ii. Cash flows

Cash and cash equivalents (hereinafter “cash”) as of June 30, 2023 decreased 133 million yen from the end of the previous fiscal year to 2,287 million yen.

Cash flow conditions in the first six months under review and the main associated factors are as follows.

(Cash Flows from Operating Activities)

Cash flows from operating activities during the first six months under review resulted in cash inflow of 1,364 million yen (cash inflow of 1,020 million yen in the same period of the previous year). This was due to the exclusion of foreign exchange gains (546 million yen) which is not related to operating activities, although profit before income taxes of 271 million yen, depreciation, which is a non-cash item, of 1,366 million yen, and goodwill amortization of 543 million yen were recorded.

(Cash Flows from Investing Activities)

Cash flows from investing activities during the first six months under review resulted in a cash outflow of 1,912 million yen (cash outflow of 1,922 million yen in the same period of the previous year). This was primarily due to cash outflows of 1,088 million yen for the purchase of property, plant and equipment, and 799 million yen for the purchase of intangible assets.

(Cash Flows from Financing Activities)

Cash flows from financing activities during the first six months under review resulted in cash inflow of 368 million yen (cash inflow of 217 million yen in the same period of the previous year). This was attributable to a net increase of 1,201 million yen in short-term borrowings, which exceeded the repayment of long-term borrowings of 731 million yen.

(3) Overview of Consolidated Earning Forecast

Consolidated results forecasts for the fiscal year ending December 31, 2023 remain unchanged from the consolidated results forecasts announced on February 14, 2023.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	2,421,492	2,287,908
Accounts receivable - trade	3,063,950	3,405,402
Merchandise	6,238,673	6,767,413
Work in process	694	94
Supplies	186,183	208,457
Allowance for doubtful accounts	(16,022)	(15,785)
Other	2,248,574	2,362,819
Total current assets	14,143,547	15,016,309
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,747,384	7,975,416
Right of use assets	7,631,816	8,530,036
Other	3,303,368	3,850,923
Accumulated depreciation	(3,970,111)	(4,872,364)
Total property, plant and equipment	13,712,456	15,484,011
Intangible assets		
Goodwill	8,479,098	8,822,963
Other	6,269,235	6,797,498
Total intangible assets	14,748,333	15,620,461
Investments and other assets		
Other	927,245	1,103,092
Allowance for doubtful accounts	(6,974)	(6,974)
Total investments and other assets	920,271	1,096,118
Total non-current assets	29,381,062	32,200,590
Total assets	43,524,609	47,216,899
Liabilities		
Current liabilities		
Accounts payable - trade	2,893,669	3,352,240
Short-term borrowings	5,603,721	7,057,135
Current portion of long-term borrowings	1,514,167	1,553,495
Income taxes payable	61,396	268,124
Contract liabilities	5,562,340	5,966,404
Provision for bonuses	390	30,090
Provision for point card certificates	38,642	39,781
Provision for shareholder benefit program	27,787	39,936
Other	4,224,063	4,720,803
Total current liabilities	19,926,177	23,028,011
Non-current liabilities		
Long-term borrowings	12,961,461	12,553,833
Lease liabilities	7,729,247	8,598,570
Provision for retirement benefits for directors (and other officers)	121,002	127,008
Provision for share awards for directors (and other officers)	17,486	27,235
Asset retirement obligations	344,812	367,633
Other	825,547	687,762
Total non-current liabilities	21,999,556	22,362,044
Total liabilities	41,925,734	45,390,056

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	1,458,953	1,458,953
Retained earnings	(152,151)	25,059
Treasury shares	(80,253)	(80,253)
Total shareholders' equity	1,226,547	1,403,758
Accumulated other comprehensive income		
Foreign currency translation adjustment	347,321	386,989
Total accumulated other comprehensive income	347,321	386,989
Share acquisition rights	25,006	36,095
Total net assets	1,598,875	1,826,843
Total liabilities and net assets	43,524,609	47,216,899

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the six months)

(Thousands of yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Net sales	21,352,914	25,332,051
Cost of sales	13,711,159	16,621,600
Gross profit	7,641,755	8,710,451
Selling, general and administrative expenses	6,790,778	8,950,093
Operating profit (loss)	850,976	(239,641)
Non-operating income		
Interest income	34	435
Foreign exchange gains	-	542,591
Subsidy income	8,551	239,587
Other	9,806	15,116
Total non-operating income	18,393	797,730
Non-operating expenses		
Interest expenses	5,347	296,429
Other	1,947	2,659
Total non-operating expenses	7,295	299,089
Ordinary profit	862,074	258,999
Extraordinary income		
Gain on sale of non-current assets	340	12,600
Gain on forgiveness of debts	809,786	-
Other	433	-
Total extraordinary income	810,559	12,600
Extraordinary losses		
Loss on retirement of non-current assets	35,808	38
Other	1,959	-
Total extraordinary losses	37,767	38
Profit before income taxes	1,634,866	271,561
Income taxes - current	203,537	173,761
Income taxes - deferred	32,483	(179,915)
Total income taxes	236,021	(6,153)
Profit	1,398,845	277,715
Profit attributable to owners of parent	1,398,845	277,715

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

(Thousands of yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Profit	1,398,845	277,715
Other comprehensive income		
Foreign currency translation adjustment	438,795	39,668
Total other comprehensive income	438,795	39,668
Comprehensive income	1,837,640	317,384
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,837,640	317,384

Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,634,866	271,561
Depreciation	887,798	1,366,920
Amortization of goodwill	285,295	543,523
Increase (decrease) in allowance for doubtful accounts	(1,287)	(1,133)
Increase (decrease) in provision for bonuses	(134,000)	29,700
Increase (decrease) in provision for point card certificates	(730)	1,138
Increase (decrease) in provision for shareholder benefit program	(3,092)	12,149
Increase (decrease) in provision for loss on litigation	(73,884)	-
Increase (decrease) in provision for retirement benefits for directors (and other officers)	6,006	6,006
Increase (decrease) in provision for share awards for directors (and other officers)	4,372	9,749
Interest and dividend income	(34)	(435)
Interest expenses	5,347	296,429
Foreign exchange losses (gains)	(19,678)	(546,493)
Financing expenses	-	998
Gain on forgiveness of debt	(809,786)	-
Loss on retirement of non-current assets	35,808	38
Decrease (increase) in trade receivables	(314,181)	(264,037)
Decrease (increase) in inventories	(872,374)	(362,170)
Increase (decrease) in trade payables	662,217	330,803
Increase (decrease) in contract liabilities	(561,026)	(29,918)
Decrease (increase) in other assets	228,183	(26,093)
Increase (decrease) in other liabilities	128,264	(86,953)
Other, net	161,933	8,998
Subtotal	1,250,017	1,560,779
Interest and dividends received	34	435
Interest paid	(3,996)	(264,226)
Income taxes paid	(225,212)	67,531
Net cash provided by (used in) operating activities	1,020,842	1,364,520

(Thousands of yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Cash flows from investing activities		
Payments for acquisition of businesses	-	(35,094)
Payment for settlement of conditional acquisition consideration	(245,081)	-
Purchase of property, plant and equipment	(1,300,049)	(1,088,946)
Purchase of intangible assets	(433,190)	(799,780)
Proceeds from refund of leasehold deposits	100,091	114
Payments of leasehold deposits	(30,754)	(1,090)
Other, net	(13,032)	12,650
Net cash provided by (used in) investing activities	(1,922,018)	(1,912,147)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	403,899	1,201,896
Repayments of long-term borrowings	-	(731,451)
Repayments of finance lease liabilities	(389)	(389)
Payments for financing expenses	-	(998)
Dividends paid	(100,335)	(100,275)
Dividends paid to non-controlling interests	(6,196)	-
Purchase of treasury shares	(79,827)	-
Net cash provided by (used in) financing activities	217,149	368,781
Effect of exchange rate change on cash and cash equivalents	98,078	45,261
Net increase (decrease) in cash and cash equivalents	(585,947)	(133,584)
Cash and cash equivalents at beginning of period	2,904,770	2,421,492
Cash and cash equivalents at end of period	2,318,823	2,287,908

(4) Notes to Condensed Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

None

(Segment Information, etc.)

(Segment information)

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

Previous consolidated cumulative second quarter (From January 1, 2022 to June. 30 2022)

(Thousands of yen)

	Reported segment			Adjustment (Note) 1	Amount booked in the consolidated financial statements (Note) 2
	Domestic	Overseas	Total		
Net sales					
Net sales to external customers	13,009,240	8,343,674	21,352,914	—	21,352,914
Internal sales or transferred amount between segments	—	18,907	18,907	(18,907)	—
Total	13,009,240	8,362,581	21,371,822	(18,907)	21,352,914
Segment profit or loss	748,820	102,155	850,976	—	850,976

Note:

1. Adjustments to segment sales are eliminations between segments
2. Segment profit or loss (-) are consistent with operating profit in the consolidated Statements of Income.

Consolidated cumulative second quarter (From January 1, 2023 to June. 30, 2023)

(Thousands of yen)

	Reported segment			Adjustment (Note) 1	Amount booked in the consolidated financial statements (Note) 2
	Domestic	Overseas	Total		
Net sales					
Net sales to external customers	13,992,338	11,339,713	25,332,051	—	25,332,051
Internal sales or transferred amount between segments	—	27,452	27,452	(27,452)	—
Total	13,992,338	11,367,165	25,359,503	(27,452)	25,332,051
Segment profit or loss	625,074	(864,716)	(239,641)	—	(239,641)

Note:

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