Honma Golf Limited
本間高爾夫有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6858)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

Major developments in the year ended 31 March 2018:

- Revenue rose by 8.5% from the year ended 31 March 2017. See "Management Discussion and Analysis — Financial Review — Revenue";
  - *By geography.* On the back of the Group's continued penetration in the home markets, revenue from the Group's home markets, namely Japan, Korea and China, increased by 8.1% and contributed to 85.5% of the Group's total revenue. Revenue from the U.S. and Europe grew by 83.6% and 32.0%, respectively, following the Group's successful implementation of its growth plans for both markets;
  - *By channel.* Revenue from third-party retailers (including wholesalers) increased by 12.5%, and revenue contribution increased by 2.3 percentage points to 64.6% of the Group's total revenue, as the Group intensified engagement with younger and avid golfers via third-party retail and wholesale channels. Revenue from self-operated stores increased by 1.9% and single-store sales increased by 10%, testifying the Group's commitment to drive single store efficiency. The number of self-operated stores nudged lower by seven;
  - *By product.* Revenue from golf clubs, golf balls and apparel & accessories rose by 4.6%, 56.1% and 21.4%, respectively;

- Gross profit margin advanced by 0.8 percentage points from the year ended 31 March 2017 thanks to group-wide retail price harmonisation and continued improvement in production efficiency;
- Operating profit improved by 26.2% from the year ended 31 March 2017 to JPY6,242.2 million (equivalent to USD56.4 million) and operating profit margin climbed to 23.7%, primarily due to gross profit margin expansion and positive product and mix impact. For further information, see "Management Discussion and Analysis — Financial Review — Non-IFRS Financial Measures — Operating Profit";
- Net operating profit improved by 7.8% from the year ended 31 March 2017 to JPY4,707.4 million (equivalent to USD42.5 million), net of a one-time normalisation of the Group's effective tax rate following full utilisation of unrecognised deferred tax assets for the year ended 31 March 2017. For further information, see "Management Discussion and Analysis — Financial Review — Non-IFRS Financial Measures — Net Operating Profit";
- Inventories increased by 8.2% to JPY6,807.0 million as at 31 March 2018 but inventories in relation to finished decreased by 19.5% compared to 31 March 2017; and
- Net cash flows generated from operating activities amounted to JPY1,934.8 million, representing a 48.0% decrease compared to 31 March 2017, due to an increase in raw materials and trade receivables.

PROPOSED FINAL DIVIDEND

Proposed final dividend of JPY3.23 per share, amounting to approximately a total of JPY1,967.2 million for the year ended 31 March 2018 and representing approximately 50% of the Group's distributable profit for the year ended 31 March 2018.

The board of directors (the "**Board**") of Honma Golf Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2018. The annual results have been prepared in accordance with the International Financial Reporting Standards (the "**IFRS**"). In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Overview

HONMA is one of the most prestigious and iconic brands in the golf industry, synonymous with intricate craftsmanship, dedication to performance excellence and distinguished product quality. The Group predominantly designs, develops, manufactures and sells a comprehensive range of aesthetically-crafted and performance-driven golf clubs. To provide customers with a complete golf lifestyle experience, the Group also offers HONMA-branded golf balls, bags, apparels and other accessories. The Group's products are sold in approximately 50 countries worldwide, primarily in Asia and also across North America, Europe and other regions.

For the year ended 31 March 2018, the Group continued to implement its growth strategies, including, among others:

- *Continued penetrating deeper into the Group's home markets.* In Japan, Korea and China, the Group continued to penetrate into high growth consumer segments, leveraging on the introduction of BeZeal 535, the second generation of the entry level club product, to attract entry level golf players, while continuously updating its marketing strategies in order to communicate more effectively with this consumer group which enjoys higher growth rates across home markets. As a result, sales of BeZeal products rose by 21.8% from the year ended 31 March 2017. Among others, the Group initiated intensive TV campaigns in Korea to drive sales of BERES and BeZeal product families and successfully increased revenue from Korea by 25.0% from JPY3,391.2 million for the year ended 31 March 2017 to JPY4,240.3 million for the year ended 31 March 2018.

- *Executing the Group's U.S. growth strategies (the "**U.S. Strategies**").* Following a comprehensive market study, the Group reorganised its sales and distribution footprint in the U.S. and started to transact directly with major retailers in the U.S. market. For the year ended 31 March 2018, the Group put together a strong team in the U.S. and recruited industry veterans to drive brand and product awareness through extensive product demos, brand ambassadors, shop in shop as well as targeted offline and online marketing activities. As an evidence of the successful execution of the U.S. Strategies, the Group saw its points of sales ("**POSs**") in North America increased by 201 to 376 POSs and revenue increased by 83.6% to reach JPY1,167.9 million for the year ended 31 March 2018.

- *Implementing a direct go-to-market business model in Europe.* In parallel to the expansion into the U.S. market, the Group started the implementation of its European growth strategy, re-entered the European market via a direct go-to-market business model and completed the assembly of a local team possessing solid industry expertise and deep market insights. As a result, revenue from Europe rose by 32.0% from JPY499.6 million for the year ended 31 March 2017 to JPY659.4 million for the year ended 31 March 2018, while the number of POSs increasing by 383 POSs to 393 POSs.

- *Nurturing non-club businesses in home markets.* On 28 January 2018, the Group announced the formation of a strategic partnership with Itochu Corporation ("**Itochu**") to develop its apparel & accessories business, utilising Itochu's networks and know-how in the apparel industry while maintaining a "golf total brand approach". Itochu is a leading *sogo shosha* incorporated in Japan with approximately 120 bases in 63 countries. It is engaged in domestic trading, import and export, and overseas trading of various products, notably textiles. Itochu is listed on the Tokyo Stock Exchange (Stock Code: 8001). The Group expects to relaunch its apparel business in January 2019 with a debut 2019 spring/summer collection.

- *Continued optimisation of the Group's operations.* The Group completed the implementation of an integrated ERP system during the year ended 31 March 2018 to gain instant visibility on its business operations and to deliver continued improvement in supply chain management. In conjunction with the implementation of the ERP system as well as the strengthening of its local presence in the U.S. and European markets, the Group streamlined its operations and headcount structure and reduced the overall headcount number by 121 mainly through optimisation of back-office supporting functions.

- *Infusing high profile industry talents into the Group.* To nurture business DNAs that are critical to future growth, the Group recruited a number of high profile industry experts and professional managers to drive deeper penetration into third-party retail and wholesale channels in Japan, to lead and drive the HONMA re-branding project, to accelerate growth in the U.S. and Europe, and to revamp its non-club businesses across the globe.

Driven by the various growth initiatives, the Group continued to deliver solid revenue growth during the year ended 31 March 2018. The Group's revenue increased by 8.5% from JPY24.2 billion for the year ended 31 March 2017 to JPY26.3 billion for the year ended 31 March 2018. On a constant currency basis, the Group's revenue grew by 7.9% from the year ended 31 March 2017 to the year ended 31 March 2018.

Principal Families of Golf Clubs

The Group currently offers golf clubs mainly under three major product families, namely BERES, TOUR WORLD and BeZeal, each targeting specific consumer segments. Based on extensive market research, the Group categorises the golf clubs market into nine key segments according to the priorities golf players place on price, design and performance, which are correlated with their respective levels of affluence and enthusiasm towards golf, as illustrated in the chart below.

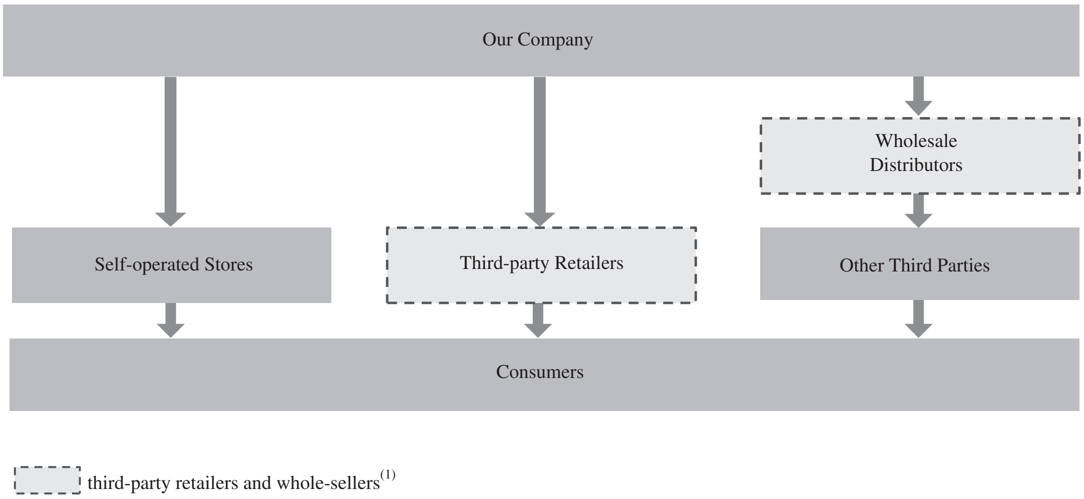
1 High Price Low Enthusiasm	**Design & Price**	2 High Price Middle Enthusiasm	**Primarily Design**	3 High Price High Enthusiasm	**Design & Performance**
4 Middle Price Low Enthusiasm	**Performance & Price**	5 Middle Price Middle Enthusiasm	**Performance & Design**	6 Middle Price High Enthusiasm	**Primarily Performance**
7 Low Price Low Enthusiasm	**Primarily Price**	8 Low Price Middle Enthusiasm	**Price & Design**	9 Low Price High Enthusiasm	**Price & Performance**

BERES golf clubs target consumers in Segment 2, which is the Group's traditional customer base and comprises affluent consumers willing to pay a premium price for golf clubs. The Group has successfully expanded beyond Segment 2 with additional product offerings. TOUR WORLD golf clubs target consumers in Segment 6, which comprises golf enthusiasts who place a higher emphasis on performance. BeZeal golf clubs target consumers in Segment 5, which comprises beginner golfers who aim to improve their performance. Segments 5 and 6 are experiencing faster growth rates compared to the overall growth rates of major golf markets.

The Group designs technologically advanced golf clubs and constantly strives to deliver effortless shots dreamed by every golfer. By leveraging its superior research and development capabilities, the Group manages its product life cycle to continually generate customer interest, ensure its product offerings remain up to date with the latest market trends and meet the preferences of its target customers.

Sales and Distribution Network

The Group's sales and distribution network consists of HONMA-branded self-operated stores as well as distributors. The following diagram illustrates the structure of the Group's sales and distribution network.



Note:

(1) The Group's distributors consist of (a) third-party retailers and (b) wholesale distributors that on-sell the Group's products to other third parties.

The Group operates the largest number of self-operated stores among major golf companies. Self-operated stores provide the Group with a direct sales channel and serves as a platform to maintain and enhance its prestigious brand image. As at 31 March 2018, the Group had 84 HONMA-branded self-operated stores, all of which were located in Asia. The table below sets forth the numbers of self-operated stores opened and closed during the year ended 31 March 2018.

	For the year ended 31 March 2018			
	Year start	**Opened**	**Closed**	**Year end**
Japan	37	—	5	32
China (including Hong Kong and Macau)	50	7	9	48
Rest of Asia	4	—	—	4
Total	91	7	14	84

During the 12-month period ended 31 March 2018, the Group continued to optimise its retail footprint by closing five stores in Japan and relocating seven stores in China which are mainly apparel dedicated stores, in line with the Group's strategy to grow non-club product categories.

To better serve avid golf enthusiasts, certain self-operated stores offer fitting centres equipped with high-speed cameras and precision software to capture relevant swing data. As at 31 March 2018, the Group had four fitting centres.

As at 31 March 2018, the Group had approximately 3,178 distributors. The Group's distributors consist of (a) third-party retailers ("**Retailers**") and (b) wholesale distributors ("**Wholesale Distributors**") that on-sell the Group's products to other third parties and consumers. Retailers include, among others, sports megastores, which are large retailers of sports goods. As at 31 March 2018, the Group's products were sold at 1,424 sports megastores.

In Japan, the Group mainly sells products to Retailers, namely sports megastores such as Golf 5 and Xebio. Outside Japan, the Group sells products to both Retailers and Wholesale Distributors.

The Group develops and manages its sales and distribution network on a country-by-country basis to cater for the specific retail landscape and consumer demographics. The makeup of its sales and distribution network varies across regions depending on local retail landscape and its go-to-market strategy in that particular region, reflecting on the purchase behaviour of target consumers. The Group is constantly evaluating its existing channels and exploring new channels to optimise its sales and distribution network.

Manufacturing Processes

Committed to its craftsmanship heritage, the Group is the only major golf products company that possesses professional handcrafted techniques together with significant in-house manufacturing capabilities. The Group performs all key manufacturing processes for golf clubs at its campus located in Sakata, Yamagata prefecture of Japan (the "**Sakata Campus**") while outsourcing non-core processes to the Group's suppliers, most of whom the Group has stable and long-term relationships with. This combination of in-house and outsourced manufacturing processes enables the Group to control core technical know-how and intellectual property and ensure the quality of products while controlling production costs.

Located on an approximately 163,000 square metre parcel of land, the Sakata Campus is staffed with approximately 291 craftsmen, 24 of whom are master craftsmen with more than 30 years of experience on average. The craftsmen's dedication to product quality enables the Group to maintain the iconic and premium status of the HONMA brand in the golf industry.

Employees

As at 31 March 2018, the Group had 881 employees worldwide, a majority of whom were based in Japan.

The Group seeks to hire people who identify with its core values and emphasises on the job training. For sales personnel in self-operated stores, the Group offers a number of training curriculum, including an internal golf club fitter certification program. Moreover, the Group has implemented a rigorous apprenticeship program at the Sakata Campus through which senior craftsmen pass down their experience to the younger generation.

To retain and incentivise the management and employees, the Group offers competitive remuneration packages including, among others, salaries, performance-based cash bonus and share-based compensation. The Group reviews its remuneration scheme from time to time to ensure its consistency with market practice. The Group's employee benefits expenses amounted to JPY5,281.9 million for the year ended 31 March 2018.

The Group adopted its restricted share unit ("**RSU**") scheme in October 2015 to incentivise its directors, management and eligible employees. The Group recognised RSU expenses of JPY80.3 million during the year ended 31 March 2018, including JPY7.1 million for manufacturing personnel, JPY28.5 million for sales and marketing personnel and JPY44.7 million for administrative personnel.

Outlook

Business Outlook

For the year ending 31 March 2019, the Group will continue its efforts to build a world-leading golf lifestyle company on the foundation of its craftsmanship heritage. The Group intends to continue pursuing the following:

- ***Re-brand the HONMA brand to create a consistent brand image across different markets, to promote HONMA in mature markets that are nascent to HONMA and to fuel growth in its non-club businesses.*** The Group retained a boutique marketing consultancy firm to unleash its brand potentials based on its core brand value while infusing vibrant energies to create a consistent, aspirational, interactive and connected brand images across all different markets that are vital to the implementation of the various growth initiatives.

- ***Update and upgrade the Group's marketing strategies, digital platform and assets to drive HONMA brand and products awareness.*** With a refined brand value, the Group plans to update and upgrade its marketing assets and platform to drive brand and product awareness globally. The Group also intends to trade up its group of prominent professional golf players ("**TEAM HONMA**") by sponsoring world-class golf players and creating an intensified marketing campaign using traditional television, print media as well as online media and social networking platforms, such as Facebook, Instagram, Twitter and WeChat. The Group aims to enhance its brand presence and strengthen audience engagement strategically with cohesive brand message communications and accurate influencer campaign across multiple channels. Research shows that the Group has not yet maximised its influence on social media, leaving tremendous opportunities to exploit.

- ***Provide new generation of retail experience.*** The Group plans to provide modern retail experience to consumers based on a re-branded HONMA brand. The Group intends to renovate its retail footprint in Japan and China, with an initial focus on the greater Tokyo area and cosmopolitan cities in China. The new retail experience will utilise and integrate art, design, commerce and digital technology in order to anchor the Group's new brand image, to attract new consumers and to create a space for consumers to connect, discover and interact with the HONMA brand and its products.

- ***Accelerate penetration into the high growth consumer segments by establishing TOUR WORLD and BeZeal as the second product franchises of HONMA***. The Group's traditional customer base comprises Segment 2 consumers, which are affluent consumers who are willing to pay a premium price for golf clubs. Since 2013, the Group has made steady inroads into Segment 5 and 6, which together constitute the vast majority of the high growth global golf products segments that are nascent to the Group. The Group will launch the next generation of TOUR WORLD products in late 2018 and aim to actively seek market share gains in these consumers segments through high-performance mid-end product offerings design that meets the evolving playing preferences of these consumers.

- ***Further increase its market share in the home markets by maintaining leadership in the premium segment while penetrating into the high growth segments***. Enhancing brand awareness and gaining market share in Asia will continue to be a key part of the Group's future growth strategies. While the Group already has a strong presence in its home markets of Japan, Korea and

China (including Hong Kong and Macau), the Group believes that there remains significant room to increase its market share, in particular in the new consumer segments of Segment 5 and 6. The Group intends to achieve this by further expanding its distribution channels across Asia and by continuously investing in marketing campaigns and channels that are relevant to these consumer segments.

- ***Fuel growth in North America and Europe***. North America and Europe account for a significant share of the global golf products market. Following the initial successes in both markets for the year ended 31 March 2018, the Group intends to accelerate its growth into these markets by, among others, (i) strengthening its sales and marketing teams in these markets, (ii) retaining and stepping up marketing activities to drive brand and product awareness among top notch world players, (iii) partnering with quality retailers to roll out shop-in-shops to selected locations and (iv) considering attractive and complementary acquisition opportunities. The Group's other initiatives include the establishment of distribution and customer service centres and engagement of green grass players to raise its brand awareness and product recognition.

- ***Continue product innovation and development to cater for the latest market trends***. The Group devotes significant resources to new product development to ensure that its product offerings remain up to date with the latest market trends. The Group's research and development expenses amounted to JPY526.0 million and JPY350.6 million for the year ended 31 March 2017 and 2018, respectively. All of the Group's golf clubs are developed at the Sakata Campus by its master craftsmen and other research and development personnels. The research and development team will seek to incorporate innovations in ergonomics and material sciences in its designs and continue to collaborate closely with professional golf players to optimise product performance. In December 2017 and January 2018, the Group launched the following two new product categories: (i) BERES06, the fifth generation of BERES family of golf clubs, which targets consumers in Segment 2 and (ii) BeZeal535, the second generation of the BeZeal family of golf clubs, which targets consumers in Segment 5. The activation of these two new product categories drove market share gains in the high growth consumer segments in home and new markets.

- ***Continue increasing operational efficiency and optimising cost structure***. While pursuing its growth strategies, the Group intends to continuously drive operational efficiency and cost optimisation. The Group has completed the implementation of an integrated ERP system in its home markets to deliver continued improvement in production planning and inventory management. The Group also streamlined its operations in Japan and reduced the overall headcount number by 121 mainly through optimisation of back-office support staff.

- ***Provide customers with a complete golf lifestyle experience by growing non-club product lines***. The Group plans to leverage the strength of its brand to continue expanding its business to related product lines such as golf balls, bags, apparels and other accessories to complement its future growth. For example, the Group is redesigning its golf ball business and seeking strategic partnerships to restructure apparel business.

Industry Outlook

Golf is a sport which boasts worldwide popularity and is enjoyed by millions globally. The Group expects the following factors to be key drivers of growth for the golf products industry over the next several years:

- ***"Lifestyle sport" proposition and increasing popularity in major markets***. Positioned as a "lifestyle sport" with an element of prestige that accommodates competition, entertainment and physical exercise, golf appeals to modern consumers who pursue a higher quality lifestyle with an increasing awareness for health and wellness. As a result, the sport has been gaining popularity in major markets. For example, there were 2.5 million beginner golfers, which comprised individuals who played golf on a golf course for the first time, in the U.S. in 2016, up from 1.5 million in 2011, representing a compound annual growth rate of 10.8%. The number of rounds played in the U.S. increased by 0.6% from 2015 to 2016. Women and non-Caucasians represent 24% and 19%, respectively, of golfers in the U.S. in 2016, reflecting golf's growing popularity in these demographic segments.

- New markets and demographics. Golf has traditionally been under-penetrated in emerging markets. In recent years, more people in emerging markets, especially in Asia, have started to play the sport, driven by increasing disposable income, higher standards of living and greater emphasis on leisure activities.

- ***Golf's return to the Olympic Games and the recent "Tiger Effects"*** . The reinclusion of golf in the Olympic Games beginning in 2016 is expected to significantly raise the profile of the sport worldwide. In addition, with Japan hosting the Olympics in 2020, the golf markets in Japan and other parts of Asia are expected to receive a significant boost in the years to come. The most recent pick-me-up to the market is the return of Tiger Woods to the PGA tour in early 2018, with viewership of the final round of Valsper Championship surged by 190% compared to last year. The return of Tiger Woods shows the impact of role model and major influencer to golf, which will largely help to lead the reinvigoration of the excitement to golf with a new generation of professional golfers.

- ***Expansion of retail channels***. Diverse retail channels have been established to address consumers' purchase preferences, which were predominantly bricks and mortar store focused in the past. In recent years, emerging channels, such as e-commerce channels, have gained increasing importance in capturing previously untapped or underpenetrated consumer segments.

- ***"Value over Volume" transition in consumers' purchasing behaviours in developed markets.*** Over the years of development, data shows that the lower end segment in mature markets, where major players have been competing vigorously, is reaching saturation with decreased volume. At the meantime, consumer preference on club purchase has been trending towards quality and performance over price supported by a significant growth in average selling price ("**ASP**"). Taking the U.S. market for instance, Golf Datatech report shows that both wood and iron club ASP grew by double digits over the course of 2015 to 2017, which largely offsetting the decrease in volume and in turn contributing to a flat annual sales change.

- ***Technological innovation***. Golf products development has always been driven by technological innovations over the years. Further developments in clubs, balls and related products are expected to make the game more accessible, enjoyable and exciting.

FINANCIAL REVIEW

The following table is a summary of the Group's consolidated statement of profit or loss with line items in absolute amounts and as percentages of the Group's total revenue for the years indicated, together with the change (expressed in percentages) from the year ended 31 March 2017 to the year ended 31 March 2018.

	For the year ended 31 March				Year-on-Year
	2018		2017		Change
	JPY	**%**	JPY	%	%
	(In thousands, except for percentages and per share data)				
Consolidated Statement of Profit or Loss					
Revenue	**26,296,159**	**100.0**	24,242,435	100.0	**8.5**
Cost of sales	**(10,318,713)**	**(39.2)**	(9,694,062)	(40.0)	**6.4**
Gross profit	**15,977,446**	**60.8**	14,548,373	60.0	**9.8**
Other income and gains	**50,005**	**0.2**	1,178,475	4.9	**(95.8)**
Selling and distribution expenses	**(8,410,223)**	**(32.0)**	(8,511,354)	(35.1)	**(1.2)**
Administrative expenses	**(1,522,235)**	**(5.8)**	(1,581,675)	(6.5)	**(3.8)**
Other expenses, net	**(837,672)**	**(3.2)**	(89,993)	(0.4)	**830.8**
Finance costs	**(21,872)**	**(0.1)**	(22,225)	(0.1)	**(1.6)**
Finance income	**138,816**	**0.5**	42,204	0.2	**228.9**
Profit before tax	**5,374,265**	**20.4**	5,563,805	23.0	**(3.4)**
Income tax expense	**(1,441,054)**	**(5.5)**	(611,136)	(2.5)	**135.8**
Net profit	**3,933,211**	**14.9**	4,952,669	20.4	**(20.6)**
Earnings per share attributable to ordinary equity holders of the parent:					
Basic and diluted - For profit for the year (JPY)	**6.46**		8.47		**(23.7)**
Non-IFRS Financial Measures.					
Adjusted SG&A[1]	**(9,859,227)**	**(37.5)**	(9,635,334)	(39.7)	**2.3**
Operating profit[2]	**6,242,193**	**23.7**	4,946,318	20.4	**26.2**
Net operating profit[3]	**4,707,416**	**17.9**	4,365,611	18.0	**7.8**

Notes:

(1) Adjusted SG&A is derived from the sum of (a) selling and distribution expenses and (b) administrative expenses by (i) subtracting listing expenses and (ii) subtracting RSU expenses in relation to sales and marketing staff and administrative staff. For a reconciliation of adjusted SG&A to the sum of (a) selling and distribution expenses and (b) administrative expenses, see "Management Discussion and Analysis — Financial Review — Non-IFRS Financial Measures — Adjusted SG&A".

(2) Operating profit is derived from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses and (iv) adding RSU expenses. For a reconciliation of operating profit to profit before tax, see "Management Discussion and Analysis — Financial Review — Non-IFRS Financial Measures — Operating Profit".

(3) Net operating profit is derived from net profit by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses, (iv) adding RSU expenses and (v) adding impact on tax. The Group referred to such measure as adjusted net profit in the Group's Interim Results Announcement for the Six Months Ended 30 September 2016 dated 16 November 2016. For a reconciliation of net operating profit to net profit, see "Management Discussion and Analysis — Financial Review — Non-IFRS Financial Measures — Net Operating Profit".

Revenue

The Group's total revenue increased by 8.5% from JPY24,242.4 million for the year ended 31 March 2017 to JPY26,296.2 million for the year ended 31 March 2018.

Constant Currency Revenue Growth

On a constant currency basis, the Group's total revenue grew by 7.9% from the year ended 31 March 2017 to the year ended 31 March 2018. For the purpose of calculating constant currency revenue growth, the Group has used the average exchange rate of the year ended 31 March 2017 to translate sales recorded during the year ended 31 March 2018, to the extent the original currency for such sales is not in JPY.

Constant currency revenue growth is used to supplement measures that were prepared in accordance with IFRS. It is however not a measure of financial performance under IFRS and should not be considered as an alternative to measures presented in accordance with IFRS.

Revenue by Product Groups

The Group offers customers a complete golf lifestyle experience through an extensive portfolio of HONMA-branded golf clubs, golf balls, bags, apparels and other accessories. The following table shows the revenue of product groups by absolute amounts and as percentages of the Group's total revenue for the years indicated.

	For the year ended 31 March				Year-on-Year Change	
	2018		2017		on as reported basis	on constant currency basis[1]
	JPY	**%**	JPY	%	%	%
	(In thousands, except for percentages)					
Golf clubs	**21,117,356**	**80.3**	20,185,807	83.3	**4.6**	**4.2**
Golf balls	**1,148,410**	**4.4**	735,762	3.0	**56.1**	**54.8**
Bags, apparels and other accessories [2]	**4,030,392**	**15.3**	3,320,866	13.7	**21.4**	**19.9**
Total	**26,296,159**	**100.0**	24,242,435	100.0	**8.5**	**7.9**

Notes:

(1) For further information, see "— Constant Currency Revenue Growth".

(2) Include golf bags, apparels, golf club head covers, footwear, gloves, headwear and other golf-related accessories.

Golf clubs comprise the majority of the Group's business, and albeit continued shift from retail to wholesale, the Group recorded modest revenue growth in golf clubs during the year ended 31 March 2018. Revenue for golf clubs increased by 4.6% from JPY20,185.8 million for the year ended 31 March 2017 to JPY21,117.4 million for the year ended 31 March 2018. On a constant currency basis, revenue for golf clubs grew by 4.2% from the year ended 31 March 2017 to the year ended 31 March 2018. The growth in golf clubs was primarily attributable to the robust growth in the sales of BeZeal following the launch of its second generation with improved performance and design appealing to younger and entry level golfers.

Revenue for golf balls increased significantly by 56.1% from JPY735.8 million for the year ended 31 March 2017 to JPY1,148.4 million for the year ended 31 March 2018. On a constant currency basis, revenue for golf balls grew by 54.8% from the year ended 31 March 2017 to the year ended 31 March 2018. The growth in golf balls was driven by the Group's dedicated sales force and the successful adoption of go-to-market strategy in Japan and China.

Revenue for bags, apparels and other accessories increased by 21.4% from JPY3,320.9 million for the year ended 31 March 2017 to JPY4,030.4 million for the year ended 31 March 2018. On a constant currency basis, revenue for these complementary product lines increased by 19.9% from the year ended 31 March 2017 to the year ended 31 March 2018. The increase was mainly attributed to the Group's continued efforts to nurture its non-club business in its home markets in order to become a golf lifestyle company.

Revenue by Geography

The Group's products are sold in approximately 50 countries worldwide, primarily in Asia and also across North America, Europe and other regions. The following table sets forth revenue from regions by absolute amounts and as percentages of total revenue for the years indicated.

	For the year ended 31 March				Year-on-Year Change	
	2018		**2017**		on as reported basis	on constant currency basis(1)
	JPY	**%**	JPY	%	%	%
	(In thousands, except for percentages)					
Japan	**13,640,542**	**51.9**	12,950,336	53.4	5.3%	5.3%
Korea	**4,240,280**	**16.1**	3,391,232	14.0	25.0%	25.0%
China (including Hong Kong and Macau)	**4,598,348**	**17.5**	4,451,910	18.4	3.3%	1.0%
North America	**1,167,873**	**4.4**	636,080	2.6	83.6%	86.5%
Europe	**659,370**	**2.5**	499,592	2.1	32.0%	23.6%
Rest of the World	**1,989,746**	**7.6**	2,313,285	9.5	(14.0)%	(14.3)%
Total	**26,296,159**	**100**	24,242,435	100.0	8.5%	7.9%

Note:

(1) For further information, see "— Constant Currency Revenue Growth".

Revenue from Japan, Korea and China (including Hong Kong and Macau) collectively accounted for 85.5% of the Group's total revenue for the year ended 31 March 2018, and these markets are the Group's home markets. Sales in the Group's home markets were the primary drivers of revenue growth during the year ended 31 March 2018.

Revenue from Japan increased by 5.3% from JPY12,950.3 million for the year ended 31 March 2017 to JPY13,640.5 million for the year ended 31 March 2018. The increase was primarily due to the Group's continued penetration into third-party retail and wholesale channels, which witnessed a year on year growth of 15.9%.

Revenue from Korea recorded a double-digit growth of 25.0% for the fifth consecutive year from JPY3,391.2 million for the year ended 31 March 2017 to JPY4,240.3 million for the year ended 31 March 2018. On a constant currency basis, revenue for Korea increased by 25.0% from the year ended 31 March 2017 to the year ended 31 March 2018. The increase was primarily due to the strength of the Group's product portfolio, successful cooperation with its exclusive distributor in the country and intensive TV campaigns to drive sales of BERES and BeZeal product families.

Revenue from Mainland China increased by 8.0% from JPY3,143.4 million for the year ended 31 March 2017 to JPY3,396.3 million for the year ended 31 March 2018. Revenue from Hong Kong and Macau declined by 8.1% as a result of the closure of one retail store following penetrating into wholesale channels in Hong Kong. Combined revenue from China (including Hong Kong and Macau) increased by 3.3% nominally and 1.0% on a constant currency basis from the year ended 31 March 2017 to the year ended 31 March 2018. The Group intends to continue to fuel growth through wholesale channels in China (including Hong Kong and Macau).

Revenue from North America increased significantly by 83.6% from JPY636.1 million for the year ended 31 March 2017 to JPY1,167.9 million for the year ended 31 March 2018. On a constant currency basis, revenue from North America increased by 86.5% from the year ended 31 March 2017 to the year ended 31 March 2018. The growth was primarily due to the reorganisation of the Group's distribution channels and continued marketing activities to promote brand and products awareness.

Revenue from Europe increased by 32.0% from JPY499.6 million for the year ended 31 March 2017 to JPY659.4 million for the year ended 31 March 2018. On a constant currency basis, revenue from Europe increased by 23.6% from the year ended 31 March 2017 to the year ended 31 March 2018. The increase was primarily due to the Group's successful re-entry into and re-organisation of its footprint in the European market supported by a strong local team with solid industry expertise and insights in Europe.

Revenue by Sales and Distribution Channels

The Group has an extensive sales and distribution network that allows the Group to reach a broad customer base in its target markets. The Group's sales and distribution network consists of HONMA-branded self-operated stores as well as distributors. The Group's distributors include (a) Retailers, including sports megastores, and (b) Wholesale Distributors that on-sell the Group's products to other third parties and consumers. The following table sets forth revenue for self-operated stores and distributors by absolute amounts and as percentages of total revenue for the years indicated.

	For the year ended 31 March				Year-on-Year Change	
	2018		2017		on as reported basis	on constant currency basis[1]
	JPY	%	JPY	%	%	%
	(In thousands, except for percentages)					
Self-operated stores	**9,315,368**	**35.4**	9,145,251	37.7	1.9%	0.9%
Distributors	**16,980,791**	**64.6**	15,097,184	62.3	12.5%	12.2%
Total	**26,296,159**	**100.0**	24,242,435	100.0	8.5%	7.9%

Note:

(1) For further information, see "— Constant Currency Revenue Growth".

Revenue from sales to distributors increased by 12.5% from JPY15,097.2 million for the year ended 31 March 2017 to JPY16,980.8 million for the year ended 31 March 2018, as the Group continued to fuel growth via third-party retail and wholesale channels in order to engage with younger and avid golfers across the globe. Going forward, the Group expects that sales to distributors will continue to increase at higher pace as the Group plans to penetrate new markets by partnering with quality distributors.

Revenue from self-operated stores slightly increased by 1.9% from JPY9,145.3 million for the year ended 31 March 2017 to JPY9,315.4 million for the year ended 31 March 2018. The increase, despite the decrease in the number of self-operated stores by seven, was primarily attributed to the Group's continued effort to engage with younger and avid golfers across the globe and its commitment to drive single store efficiency, which is evidenced by single-store sales increasing by 10%.

Cost of Sales

Cost of sales increased by 6.4% from JPY9,694.1 million for the year ended 31 March 2017 to JPY10,318.7 million for the year ended 31 March 2018, which was primarily due to increased raw material and manufacturing costs following sales growth. The table below sets forth a breakdown of the key components of cost of sales, each expressed in absolute amounts and as percentages of the total cost of sales during the years indicated.

	For the year ended 31 March			
	2018		2017	
	JPY	**%**	JPY	%
	(In thousands, except for percentages)			
Raw materials	**5,167,520**	**50.1**	4,843,565	50.0
Employee benefits	**1,629,278**	**15.8**	1,509,481	15.6
Manufacturing overhead[1]	**688,973**	**6.7**	500,288	5.1
Finished goods purchased from suppliers	**2,832,942**	**27.4**	2,840,728	29.3
Total	**10,318,713**	**100.0**	9,694,062	100.0

Note:

(1) Includes depreciation and amortisation of property, plant and equipment, other manufacturing overhead and cost of services rendered.

Gross Profit and Gross Profit Margin

Gross profit increased by 9.8% from JPY14,548.4 million for the year ended 31 March 2017 to JPY15,977.5 million for the year ended 31 March 2018. Gross profit margin increased from 60.0% for the year ended 31 March 2017 to 60.8% for the year ended 31 March 2018.

Gross Profit and Gross Profit Margin by Product Groups

The following table sets forth a breakdown of gross profit and gross profit margin by product groups for the years indicated.

	For the year ended 31 March			
	2018		2017	
	JPY	**%**	JPY	%
	(In thousands, except for percentages)			
Golf clubs	**13,305,564**	**63.0**	13,152,107	65.2
Golf balls	**558,551**	**48.6**	378,136	51.4
Bags, apparels and other accessories [(1)]	**2,113,331**	**52.4**	1,018,130	30.7
Total	**15,977,446**	**60.8**	14,548,373	60.0

Note:

(1) Include golf bags, apparels, golf club head covers, footwear, gloves, headwear and other golf-related accessories.

Gross profit for golf clubs increased by 1.2% from JPY13,152.1 million for the year ended 31 March 2017 to JPY13,305.6 million for the year ended 31 March 2018. Gross profit margin for golf clubs decreased from 65.2% for the year ended 31 March 2017 to 63.0% for the year ended 31 March 2018, primarily due to higher sales growth from third-party retail and wholesale channels as well as Segment 5 and 6 products.

Gross profit for golf balls increased by 47.7% from JPY378.1 million for the year ended 31 March 2017 to JPY558.6 million for the year ended 31 March 2018. Gross profit margin for golf balls decreased from 51.4% for the year ended 31 March 2017 to 48.6% for the year ended 31 March 2018, primarily due to accelerated sales growth from third-party retail and wholesale channels in Japan and China.

Gross profit for bags, apparels and other accessories increased by 107.6% from JPY1,018.1 million for the year ended 31 March 2017 to JPY2,113.3 million for the year ended 31 March 2018, and gross profit margin for bags, apparels and other accessories increased from 30.7% for the year ended 31 March 2017 to 52.4% for the year ended 31 March 2018. The increases were due to a consolidation of the Group's sourcing platforms in Japan and China and continued improvement in vendor management.

Other Income and Gains

Other income and gains decreased from JPY1,178.5 million for the year ended 31 March 2017 to JPY50.0 million for the year ended 31 March 2018. The decrease was primarily due to a reduction in translation gains following continued weakening in the U.S. dollar against Japanese Yen.

Selling and Distribution Expenses

Selling and distribution expenses slightly decreased by 1.2% from JPY8,511.4 million for the year ended 31 March 2017 to JPY8,410.2 million for the year ended 31 March 2018. Selling and distribution expenses as a percentage of revenue decreased from 35.1% for the year ended 31 March 2017 to 32.0% for the year ended 31 March 2018. These decreases were primarily due to a decrease in employee benefits and rental fees resulting from the streamlining of the Group's operations in Japan. The following table sets forth a breakdown of selling and distribution expenses by absolute amounts and percentages of total selling and distribution expenses for the years indicated.

	For the year ended 31 March			
	2018		2017	
	JPY	%	JPY	%
	(In thousands, except for percentages)			
Employee benefits	**3,185,319**	**37.9**	3,248,991	38.2
Advertising and promotion expenses	**2,489,651**	**29.6**	2,473,951	29.1
Rental fees	**1,387,291**	**16.5**	1,433,347	16.8
Others[(1)]	**1,347,962**	**16.0**	1,355,065	15.9
Total	**8,410,223**	**100.0**	8,511,354	100.0

Note:

(1) Include depreciation, travel expenses, consumables, transportation expenses and other expenses.

Administrative Expenses

Administrative expenses decreased by 3.8% from JPY1,581.7 million for the year ended 31 March 2017 to JPY1,522.2 million for the year ended 31 March 2018, absent one-off listing expenses and thanks to continued discretionary cost management.

Other Expenses, Net

Other expenses increased by 830.8% from JPY90.0 million for the year ended 31 March 2017 to JPY837.7 million for the year ended 31 March 2018. The increase was primarily due to foreign exchange loss of JPY524.2 million.

Finance Costs

Finance costs decreased by 1.6% from JPY22.2 million for the year ended 31 March 2017 to JPY21.9 million for the year ended 31 March 2018. The decrease was primarily due to decrease of weight-average amount of bank borrowings during the year ended 31 March 2018.

Finance Income

Finance income increased by 228.9% from JPY42.2 million for the year ended 31 March 2017 to JPY138.8 million for the year ended 31 March 2018. The increase was primarily due to the interest income received from unused balance of the proceeds from the global offering as well as operational cash inflow.

Profit Before Tax

As a result of the foregoing, profit before tax decreased by 3.4% from JPY5,563.8 million for the year ended 31 March 2017 to JPY5,374.3 million for the year ended 31 March 2018.

Income Tax Expense

Income tax expense increased by 135.8% from JPY611.1 million for the year ended 31 March 2017 to JPY1,441.1 million for the year ended 31 March 2018. The increase was primarily due to full utilisation of unrecognised deferred tax assets for the year ended 31 March 2017. The Group's effective tax rate increased from 11.0% for the year ended 31 March 2017 to 26.8% for the year ended 31 March 2018.

Net Profit

As a result of the foregoing, net profit decreased by 20.6% from JPY4,952.7 million for the year ended 31 March 2017 to JPY3,933.2 million for the year ended 31 March 2018. Net profit margin decreased from 20.4% for the year ended 31 March 2017 to 14.9% for the year ended 31 March 2018.

Non-IFRS Financial Measures

In addition to the IFRS measures in its consolidated financial statements, the Group also uses the non-IFRS financial measures of adjusted SG&A, operating profit and net operating profit to evaluate its operating performance. The Group believes that such non-IFRS measures provide useful information to investors in understanding and evaluating its consolidated results of operations in the same manner as its management and in comparing financial results across accounting periods on a like-for-like basis.

The use of adjusted SG&A, operating profit and net operating profit has material limitations as analytical tools, as adjusted SG&A does not include all items that have impacted selling and distribution expenses and administrative expenses, the nearest IFRS expense measures, operating profit does not include all items that have impacted profit before tax, the nearest IFRS performance measure, and net operating profit does not include all items that have impacted net profit, the nearest IFRS performance measure.

Adjusted SG&A

The Group derives adjusted SG&A from the sum of (a) selling and distribution expenses and (b) administrative expenses by (i) subtracting listing expenses and (ii) subtracting RSU expenses in relation to sales and marketing staff and administrative staff. The following table reconciles adjusted SG&A to the sum of (a) selling and distribution expenses and (b) administrative expenses for the years indicated.

	For the year ended 31 March	
	2018	2017
	(In JPY thousands)	
Selling and distribution expenses	**8,410,223**	8,511,354
Administrative expenses	**1,522,235**	1,581,675
Adjustment for:		
Listing expenses	**—**	(243,000)
RSU expenses in relation to sales and marketing staff and administrative staff	**(73,231)**	(214,695)
Adjusted SG&A	**9,859,227**	9,635,334

Operating Profit

The Group derives operating profit from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses and (iv) adding RSU expenses. Operating profit eliminates the effect of other income and gains and other expenses, which are primarily related to non-recurring events. The following table reconciles operating profit to profit before tax for the years indicated.

	For the year ended 31 March	
	2018	2017
	(In JPY thousands)	
Profit before tax	**5,374,265**	5,563,805
Adjustment for:		
Other income and gains	**(50,005)**	(1,178,475)
Other expenses	**837,672**	89,993
Listing expenses	**—**	243,000
RSU expenses	**80,261**	227,995
Operating profit	**6,242,193**	4,946,318

Net Operating Profit

The Group derives net operating profit from net profit by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses, (iv) adding RSU expenses and (v) adding impact on tax related to items (i) and (ii) above. Net operating profit eliminates the effect of other income and gains and other expenses, which are primarily related to non-recurring events. The following table reconciles net operating profit to net profit for the years indicated.

	For the year ended 31 March	
	2018	2017
	(In JPY thousands)	
Net profit	**3,933,211**	4,952,669
Adjustment for:		
Other income and gains	**(50,005)**	(1,178,475)
Other expenses	**837,672**	89,993
Listing expenses	**—**	243,000
RSU expenses	**80,261**	227,995
Impact on tax	**(93,723)**	30,429
Net operating profit	**4,707,416**	4,365,611

Working Capital Management

	For the year ended 31 March	
	2018	2017
Inventories turnover days[(1)]	**232**	258
Trade and bills receivables turnover days[(2)]	**96**	65
Trade payables turnover days[(3)]	**30**	39

Notes:

(1) Inventories turnover days are calculated using the average of opening balance and closing balance of inventories for a year divided by cost of sales for the relevant year and multiplied by 365 days.

(2) Trade and bills receivables turnover days are calculated using the average of opening balance and closing balance of trade and bills receivables for a year divided by revenue for the relevant year and multiplied by 365 days.

(3) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for a year divided by cost of sales for the relevant year and multiplied by 365 days.

Compared to the year ended 31 March 2017, inventories turnover days and trade payables turnover days decreased for the year ended 31 March 2018. The decreases were primarily due to continued supply chain improvement within the Group's Sakarta factory. Trade and bills receivables turnover days increased for the year ended 31 March 2018, primarily due to continued penetration into third-party retail and wholesale channels for which credit terms are offered.

Inventories

The following table sets forth the balance of the Group's inventories as at the dates indicated.

	As at 31 March 2018	As at 31 March 2017
	(In JPY thousands)	
Raw materials	**2,776,492**	962,601
Work in progress	**818,854**	1,173,860
Finished goods	**3,628,450**	4,508,865
Less: provision	**(416,801)**	(352,428)
Total	**6,806,995**	6,292,898

The following table sets forth aging analysis of the Group's inventories as at the dates indicated.

	As at 31 March 2018	As at 31 March 2017
	(In JPY thousands)	
Within 1 year	**3,713,065**	3,572,854
1 year to 2 years	**1,608,077**	1,287,782
2 to 3 years	**888,229**	698,430
3 to 4 years	**236,740**	355,957
Over 4 years	**360,884**	377,875
Total	**6,806,995**	6,292,898

The Group prepares its inventory aging analysis with reference to product launch date, instead of capitalisation date. For example, inventories reported as aged between two to three years in the table above represent inventories relating to products that were launched two to three years before the relevant balance sheet date. Such inventories may have been produced and/or procured and hence capitalised more recently than as shown in the said aging analysis.

The Group adopted this approach of inventory aging analysis because it allows the Group to implement a more effective inventory management process with a view to each product's life cycle. The Group typically launches new products every 18 to 24 months while continuously marketing the older generation for another six to twelve months.

Liquidity and Capital Resources

During the year ended 31 March 2018, the Group financed its operations primarily through cash from operations, net proceeds received from the global offering and proceeds from bank loans. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth, bank borrowings, as well as the net proceeds received from the global offering.

As at 31 March 2018, the Group had JPY14,147.3 million in cash and cash equivalents, which were primarily held in U.S. dollar, Japanese yen and Renminbi. The Group's cash and cash equivalents primarily consist of cash in hand and demand deposits.

A substantial portion of the Group's operation is based in Japan, and a substantial portion of the Group's revenue and expenditures are denominated and settled in Japanese yen. As a result, the Group's currency risk is limited, and the Group did not use any derivative contracts to hedge against such risk as at 31 March 2018.

Indebtedness

As at 31 March 2018, the Group's interest-bearing borrowings amounted to JPY2,500 million, all of which were denominated in Japanese yen. All of such borrowings were unsecured and payable within one year. The effective interest rate for the balance of the Group's interest-bearing borrowings as at 31 March 2018 ranged from 0.33% to 0.50%.

Gearing Ratio

The Group's gearing ratio is calculated by dividing (i) interest-bearing bank borrowings by (ii) total equity. As at 31 March 2017 and 31 March 2018, the Group's gearing ratio was 1.1% and 8.9%, respectively.

Capital Expenditures

The Group's capital expenditures for the year ended 31 March 2018 amounted to JPY391.9 million, which was used primarily to the purchase of equipment and other tangible assets to improve the operational efficiency within the Group's manufacturing base in Sakarta. In the year ended 31 March 2018, the Group financed its capital expenditures primarily with cash generated from operations and net proceeds received from the global offering.

Contingent Liabilities

As at 31 March 2018, the Group did not have any significant contingent liabilities.

Material Acquisitions and Future Plans for Major Investment

During the year ended 31 March 2018, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the prospectus (the "**Prospectus**") of the Company dated 23 September 2016, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Use of Proceeds from the Global Offering

The Company was listed on the Stock Exchange on 6 October 2016. The net proceeds from the Company's global offering amounted to JPY16,798.4 million, which are intended to be applied in compliance with the intended use of proceeds as set out in the section headed "Net Proceeds from the Global Offering" in the Group's Announcement of Offer Price and Allotment Results dated 5 October 2016.

The following table sets forth the status of the use of proceeds from the global offering[1]:

Intended use of proceeds	**Percentage of intended use of proceeds**	**Intended use of proceeds from the global offering**	**Percentage of used amount as at 31 March 2018**	**Percentage of unused balance as at 31 March 2018**
	(%)	*(In JPY millions)*	*(%)*	*(%)*
Potential strategic acquisitions	29.4	4,939	—	29.4
Sales and marketing activities in North America and Europe	15.1	2,536	13.2	1.9
Sales and marketing activities in home markets of Japan, Korea and China (including Hong Kong and Macau)	15.1	2,536	11.7	3.4
Capital expenditures	13.0	2,184	5.1	7.9
Repayment of interest-bearing bank borrowings	17.3	2,906	17.1	0.2
Providing funding for working capital and other general corporate purposes	10.1	1,697	3.8	6.3
Total	100.0	16,798	50.9	49.1

Note:

(1) The figures in the table are approximate figures.

As at 31 March 2018, the unused balance of the proceeds from the global offering of approximately JPY8,247.8 million are currently deposited with creditworthy banks with no recent history of default.

Events after the Reporting Period

Final Dividend

The Board recommends the payment of a final dividend of JPY3.23 per share, amounting to approximately a total of JPY1,967.2 million for the year ended 31 March 2018 (the "**2017/2018 Final Dividend**"), representing approximately 50% of the Group's distributable profit for the year ended 31 March 2018. The 2017/2018 Final Dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting (the "**AGM**").

Exchange Rate Conversion

Unless otherwise specified, amounts denominated in USD have been translated, for the purpose of illustration only, into JPY at the exchange rate of USD1.00:JPY110.7. No representation is made that any amount in USD and JPY could have been or could be converted at the above rates or at any other rates or at all.

FINANCIAL INFORMATION

The audited consolidated annual results of the Group for the year ended 31 March 2018 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 MARCH 2018

		Year ended 31 March	
		2018	2017
	Notes	**JPY'000**	JPY'000
REVENUE	*4*	**26,296,159**	24,242,435
Cost of sales	*8*	**(10,318,713)**	(9,694,062)
Gross profit		**15,977,446**	14,548,373
Other income and gains	*4*	**50,005**	1,178,475
Selling and distribution costs		**(8,410,223)**	(8,511,354)
Administrative expenses		**(1,522,235)**	(1,581,675)
Other expenses, net	*5*	**(837,672)**	(89,993)
Finance costs	*6*	**(21,872)**	(22,225)
Finance income	*7*	**138,816**	42,204
PROFIT BEFORE TAX		**5,374,265**	5,563,805
Income tax expense	*9*	**(1,441,054)**	(611,136)
PROFIT FOR THE YEAR		**3,933,211**	4,952,669
Attributable to:			
Owners of the parent		**3,934,291**	4,569,948
Non-controlling interests		**(1,080)**	382,721
		3,933,211	4,952,669
Earnings per share attributable to ordinary equity holders of the parent (expressed JPY per share)	*11*		
Basic and diluted			
- For profit for the year		**6.46**	8.47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2018

		Year ended 31 March	
		2018	2017
	Notes	**JPY'000**	JPY'000
PROFIT FOR THE YEAR		**3,933,211**	4,952,669
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale investments		**(234)**	4,083
Income tax effect		**72**	(1,260)
		(162)	2,823
Exchange differences on translation of foreign operations		**(4,418)**	(88,531)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(4,580)**	(85,708)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains on the defined benefit plans		**129,214**	122,581
Income tax effect		**(38,488)**	36,548
		90,726	159,129
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**90,726**	159,129
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**86,146**	73,421
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,019,357**	5,026,090
Attributable to:			
Owners of the parent		**4,020,437**	4,643,369
Non-controlling interests		**(1,080)**	382,721
		4,019,357	5,026,090

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2018

		At 31 March	
		2018	2017
	Notes	**JPY'000**	JPY'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**1,918,773**	2,015,445
Freehold land	*13*	**1,940,789**	1,940,789
Intangible assets		**406,722**	342,212
Other non-current assets		**651,954**	724,432
Deferred tax assets		**920,242**	1,356,814
Total non-current assets		**5,838,480**	6,379,692
CURRENT ASSETS			
Inventories	*14*	**6,806,995**	6,292,898
Trade and bills receivables	*15*	**8,790,023**	5,097,647
Prepayments, deposits and other receivables		**602,740**	443,543
Due from a related party		**7,851**	7,508
Cash and cash equivalents	*16*	**14,147,319**	12,712,506
Total current assets		**30,354,928**	24,554,102
CURRENT LIABILITIES			
Trade payables	*17*	**997,546**	699,601
Other payables and accruals		**1,737,833**	1,361,176
Interest-bearing bank borrowings	*18*	**2,500,000**	291,287
Due to related parties		**6,656**	7,803
Income tax payable		**1,121,239**	627,995
Total current liabilities		**6,363,274**	2,987,862
NET CURRENT ASSETS		**23,991,654**	21,566,240
TOTAL ASSETS LESS CURRENT LIABILITIES		**29,830,134**	27,945,932

		At 31 March	
		2018	2017
	Notes	**JPY'000**	JPY'000
NON-CURRENT LIABILITIES			
Net employee defined benefit liabilities	*19*	**1,275,525**	1,656,540
Deferred tax liabilities		**489,218**	476,596
Other non-current liabilities		**60,478**	83,518
Total non-current liabilities		**1,825,221**	2,216,654
NET ASSETS		**28,004,913**	25,729,278
EQUITY			
Equity attributable to holders of the parent			
Share capital	*20*	**154**	154
Reserves		**28,049,880**	25,773,165
		28,050,034	25,773,319
Non-controlling interests		**(45,121)**	(44,041)
Total equity		**28,004,913**	25,729,278

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2018

		Year ended 31 March	
		2018	2017
	Notes	**JPY'000**	JPY'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**5,374,265**	5,563,805
Adjustments for:			
Provision for impairment of property, plant and equipment	*12*	**—**	33,907
Write-down/(reversal) of inventories to net realisable value	*8*	**64,373**	(75,871)
Impairment of trade receivables		**53,909**	88
Net losses on disposal of property, plant and equipment and intangible assets	*8*	**72,622**	5,951
Depreciation	*12*	**280,873**	311,305
Amortisation of intangible assets		**84,004**	55,687
Defined benefit plan expenses/(gains)	*19*	**99,183**	(119,326)
Equity-settled share-based payment expenses	*21*	**80,261**	227,995
Foreign exchange loss/(gains)		**538,810**	(936,231)
Finance costs	*6*	**21,872**	22,225
Finance income	*7*	**(138,816)**	(42,204)
		6,531,356	5,047,331
(Increase)/decrease in inventories		**(578,470)**	1,172,303
Increase in trade and bills receivables		**(3,746,285)**	(1,521,090)
(Increase)/decrease in prepayments, deposits and other receivables		**(159,197)**	226,489
(Increase)/decrease in an amount due from a related party		**(343)**	12,729
Decrease/(increase) in loans and other receivables classified as other non-current assets		**75,566**	(39,374)
Increase/(decrease) in trade payables		**297,945**	(682,606)
Increase in other payables and accruals		**312,788**	115,538
Decrease in amounts due to related parties		**(1,147)**	(1,801)

	Notes	Year ended 31 March 2018 JPY'000	2017 JPY'000
Decrease in other non-current liabilities		**(23,040)**	(24,197)
Payment of the defined benefit obligations		**(349,813)**	(78,660)
Contributions in plan assets		**(1,171)**	(121,772)
Decrease in pledged deposits		**—**	121,676
Cash generated from operating activities		**2,358,189**	4,226,566
Interest received		**135,494**	38,524
Interest paid		**(21,872)**	(22,225)
Japan income tax paid		**(227,451)**	(251,126)
Overseas income tax paid		**(309,581)**	(272,656)
Net cash flows generated from operating activities		**1,934,779**	3,719,083
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and intangible assets		**(391,944)**	(635,156)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**51,350**	14,543
Decrease in an amount due from a related party		**—**	775,055
Net cash flows (used in)/generated from investing activities		**(340,594)**	154,442

	Notes	Year ended 31 March 2018 JPY'000	2017 JPY'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		**24,588,216**	3,500,000
Borrowings provided by a related party		**—**	879,440
Proceed from issue of shares		**—**	17,476,557
Share issue expenses		**—**	(678,234)
Repayment of bank borrowings		**(22,379,503)**	(4,943,582)
Repayment of borrowings from a related party		**—**	(8,105,019)
Dividends paid		**(1,823,983)**	(1,995,000)
Net cash flows generated from financing activities		**384,730**	6,134,162
Net increase in cash and cash equivalents		**1,978,915**	10,007,687
Cash and cash equivalents at the beginning of year		**12,712,506**	1,825,809
Effect of foreign exchange rate changes, net		**(544,102)**	879,010
Cash and cash equivalents at the end of year		**14,147,319**	12,712,506
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the consolidated statement of financial position		**14,147,319**	12,712,506

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 7 October 2013. The registered office address of the Company is at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. Shares of the Company were listed (the "Listing") on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 October 2016 (the "Listing Date").

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the manufacture and sale of golf related products.

In the opinion of the directors, the holding company of the Company is Kouunn Holdings Limited. The ultimate shareholder of the Company is Mr. Liu Jianguo ("Mr. Liu").

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. These financial statements are presented in Japanese Yen ("JPY") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 22 to the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[2]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective for annual periods beginning on or after 1 January 2021

[4] No mandatory effective date yet determined but available for adoption

Of those standards, IFRS 9 and IFRS 15 will be applicable for the Group's financial year ending 31 March 2019. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 April 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018. During the year ended 31 March 2018, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) **Classification and measurement**

The Group does not expects that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Unlisted equity shares as available for sale will be measured at fair value through profit or loss as the investments are intended to be held for the foreseeable future.

(b) **Impairment**

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that, due to the good historical collectability of its accounts receivable and receivables due from third-party game distribution platforms and payment channels and other receivables, the provision for impairment will be nil upon the initial adoption of the standard.

IFRS 15, issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group has assessed the impact of this standard and expects that the standard will not have a significant impact, when applied, on the consolidated financial statements of the Group, except for additional disclosures to be included.

IFRS 16, issued in January 2016, replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases - Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 on from 1 April 2019. The Group and is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. At 31 March 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately JPY 1,197,460,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

So far, the Group considered that the other issued but not yet effective IFRSs may result in changes in accounting policies and the Group is in the process of assessing the impact of these new and revised standards on the Group's results and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has only one reportable operating segment: the manufacture and sale of golf related products and the rendering of services relating to such products. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resource allocation and performance assessment. Accordingly, no further operating segment information is presented.

Geographic information

(a) Revenue from external customers

	Year ended 31 March	
	2018	2017
	JPY'000	*JPY'000*
Japan	**13,640,542**	12,950,336
Korea	**4,240,280**	3,391,232
China (including Hong Kong and Macau)	**4,598,348**	4,451,910
North America	**1,167,873**	636,080
Europe	**659,370**	499,592
Rest of the world	**1,989,746**	2,313,285
	26,296,159	24,242,435

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	At 31 March	
	2018	2017
	JPY'000	*JPY'000*
Japan	**3,839,628**	4,077,323
Other Asia Pacific countries	**378,738**	220,100
North America	**43,744**	611
Europe	**4,174**	412
	4,266,284	4,298,446

The non-current asset information above is based on the locations of the assets and excludes other non-current assets and deferred tax assets.

Information about major customers

Revenue of approximately JPY 7,189,237,000 was derived from two major customers (2017: JPY3,029,982,000 was derived from a major customer), including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold and services rendered, after allowances for returns and trade discounts during the year.

An analysis of revenue and other income and gains is as follows:

	Year ended 31 March	
	2018	2017
	JPY'000	*JPY'000*
Revenue		
Sale of goods	**26,154,517**	24,074,663
Rendering of services	**141,642**	167,772
Total	**26,296,159**	24,242,435
Other income and gains		
Foreign exchange gains, net	**—**	1,023,788
Government grants	**—**	12,363
Rental income	**—**	11,512
Others	**50,005**	130,812
Total	**50,005**	1,178,475

5. OTHER EXPENSES, NET

		Year ended 31 March	
		2018	**2017**
	Note	***JPY'000***	*JPY'000*
Employee termination expenses		**220,763**	48,529
Impairment of property, plant and equipment recognised	*12*	**—**	33,907
Net losses on disposal of items of land and property, plant and equipment		**72,622**	5,951
Foreign exchange losses, net		**524,236**	—
Others		**20,051**	1,606
Total		**837,672**	89,993

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Year ended 31 March	
	2018	2017
	JPY'000	*JPY'000*
Interest on bank borrowings	**21,872**	22,225

7. FINANCE INCOME

	Year ended 31 March	
	2018	2017
	JPY'000	*JPY'000*
Accretion income from loans and other receivables	**3,322**	3,680
Interest income	**135,494**	38,524
Total	**138,816**	42,204

Loans and other receivables mainly refer to the security deposits paid under lease agreements for shops and the head office.

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 March	
		2,018	2017
	Notes	**JPY'000**	JPY'000
Cost of inventories sold		**10,263,620**	9,640,557
Cost of service provided		**55,093**	53,505
Depreciation	*12*	**280,873**	311,305
Amortisation of intangible assets		**84,004**	55,687
Research and development costs		**350,619**	526,047
Provision for impairment of property, plant and equipment	*12*	**—**	33,907
Provision for impairment of trade receivables	*15*	**53,909**	88
Minimum lease payments under operating leases		**1,239,790**	1,328,682
Auditors' remuneration		**79,784**	97,682
Employee benefit expense :			
Wages and salaries		**4,088,596**	4,097,550
Pension and social security costs		**275,073**	197,514
Defined benefit plan expenses/(gains)	*19*	**99,183**	(119,326)
-Current year service cost		**99,183**	162,060
-Past year service cost		**—**	(281,386)
Employee benefits and other benefits		**738,738**	788,480
Equity-settled share-based payment expenses	*21*	**80,261**	227,995
Foreign exchange losses/(gains), net	*4/5*	**524,236**	(1,023,788)
Write-down/(reversal) of inventories to net realisable value		**64,373**	(75,871)
Net losses on disposal of items of land and property, plant and equipment	*5*	**72,622**	5,951

9. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company and the Company's subsidiary incorporated in BVI are not subject to corporate income tax ("CIT") as they do not have a place of business (other than a registered office) or carry on any business in the Cayman Islands and BVI.

The subsidiaries of the Company incorporated in Hong Kong are subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year (2017: 16.5%).

Pursuant to the rules and regulations of Japan, the subsidiary incorporated in Japan is subject mainly to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rates for these taxes were 30.86% for the year (2017: 30.86%).

The subsidiary of the Company registered in the Mainland China is subject to PRC enterprise income tax on the taxable income as reported in its PRC statutory accounts adjusted in accordance with relevant PRC income tax laws based on a statutory rate of 25% (2017: 25%).

According to the Macau Complementary Tax ("MCT") Law, taxable profits below Macau Pataca ("MOP") 300,000 are exempted from tax, and taxable profits over MOP300,000 are subject to the rate of 12% for the year (2017: 12%).

The subsidiaries incorporated in Taiwan and Thailand are subject to income tax at the rates of 17% and 20% on the assessable profits (2017: 17% and 20%).

The Company's subsidiary incorporated and operating in the United States was subject to federal corporation income tax at a rate of 30.75% during the year (2017: 34%), as well as state tax at approximately 8.28% (2017:8.28%).

The Company's subsidiary incorporated and operating in the Switzerland was subject to federal corporation income tax at a rate of 8.5% during the year (2017: 8.5%), as well as cantonal and communal tax between 2% and 5% (2017:2% ~ 5%).

(a) Tax in the statement of profit or loss represents:

	Year ended 31 March	
	2018	2017
	JPY'000	*JPY'000*
Current income tax - Japan	**140,373**	378,727
Current income tax - elsewhere	**696,487**	464,581
Withholding tax on dividends declared	**193,416**	105,000
Deferred tax	**410,778**	(337,172)
	1,441,054	611,136

A reconciliation of the tax charge applicable to profit before tax at the statutory rate for Japan to the tax charge at the effective tax rate is as follows:

	Year ended 31 March			
	2018		2017	
	JPY'000	**%**	*JPY'000*	%
Profit before tax	**5,374,265**		5,563,805	
Tax at the statutory tax rate (30.86% for the year ended 31 March 2018, and 30.86% for the year ended 31 March 2017)	**1,658,498**	**30.86**	1,716,990	30.86
Different tax rates or tax basis for entities outside Japan	**(440,394)**	**(8.19)**	17,497	0.31
Tax effect of non-deductible expenses	**37,178**	**0.69**	44,085	0.79
Tax effect of non-taxable income	**(35,665)**	**(0.66)**	(364,048)	(6.54)
Effect of withholding tax on the distributable profits of the Group's subsidiaries in the PRC and Japan	**154,610**	**2.88**	169,479	3.05
Impact of unrecognised tax losses and temporary differences	**66,827**	**1.24**	(972,867)	(17.49)
Tax charge at the Group's effective rate	**1,441,054**	**26.82**	611,136	10.98

10. DIVIDENDS

	Year ended 31 March	
	2018	2017
	JPY'000	*JPY'000*
Proposed final —JPY 3.23 (2017:JPY 3.00) per ordinary share	**1,967,232**	1,827,150
Dividends declared by the Company	**1,823,983**	1,995,000

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Pursuant to the shareholders' meeting on 15 September 2017, the Company declared JPY1,823,983,000 dividends to its shareholders and the dividends have been paid in October 2017.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of basic and diluted earnings per share are based on the profit for the year attributable to ordinary equity holders of the parent and weighted average number of ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2018 and 2017 in respect of a dilution as the Group had no potentially ordinary dilutive shares in issue during the years ended 31 March 2018 and 2017.

The following reflects the income and the share data used in the basic earnings per share computation:

	Year ended 31 March	
	2018	2017
	JPY'000	*JPY'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**3,934,291**	4,569,948

	Number of shares	
	2018	2017
	('000)	*('000)*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**609,050**	539,668

The number of ordinary shares outstanding before the sub-division and the capitalisation is adjusted for the proportionate change in the number of ordinary shares outstanding as if the sub-division and the capitalisation had occurred at the beginning of the earliest period presented.

12. PROPERTY, PLANT AND EQUIPMENT

	Building	Machinery	Leasehold improvement	Motor vehicles	Office equipment	Construction in progress	Total
	JPY'000	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*
31 March 2018							
Cost:							
At 1 April 2017	6,709,694	1,908,470	1,437,309	52,304	1,300,560	1,920	11,410,257
Additions	—	12,338	43,087	10,279	64,883	148,051	278,638
Transfer from construction in progress	66,893	1,617	1,165	—	47,533	(117,208)	—
Disposals	(270,537)	(234)	(75,936)	—	(21,595)	(26,990)	(395,292)
Exchange realignment	—	(161)	(1,240)	(41)	(941)	(139)	(2,522)
At 31 March 2018	6,506,050	1,922,030	1,404,385	62,542	1,390,440	5,634	11,291,081
Accumulated depreciation:							
At 1 April 2017	5,517,587	1,458,523	779,134	44,514	1,016,567	—	8,816,325
Depreciation provided during the year	93,828	68,283	14,504	3,327	100,931	—	280,873
Disposals	(156,761)	(127)	(54,460)	—	(16,216)	—	(227,564)
Exchange realignment	—	(34)	(2,551)	(3)	(788)	—	(3,376)
At 31 March 2018	5,454,654	1,526,645	736,627	47,838	1,100,494	—	8,866,258
Accumulated impairment:							
At 1 April 2017	155,157	1,868	316,717	198	104,547	—	578,487
Disposals	(68,843)	—	(1,215)	—	(2,379)	—	(72,437)
At 31 March 2018	86,314	1,868	315,502	198	102,168	—	506,050
Net book value:							
At 31 March 2018	965,082	393,517	352,256	14,506	187,778	5,634	1,918,773

	Building	Machinery	Leasehold improvement	Motor vehicles	Office equipment	Construction in progress	Total
	JPY'000	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*
31 March 2017							
Cost:							
At 1 April 2016	7,227,356	1,835,198	1,473,379	56,590	1,275,251	7,700	11,875,474
Additions	820	52,969	78,549	540	47,370	188,758	369,006
Transfer from construction in progress	76,400	53,124	—	—	65,014	(194,538)	—
Disposals	(594,882)	(31,497)	(105,356)	(4,505)	(85,215)	—	(821,455)
Exchange realignment	—	(1,324)	(9,263)	(321)	(1,860)	—	(12,768)
At 31 March 2017	6,709,694	1,908,470	1,437,309	52,304	1,300,560	1,920	11,410,257
Accumulated depreciation:							
At 1 April 2016	5,947,327	1,413,060	821,979	42,132	985,358	—	9,209,856
Depreciation provided during the year	98,284	68,141	44,766	7,209	92,905	—	311,305
Disposals	(528,024)	(21,955)	(81,136)	(4,505)	(60,332)	—	(695,952)
Exchange realignment	—	(723)	(6,475)	(322)	(1,364)	—	(8,884)
At 31 March 2017	5,517,587	1,458,523	779,134	44,514	1,016,567	—	8,816,325
Accumulated impairment:							
At 1 April 2016	222,019	1,868	307,202	176	118,875	—	650,140
Impairment provided during the year	—	—	27,491	22	6,394	—	33,907
Disposals	(66,862)	—	(17,976)	—	(20,722)	—	(105,560)
At 31 March 2017	155,157	1,868	316,717	198	104,547	—	578,487
Net book value:							
At 31 March 2017	1,036,950	448,079	341,458	7,592	179,446	1,920	2,015,445

For the year ended 31 March 2018, no impairment of property, plant and equipment has been provided. For the year ended 31 March 2017, a specific impairment of JPY33,907,000 was provided for three self-operated stores which were planned to be closed.

13. FREEHOLD LAND

The carrying amount of the Group's freehold land is analysed as follows:

	Year ended 31 March	
	2018	2017
	JPY'000	*JPY'000*
Cost:		
As at 1 April	**1,940,789**	1,940,789
Disposal	**—**	—
As at 31 March	**1,940,789**	1,940,789
Impairment:		
As at 1 April	**—**	—
Disposal	**—**	—
As at 31 March	**—**	—
Net book value:		
As at 31 March	**1,940,789**	1,940,789

The freehold land is owned by Honma Japan which is located in Japan.

14. INVENTORIES

	At 31 March	
	2018	2017
	JPY'000	*JPY'000*
Raw materials	**2,776,492**	962,601
Work in progress	**818,854**	1,173,860
Finished goods	**3,628,450**	4,508,865
	7,223,796	6,645,326
Less: provision	**(416,801)**	(352,428)
	6,806,995	6,292,898

15. TRADE AND BILLS RECEIVABLES

	At 31 March	
	2018	2017
	JPY'000	*JPY'000*
Trade receivables	**8,502,340**	4,943,330
Bills receivable	**342,212**	154,937
	8,844,552	5,098,267
Less: provision	**(54,529)**	(620)
	8,790,023	5,097,647

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	At 31 March	
	2018	2017
	JPY'000	*JPY'000*
Within 1 month	**6,109,132**	3,711,842
1 to 3 months	**1,334,466**	662,132
3 to 12 months	**939,841**	563,115
Over 1 year	**64,372**	5,621
	8,447,811	4,942,710

The Group's trading terms with its customers are mainly on credit. The credit period is ranging from 30 to 140 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The movements in provision for impairment of trade receivables are as follows:

	Year ended 31 March	
	2018	2017
	JPY'000	*JPY'000*
Opening balance	**620**	532
Addition	**54,529**	620
Reversal	**(620)**	(532)
Ending balance	**54,529**	620

Included in the above provision for impairment of trade receivables was a provision for individually impaired trade receivables of JPY54,529,000 (2017: JPY620,000) with carrying amounts before provision of JPY54,529,000 as at 31 March 2018 (31 March 2017: JPY620,000).

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	At 31 March	
	2018	2017
	JPY'000	*JPY'000*
Neither past due nor impaired	**5,077,318**	4,262,208
Less than 3 months past due	**2,977,025**	662,671
Over 3 months but within 1 year past due	**329,096**	12,375
Over 1 year past due	**64,372**	5,456
	8,447,811	4,942,710

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The bills receivable were due within 4 months. No bills receivable were discounted or endorsed as at 31 March 2018 and 2017.

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	At 31 March	
	2018	2017
	JPY'000	*JPY'000*
Cash and bank balances	**14,147,319**	12,712,506
Denominated in JPY	**2,853,881**	1,318,345
Denominated in USD	**9,949,248**	9,394,861
Denominated in HKD	**367,710**	649,481
Denominated in TWD	**157,251**	336,970
Denominated in RMB	**448,809**	820,018
Denominated in other currencies	**370,420**	192,831
	14,147,319	12,712,506

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At 31 March 2018, no short-term time deposits were pledged to secure bills payable (2017: Nil).

17. TRADE PAYABLES

	At 31 March	
	2018	2017
	JPY'000	*JPY'000*
Trade payables	**997,546**	699,601

The aging of trade payables as at 31 March 2018 and 2017 is as follows:

	At 31 March	
	2018	2017
	JPY'000	*JPY'000*
Within 3 months	**988,212**	681,991
Over 3 months	**9,334**	17,610
	997,546	699,601

The trade payables are non-interest-bearing and normally settled on terms of two to four months.

18. INTEREST-BEARING BANK BORROWINGS

	At 31 March	
	2018	2017
	JPY'000	*JPY'000*
Current		
Bank loans - unsecured	**2,500,000**	291,287
Analysed into:		
Bank loans repayable:		
Within one year	**2,500,000**	291,287

The Group's bank borrowings bore effective interest rates as follows:

	At 31 March	
	2018	2017
Effective interest rates	**0.33%-0.50%**	0.33%-0.83%

At 31 March 2018 and 2017, there were no properties pledged to secure bank borrowings granted to the Group.

19. EMPLOYEE DEFINED BENEFIT PLANS

Net employee defined benefit liabilities:

	At 31 March	
	2018	2017
	JPY'000	*JPY'000*
Retirement benefit plans	**1,275,525**	1,656,540

The Group operates funded defined benefit plans for all its qualified employees in Japan and Taiwan. Under the plans, the employees are entitled to retirement benefits on attainment of a retirement age of 60.

The Group's defined benefit plans are post-employment benefit plans, which requires contributions to be made to a separately administered fund. The plans have the legal form of a foundation and it is administrated by independent trustees with the assets held separately from those of the Group. The trustees are responsible for the determination of the investment strategy of the plan.

The trustees review the level of funding in the plan by the end of each reporting period. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The trustees decide the contributions based on the results of the annual review.

The plan are exposed to interest rate risk, the risk of changes in the life expectancy for pensioners and equity market risk.

Honma Japan partly shifted from defined benefit corporate pension plans to defined contribution pension plans in January 2017.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out on 31 March 2018 by Mizuho Trust & Banking Co., Ltd. and on 31 March 2018 by Professional Actuary Management Consulting Co., which are members of the actuarial society of Japan and Taiwan, using the projected unit credit actuarial valuation method.

The total expenses recognised in the consolidated statement of profit or loss in respect of the plans are as follows:

	At 31 March	
	2018	2017
	JPY'000	*JPY'000*
Current service cost	**92,851**	154,937
Past service cost	**—**	(281,386)
Interest cost	**6,332**	7,123
Net benefit expenses/(gains)	**99,183**	(119,326)
Recognised in cost of sales	**52,245**	(50,868)
Recognised in selling and distribution costs	**31,780**	(43,520)
Recognised in administrative expenses	**15,158**	(24,938)
	99,183	(119,326)

The following tables summarise the components of net benefit expenses recognised in the statement of profit or loss and the funded status and amounts recognised in the statement of financial position for the plans:

Changes for the year ended 31 March 2018 in the defined benefit obligation and fair value of plan assets:

	1 April 2017	Current service cost	Net interest	Sub-total included in profit or loss	Benefits paid	Return on plan assets	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in other comprehensive income	Contributions by the employer	31 March 2018
	JPY'000	*JPY'000*	*JPY'000*	*JPY'000* (*note 8*)	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*
Defined benefit obligation	4,007,717	92,851	15,528	108,379	(680,059)	—	11,589	6,405	17,994	—	3,454,031
Fair value of plan assets	(2,351,177)	—	(9,196)	(9,196)	330,246	(147,208)	—	—	(147,208)	(1,171)	(2,178,506)
Benefit liability	1,656,540	92,851	6,332	99,183	(349,813)	(147,208)	11,589	6,405	(129,214)	(1,171)	1,275,525

Changes for the year ended 31 March 2017 in the defined benefit obligation and fair value of plan assets:

	1 April 2016	Current service cost	Past service cost	Net interest	Sub-total included in profit or loss	Benefits paid	Return on plan assets	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in other comprehensive income	Contributions by the employer	31 March 2017
	JPY'000	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000* *(note 8)*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*
Defined benefit obligation	4,249,284	154,937	(281,386)	15,079	(111,370)	(138,883)	—	(7,191)	15,877	8,686	—	4,007,717
Fair value of plan assets	(2,150,405)	—	—	(7,956)	(7,956)	60,223	(131,267)	—	—	(131,267)	(121,772)	(2,351,177)
Benefit liability	2,098,879	154,937	(281,386)	7,123	(119,326)	(78,660)	(131,267)	(7,191)	15,877	(122,581)	(121,772)	1,656,540

The major categories of the fair value of the total plan assets are as follows:

	At 31 March	
	2018	2017
	JPY'000	*JPY'000*
Stocks	**1,102,106**	1,200,304
Bonds	**884,460**	948,646
General account of life insurance companies	**131,550**	137,756
Others	**60,390**	64,471
Total	**2,178,506**	2,351,177

The principal actuaries assumptions used in determining the defined benefit obligations for the retirement benefit plans are shown below:

	At 31 March	
	2018	2017
	JPY'000	*JPY'000*
Method of allocating projected retirement benefits	**Projected unit credit method**	Projected unit credit method
Discount rate	**0.34%**	0.38%
Salary increase rate (aged based, on average)	**1.80%**	1.80%
Turnover rate (aged based, on average)	**2.20%**	2.20%
Mortality (Mortality Table published by Ministry of Health, Labour and Welfare dated on)	**26 March 2015**	26 March 2015

A quantitative sensitivity analysis for the significant assumption is as shown below:

	Increase/(decrease) in defined benefit obligations		
		At 31 March	
		2018	2017
Assumption	**Change in assumption**	***JPY'000***	*JPY'000*
Discount rate	Increase by 0.5%	**(153,567)**	(180,651)
	Decrease by 0.5%	**153,577**	181,303

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

The average durations of the defined benefit plan obligations as at 31 March 2018 and 2017 were 8.6 years and 9 years, respectively.

The actuarial valuation showed that the market value of plan assets was JPY2,178,506,000 and JPY2,351,177,000 as at 31 March 2018 and 2017 and represented 63% and 59% of the defined benefit obligations that had accrued to qualified employees. The deficiency of JPY1,275,525,000 and JPY1,656,540,000 as at 31 March 2018 and 2017, are expected to be cleared over the remaining service period.

20. SHARE CAPITAL

	At 31 March	
	2018	2017
Issued capital (As of 31 March 2018: 20,000,000,000 authorised shares of USD0.0000025 each, 609,050,000 ordinary shares in issue; As of 31 March 2017: 20,000,000,000 authorised shares of USD0.0000025 each , 609,050,000 ordinary shares in issue) USD	**1,523**	1,523
Equivalent to JPY	**154,000**	154,000

As of the date of incorporation in the Cayman Islands on 7 October 2013, the Company had an authorised share capital of USD50,000, divided into 50,000 shares with par value of USD1.00 each with issued capital of USD1,000.

On 18 September 2016, the Company sub-divided each of its issued and unissued shares with par value of USD1.00 each into 400,000 shares with par value of USD0.0000025 each, such that following the sub-division, the issued share capital of the Company was USD1,000 divided into 400,000,000 shares with par value of USD0.0000025 each and the authorised share capital of the Company was USD50,000 divided into 20,000,000,000 shares with par value USD0.0000025 each.

On 19 September 2016, the Company allotted and issued a total of 75,059,000 shares with par value of USD0.0000025 each by way of capitalisation of the distributable reserves of the Company at the amount of USD187.6 (equivalent to JPY20,000). Immediately following the allotment, the issued share capital of the Company was USD1,187.6, divided into 475,059,000 shares with par value of USD0.0000025 each.

In connection with the Listing of the shares on the Main Board of the Stock Exchange on 6 October 2016, 133,991,000 shares of USD0.0000025 each were issued at a price of HKD10 per share at a total cash consideration of HKD1,339,910,000 (equivalent to approximately JPY17,476,557,000), which has been credited to the Company's share capital after deduction of an listing expense of JPY 678,234,439.

21. SHARE-BASED PAYMENT

By a resolution of the board of directors on 20 October 2015 and 31 May 2016, the Group granted 17,554,550 shares represented by RSUs and 952,250 shares represented by RSUs, respectively for the purpose of providing incentives and rewards to eligible participants who will contribute to the success of the Group's operations in future years. All the RSUs granted were based on the Company's and individual's performance.

The vesting schedule of the RSUs is 40% on the date on which the shares of the Company are listed on the Stock Exchange of Hong Kong Limited, 30% after 12 months from the Listing Date and 30% after 24 months from the Listing Date.

During the year ended 31 March 2018, agreed by employees who accepted the grant of the above RSUs, 286,042 shares represented by RSUs were cancelled and the vesting schedule of above RSUs was modified to 40% on the date on which the shares of the Company are listed on the Stock Exchange of Hong Kong Limited, 30% on 30 April 2018 or the date on which the Company publishes its annual result for the fiscal year ending 31 March 2018 (whichever is earlier) and 30% on 30 April 2019 or the date on which the Company publishes its annual result for the fiscal year ending 31 March 2019 (whichever is earlier), which accounted as cancellation and modification of share-based payment.

During the year ended 31 March 2018, the Group granted 318,396 shares represented by RSUs, which has been approved by the board of directors for the purpose of providing incentives and rewards to eligible participants who will contribute to the success of the Group's operations in future years. All the RSUs granted were based on the Company's and individual's performance.

The vesting schedule of the RSUs is 50% on 30 April 2018 or the date on which the Company publishes its annual result for the fiscal year ending 31 March 2018 (whichever is earlier) and 50% on 30 April 2019 or the date on which the Company publishes its annual result for the fiscal year ending 31 March 2019 (whichever is earlier).

The following RSUs were outstanding during the year:

	Year ended 31 March	
	2018	2017
	Shares represented by RSUs	*Shares represented by RSUs*
At the beginning of the year	**10,303,410**	16,602,300
Granted during the year	**318,396**	952,250
Forfeited during the year	**(988,276)**	(242,060)
Cancelled during the year	**(286,042)**	—
Exercised during the year	**—**	(7,009,080)
At the end of the year	**9,347,488**	10,303,410

The fair value of the RSUs granted during the year ended 31 March 2018 was JPY36,297,000 (JPY114 per share). The Group recognised RSU expenses of JPY80,261,000 during the year ended 31 March 2018. The Group recognised RSU expenses of JPY227,995,000 during the year ended 31 March 2017.

22. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities are as follows:

	Interest-bearing bank borrowings	Dividend payable included in other payables
	JPY'000	*JPY'000*
At 1 April 2017	291,287	—
Changes from financing cash flows	2,208,713	(1,823,983)
2017 final dividend payable	—	1,823,983
At 31 March 2018	2,500,000	—

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

FINAL DIVIDEND

The Board recommends the payment of the 2017/2018 Final Dividend of JPY3.23 per share for the year ended 31 March 2018, amounting to approximately a total of JPY1,967.2 million, representing approximately 50% of the Group's distributable profit for the year ended 31 March 2018, which is subject to the approval of the Company's shareholders at the forthcoming AGM. The 2017/2018 Final Dividend will be declared in Japanese Yen and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange as at the record date for determining such dividend entitlement to be announced in due course.

The 2017/2018 Final Dividend, if approved by the Company's shareholders at the forthcoming AGM, will be paid on Friday, 5 October 2018.

The distribution of the 2017/2018 Final Dividend will not be subject to withholding tax under the Cayman Islands laws.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Throughout the year ended 31 March 2018, the Company has complied with all code provisions as set out in the CG Code save for the deviation from code provisions A.1.1 and A.2.1.

Code provision A.1.1 requires the holding of regular Board meetings for at least four times a year. During the year, the Board held two meetings to approve the final results for the year ended 31 March 2017 and the interim results for the six months ended 30 September 2017. The Company has not held board meeting in the first and third quarters as the Company does not announce its results quarterly.

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The positions of the chairman and president of the Company are both held by Mr. Liu Jianguo. With the assistance of Mr. Ito Yasuki and Mr, Zuo Jun, the respective presidents of Japan operations and China operations overseeing the Group's business in Japan and China, the Board believes that this arrangement would allow for effective and efficient planning and implementation of business decisions and strategies under the strong and consistent leadership and should be beneficial to the management and development of the Group's business.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions.

Having made specific enquiry of all directors of the Company (the "**Directors**"), all of them have confirmed that they had complied with the Model Code and the Company's own code regarding directors' securities transactions throughout the year ended 31 March 2018.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Lu Pochin Christopher, Mr. Wang Jianguo and Mr. Xu Hui. Mr. Lu Pochin Christopher is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the annual results of the Group for the year ended 31 March 2018. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes for the year ended 31 March 2018 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.honma.hk). The annual report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board of
Honma Golf Limited
本間高爾夫有限公司
Liu Jianguo
Chairman

28 May 2018

As at the date of this announcement, the Board comprises Mr. Liu Jianguo, Mr. Ito Yasuki, Mr. Murai Yuji and Mr. Zuo Jun as executive Directors; Mr. Yang Xiaoping as non-executive Director; and Mr. Lu Pochin Christopher, Mr. Wang Jianguo and Mr. Xu Hui as independent non-executive Directors.