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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 2020

Through much of the second half of the year ended 31 March 2020, the Company continued delivering strong results and was off to a good finish until COVID-19 struck its supply base in China and then key markets in Asia, North America and Europe.

Since late January, protecting the Company's team, partners and its financial strength became a top priority and across many markets, the Company intensified efforts to go digital.

- Full year revenue declined by 13.9% from the year ended 31 March 2019 to JPY23,787.2 million (equivalent to USD217.5 million) based on comparable currency. Excluding China and Japan whose economy were affected for most part of the fourth quarter of the year ended 31 March 2020, full year revenue increased by 7.9%. See "Management Discussion and Analysis – Financial Review – Revenue";

- Full year revenue by geography. Despite unprecedented impact from COVID-19 on the golf industry and the global economy, Korea and Europe finished the year with robust year on year growth of 13.6% and 15.2%, respectively, on constant currency basis reconfirming that the Group's product offering and brand recognition remained strong and resilient. The rest of the markets showed however different degrees of sales decline, primarily due to government-imposed social distancing and lockdown which caused widespread supply chain disruption and retail operation standstills;

- Full year revenue by product. On constant currency basis revenue from golf balls and apparels rose by 22.5% and 0.7%, respectively, benefiting from products launched before January 2020. Yet revenue from golf clubs decreased by 15.8% due to negative impacts from COVID-19 on the Company's supply chain and the retail activation of BERES 07 and TR 20, two of its main club products launched in December 2019 and January 2020, respectively;

- Gross profit margin decreased by 6.9 percentage points from the year ended 31 March 2019 primarily due to negative product lifecycle impact as the year finished without a full-fledged launch of its two main golf club products;

- Full year operating profit was JPY405.1 million (equivalent to USD3.7 million), down from JPY5,309.4 million (equivalent to USD48.0 million) for the year ended 31 March 2019.

- Operating cash flow remained positive and stood at JPY558.6 million (equivalent to USD5.1 million) for the year ended 31 March 2020.

PROPOSED FINAL DIVIDEND

Proposed final dividend of JPY1.50 per share, amounting to approximately a total of JPY908.5 million for the year ended 31 March 2020 and representing approximately 6.4% of the Group's distributable profits as at 31 March 2020. Together with the special dividend of JPY8.21 per share paid on 2 September 2019 and the interim dividend of JPY1.64 per share paid on 30 December 2019, total dividends for the year ended 31 March 2020 will amount to JPY11.35 per share and the total dividend payout will amount to JPY6,999.0 million, representing approximately 49.4% of the Group's distributable profits as at 31 March 2020.

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 2020. 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 OVERVIEW OF THE COMPANY, ITS KEY BUSINESS RESULTS AND BUSINESS OUTLOOK

Company Profile and Overview

HONMA is one of the most prestigious and iconic brands in the golf industry. Founded in 1959, the Company combines latest innovative technologies with traditional Japanese craftsmanship to provide golfers across the globe with premium, high-tech and the best performing golf clubs, balls, apparels and accessories.

As the only vertically integrated golf company with in-house design, development and manufacturing capabilities, a strong retail footprint in Asia and a diverse range of golf clubs and golf-related products, HONMA is perfectly positioned to continually grow its business in Asia and beyond, benefitting from the return of golfers in mature golf markets such as the US and Japan and from increased participation in golf's new and under-penetrated markets such as Korea and China.

2019 marked the 60th Anniversary of HONMA. In late 2018, in the run-up to HONMA's 60th Anniversary, HONMA inked a deal to be the title sponsor of the 2018 HONMA Hong Kong Open, one of Asia's most prestigious tournaments and part of the European PGA Tour, which further improved HONMA's brand awareness in Asia. In January 2019, HONMA stepped up its tour presence internationally in an effort to further elevate the HONMA brand and to boost its global reach among consumers in super-premium and premium-performance segments.

Overview of Key Operating Results

In 2019, the global golf industry continued its recovery with golfers across the globe showing renewed interest and increased participation in golf as a sport.

With this, the management of HONMA made the decision to strengthen its product offering with a greater focus on the super-premium and premium-performance consumer segments. This has led to a conscious decision not to renew its Be ZEAL family products but to enrich its TOUR WORLD family clubs to include a performance enhancement series.

For the year ended 31 March 2020, the said decision has led to a decrease in the net sales of Be ZEAL by 64.0% as compared to the year ended 31 March 2020 based on constant currency. Since January, the outbreak of COVID-19 and government reactions to implement social distancing and shelter-in-place created significant business operation challenges and slowed retail sales, at a time when HONMA was launching two new products targeting super-premium and premium-performance segments. Full year sales declined by 13.9% based on comparable currency. However excluding Japan and China, the two countries that got most affected by COVID-19, net sales of BERES and TOURWORLD family did benefit from the revised product strategy and grew by approximately 36.1% and 7.3%, respectively.

Market wise, Europe and Korea continued to lead the way in terms of growth, delivering a year on year growth of 15.2% and 13.6%, respectively, both on constant currency basis. Due to negative impact from COVID-19 on the launch window of its BERES and TOURWORLD products, sales from Japan, decreased by 24.4% on constant currency basis but sales in balls and apparels grew by 43.7% and 19.0%, respectively. Sales from China dropped by 28.1% on a constant currency basis, due to negative impact from COVID-19 and continued social unrest in Hong Kong. Japan, Korea and China contributed 80.7% of total sales.

Highlights of Major achievements

In the year ended 31 March 2020, the Company steadfastly followed its growth strategies and made, among others, the following major achievements which the Company believes will continue to bring satisfactory business advancements and results in the future.

- ***Re-defining the HONMA brand.*** The Company took several steps to improve its global brand positioning and communication.

  To re-define the HONMA brand as a dynamic, relevant and global brand among internet-savvy younger golfers, the Company relaunched its global website in November 2018 and its social media platforms in January 2019. Since then the Company made regular and frequent content updates of digital platforms to promote brand awareness and appeal to the younger golfers. The rapid increase of HONMA's digital communications has generated month-on-month growth in the organic traffic, conversion and other digital engagement matrixes such as bounce rate, time on site, etc.

  To create an end-to-end digital ecosystem around the re-defined brand and golfers in the super-premium and premium-performance segments, the Company started creating and/or revamping its customer relationship management ("**CRM**") systems and added various e-commerce capabilities and consumer-facing custom tools in key markets such as Japan, China and the US, to provide consumers with the ultimate 360-degree brand experience, to strengthen its direct to consumer communication and to eventually increase sales both online and offline.

- ***Continued executing growth strategies in North America and Europe.*** The critical driver of HONMA North America's growth plan lies with a direct to consumer distribution model. For the year ended 31 March 2020, the Company installed elevated store presence with HONMA branded display/custom fixture at 40+ retail locations in North America, ranging from A-level (500+ square feet with golf simulator), B-level (250+ square feet and feature wall), C-level (100+ square feet) and to D-level (1-2 display only) shop in shops. At the same time and since summer 2019, the Company pivoted to a mobile strategy, where the total HONMA fitting experience is brought to the golfer's home course. By January 2020, the Company had 9 mobile vans in North America, the number of which will expand to 14 in summer 2020.

  In mid-April 2019, the Company launched a brand new e-commerce website and therefore created another important brand touchpoint for HONMA's North American consumers researching and searching for HONMA products, local retailers or fitting experience. Various digital marketing efforts have been implemented to drive website traffic and target potential shoppers through re-targeting efforts in social media and search engine marketing. And for the year ended 31 March 2020, the Company has seen 566,664 site visits and average order value of more than one thousand US dollar, which trend continued into April 2020 albeit negative impact from COVID-19. The strong start is also good evidence of HONMA's brand building and consumer interest in the second year of North American expansion. The Company is confident that this mobile strategy gives HONMA the best opportunity to establish a foothold in North America, grow brand awareness and loyalty, and drive high-margin revenue growth.

  In Europe, HONMA continued expanding its distribution network and opened 68 new POS while closing 46 in the year ended 31 March 2020, hence increasing its total POS to 540 by 31 March 2020. Sales in Europe grew by 15.2% on a constant currency basis compared to the year ended 31 March 2019.

- ***Optimizing HONMA's club product portfolio to focus on products that best represent Japanese traditional craftsmanship and innovative technology and players in super-premium and premium-performance segments.*** HONMA remains committed to applying cutting-edge technologies and artisan-style Japanese craftsmanship to the design, development and manufacturing of a comprehensive range of exquisitely crafted and performance-driven golf clubs. In the year ended 31 March 2020, HONMA applied several of its revolutionary proprietary technologies to the design and development of its new XP series, the first performance enhancement series under the TOUR WORLD club family, which is designed for avid golfers with a handicap of eight to twenty. XP-1 was launched in September 2019 followed by the launch of TR in March 2020, which targets single handicappers who often get inspired by tour players. Although net sales of the TOUR WORLD family declined globally by 16.8% based on constant currency mainly due to government-imposed lockdown in Asia, sales of TOUR WORLD products did grow by 51.6% and 73.3% in North America and Europe hence reconfirming the Company's decision to reprioritize its club offerings.

- ***Accelerating growth in balls and relaunching apparel business to create a comprehensive range of golf products for golfers in the super-premium and premium-performance segments.*** Unlike its peers, HONMA's golf clubs continued to generate 79% of its total sales. On the back of continued and mid-double-digit growth in revenue from golf balls over the past three years, the Company further prioritized its product development resources and launched balls with its own patent in order to meet the HONMA brand positioning and the play preferences and unique performance demands of its club users. Revenue from golf balls grew by 22.5% on a constant currency basis, attributable to continued growth in Japan and Korea where revenue of golf balls grew by 43.7% and 123.1%, respectively, as compared to the year ended 31 March 2019.

  In January 2019, HONMA re-launched its apparel collection in Japan and China. The apparel collection comprises of three lines catering to the distinctive requirements of golfers in Japan, China and Korea, both on-course and off-course. The year ended 31 March 2020 included mostly sales from the Spring/Summer and Fall/Winter Collections from 2019. In spite of the negative impact from COVID-19 where China and Japan saw their retail operation coming to a standstill, apparel sales rose by 0.7% based on constant currency and sales in Japan and Korea grew by 19.0% and 125.7%, respectively.

- ***360-degree brand experience built into new retail space and environments.*** The Company retained a few leading design agencies to renovate its retail space in order to provide ultimate brand experience and customizable consumer journey in major markets. In the year ended 31 March 2020, the Company opened 2 new stores in Japan, 14 in China and 6 in Korea, by consistently applying the new retail visual identity, design concept and consumer experience elements using advanced technology. The Company also converted multiple shop-in-shops in the US, Japan and China using the same design concept so as to create and own its consumer space and experience in all of its major markets.

- ***Customer events.*** Customer events have always been key to the continued enhancement of HONMA's brand, product awareness and consumer mind share. During the year ended 31 March 2020, HONMA hosted close to 4,329 customer days across its main markets, most of which were held on golf courses with dedicated fitters.

- ***Sponsoring TEAM HONMA players.*** As of 31 March 2020, TEAM HONMA consisted of 13 professional golf players. In July 2019, TEAM HONMA player Feng Shan-Shan claimed the title of Thornberry Creek LPGA Classic. We believe her image, endorsement and continued success on professional golf tournaments will continue to help drive our sales growth, especially in China.

Product Design and Development

HONMA utilizes the latest innovative technologies and traditional Japanese craftsmanship to provide golfers across the globe with aesthetically beautiful, technology-based and performance-driven golf clubs. We use our cutting-edge proprietary technology to design and manufacture golf clubs primarily for consumers in the super-premium and premium-performance segments who want to hit effortless shots and drive the golf balls further.

HONMA currently offers golf clubs under three major product families: BERES, TOUR WORLD and Be ZEAL, each targeting specific consumer segments. We leverage our innovative research methods and development capabilities to manage the product life cycle to continually generate customer interest, ensure product offerings remain up to date with the latest market trends and meet the preferences of target customers.

Based on extensive market research, HONMA categorises the market into nine key segments according to the importance golfers 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.

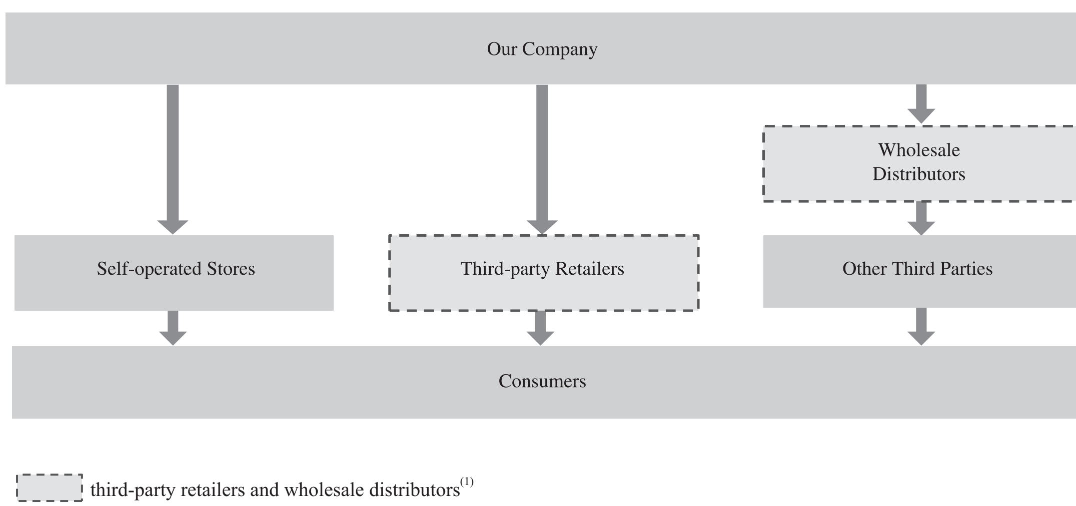
1 High Price Low Enthusiasm	**Design & Price**	2 High Price Middle Enthusiasm	**Primarily Design**	3 High Price High Enthusiasm	**Design & Performance**
4 Middle Price Low Enthusiasm	**Performance & Price**	5 Middle Price Middle Enthusiasm	**Performance & Design**	6 Middle Price High Enthusiasm	**Primarily 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 Company's traditional customer base and comprises affluent consumers willing to pay a premium price for golf clubs that offer excellent performance yet distinctively different from other golf clubs. TOUR WORLD golf clubs was first launched in 2011, target consumers in Segment 6, which comprises golf enthusiasts who place a higher emphasis on performance. First launched in 2015, Be ZEAL golf clubs target consumers in Segment 5, which comprises beginner golfers looking to improve their performance.

As part of the global brand re-definition and entry into the US and European markets, the Company made a decision to strengthen its focus on the super-premium and premium-performance consumer segments going forward by enriching the TOUR WORLD offering to include a performance-enhancement series called XP, in order to fully capture its growth potentials in the premium-performance segment or Segment 6 which is by far the fastest-growing segments in most major golf markets.

Sales and Distribution Network

The Company's sales and distribution network consists of HONMA-branded self-operated stores as well as third party distributors, which include retailers and wholesale 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.

HONMA operates the largest number of self-operated stores among major golf companies. Self-operated stores provide consumers with a 360-degree experience with the HONMA brand and its products. As at 31 March 2020, the Group had 79 HONMA-branded self-operated stores, all of which were located in Asia with 3 stores opened in the US during the year ended 31 March 2020. Following the apparel relaunch, the Group opened 14 new self-operated stores and closed 9 stores in China in the year ended 31 March 2020. The Group aims to continuously upgrade the design, visual display and consumer experience of its self-operated stores to project one consistent brand image and consumer experience. The table below sets forth the number of self-operated stores opened and closed during the year ended 31 March 2020:

	For the year ended 31 March 2020			
	Period start	**Opened**	**Closed**	**Period end**
Japan	32	2	5	29
China (including Hong Kong and Macau)	32	14	9	37
US	–	3	–	3
Rest of Asia	4	6	–	10
Total	68	25	14	79

To better serve avid golf enthusiasts, certain HONMA-branded self-operated stores offer fitting centers equipped with high-speed cameras and precision software to capture relevant swing data. As at 31 March 2020, the Group had 6 fitting centers.

As at 31 March 2020, the Group had approximately 3,911 points of sales ("**POS**"), representing a year-on-year increase of 177 POSs. The Group's POSs consist of (a) POS of third-party retailers ("**Retailers**") and (b) POS of 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 2020, the Group's products were sold at 1,546 POSs of sports megastores.

In Japan, the Group mainly sells products to Retailers, including nation-wide sports chain stores such as Golf 5 and Xebio. Outside Japan, the Group sells products to both Retailers and Wholesale Distributors.

The Group manages its sales and distribution network on a country-by-country basis to cater for each country's 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. To optimise its sales and distribution network, the Group is constantly evaluating its existing channels and exploring new channels.

Updating e-commerce capabilities and creating one digital ecosystem

The Group completely rebuilt its website in November 2018 and relaunched its social media platforms in various countries in January 2019. These actions aimed to create one consistent and vibrant communication platform and brand image across all markets. The rapid expansion of digital communications generated a month-on-month double-digit growth in the organic traffic, conversion and other digital brand engagement matrixes such as bounce rate, time on site, etc., since January 2019.

The Company also started revamping its customer relationship management ("**CRM**") systems in key markets such as Japan, China and the US, and upgraded its e-commerce capabilities to provide consumers with the ultimate 360-degree brand experience and to eventually increase online sales.

Manufacturing Processes

HONMA utilizes the latest innovative technologies and traditional Japanese craftsmanship to provide golfers across the globe with aesthetically beautiful and high-tech performance-driven golf clubs. We are the only major golf products company that utilizes professional handcrafted techniques together with significant in-house manufacturing capabilities. We conduct all key manufacturing processes for golf clubs at our campus located in Sakata, Yamagata prefecture of Japan (the "**Sakata Campus**"), while outsourcing non-core processes to our well-respected suppliers. This combination of in-house and outsourced manufacturing processes enables us 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 227 craftsmen, 24 of whom are master craftsmen with more than 34 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. The Group continually invests in Sakata Campus to improve its manufacturing processes in order to raise its annual manufacturing capability.

Employees

As at 31 March 2020, the Group had 822 employees worldwide, the majority of whom were based in Japan.

To ensure the long-term future of HONMA, the Group hires people who identify with its core values and the Group helps its employees grow by offering on job training and career progressions within HONMA. For sales personnel in self-operated stores, the Group offers a number of training programs, including an internal golf club fitter certification program. Moreover, the Group has implemented a rigorous apprenticeship program at the Sakata Campus which was instrumental to the retention and continued nurturing of craftsmen in Sakata.

The Group offers competitive remuneration packages, including, among others, salaries, performance-based cash bonus and share-based compensation. The Group reviews its remuneration scheme regularly to ensure its consistency with market practice. Employee benefits expenses amounted to JPY5,236.8 million for the year ended 31 March 2020.

The Group adopted its restricted share unit ("**RSU**") scheme in October 2015 to incentivize its directors, management and eligible employees.

Brand Marketing

Since 1959, HONMA has remained true to the traditional methods used by Japanese craftsmen to make the finest golf clubs in the world. To fully capture HONMA's unique opportunities in super-premium and premium-performance consumer segments, we have started a series of actions that will help re-define and transform the HONMA brand in an age of technological innovation while maintaining our traditions.

The brand perception of luxury and super-rich Asians is strongly rooted in consumer sentiment, and extensive marketing efforts have been designed to evolve and expand this perception towards performance focus, rooted in unique craftsmanship and superior technology. The launch of XP-1 family of game-improvement products, and the subsequent launch of TR family of tour performance products have generated great consumer and media buzz for HONMA.

Outlook

Business Outlook

For the year ahead, the Group will continue its journey to build a world-leading golf lifestyle company leveraging the legacy and strong equity of the HONMA brand, its expanding distribution network and innovative technologies and traditional Japanese craftsmanship.

The Group intends to continue pursuing the following:

- ***Improve and transform HONMA brand value into customer loyalty.*** Multiple branding and marketing strategies have been executed to highlight HONMA's brand heritage and its core brand values of premium craftsmanship and performance to fully capture HONMA's unique opportunities to lead in both super-premium and premium-performance segments. Since a key part of the Group's future growth strategy will be to continuously enhance consumers' brand awareness and loyalty and to convert both into tangible purchase interest and sales revenues, HONMA plans to upgrade its offline and online retail experiences based on the updated HONMA brand image, retail and visual guidelines. In Asia, HONMA has opened its first brand experience store in downtown Tokyo, Japan in July 2019 to present HONMA's new brand experience and customizable consumer journey to consumers in HONMA's home markets, followed by similar store openings in China, US and Europe. All these stores will form the centrepiece of HONMA's new distribution model and will act as the hub to generate traffic to HONMA's extensive shop-in-shop at third-party retailers, golf courses and its online e-commerce platforms.

- ***Further increase the Group's market share in home markets by maintaining its leading position in the super-premium segment while making solid inroads into the fast-growing premium-performance segment.*** Increasing market share in HONMA's home markets, namely Japan, Korea and China will continue to be a key part of the Group's future growth strategy. While the Group already has a strong presence in its home markets of Japan, Korea and China (including Hong Kong and Macau), we believe that there is still significant room to increase our market shares in these markets, especially in the premium-performance segments. The Group intends to achieve this by enriching its TOUR WORLD family to include a performance enhancement product while leveraging HONMA's improved international tour presence. The Group will continuously foster stronger partnerships with its retail partners while intensifying investments in sales point product promotions that are relevant to these consumer segments.

- ***Pivoting growth in North America based on the updated product and distribution strategy.*** North America accounts for more than half of the global golf market. During the year ended 31 March 2020, HONMA continued implementing a unique direct to consumer distribution strategy, installed 43 elevated retail presence and implemented 9 mobile vans. In October 2019, Honma opened its first flagship store in Carlsbad, California, which further increased HONMA's brand awareness. The Company remains committed to add another 30-40 premier shop-in-shops and between 20-30 mobile hubs in North America in the next 18-24 months. The said direct to consumer distribution network will overlay with HONMA's existing wholesales points of sale and digital platform to allow HONMA to quickly increase its brand and product awareness while owning the entire consumer experience and purchase journey.

  Furthermore, the decision to differentiate the TOUR WORLD product offering between tour inspired better players and golfers who look for performance enhancements will greatly support HONMA's growth strategy in North America, which market has continued to rebound with the number of golfers increasingly skewed towards premium-performance products. XP-1, the TOUR WORLD series designed for double handicappers was officially launched in October 2019, which together with TR, the TOUR WORLD series designed for single handicappers will be a key growth enabler for North America's future sales growth.

- ***Nurturing complementary non-club product lines to provide customers with a complete golf lifestyle experience.*** On 28 January 2018, HONMA announced the formation of a strategic partnership with Itochu Corporation, one of the leading textile and trading companies in Japan to expand our apparel & accessories business, utilizing Itochu's networks and know-how in the apparel industry while maintaining a "golf total brand approach". Since then, HONMA has already launched three apparel collections, being 2019 Spring/Summer collection, 2019 Fall/Winter collection and 2020 Spring/Summer collection, targeting consumers in Japan, China and Korea. The Group has, in parallel, upgraded its apparel sales teams in all three markets and created a network of quality and long-term suppliers leveraging its partnership with ITOCHU.

- ***Continue product innovation and development to cater for 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 JPY362.3 million and JPY343.9 million for the years ended 31 March 2019 and 2020, respectively. In the year ended 31 March 2020, the Group created a product development hub in North America, to complement its product development capabilities which used to concentrate at the Sakata Campus. The extended research and development team of HONMA thrives to incorporate innovations in ergonomics and material sciences in its designs and collaborates closely with professional golf players to optimize product performance.

Industry Outlook

The golf industry will continue to face multiple challenges in the year ending 31 March 2021 as we have seen in the year ended 31 March 2020. These challenges included anticipated slowdown of GDP growths in our major markets, continued US-China trade war and sustained if not accelerating outbreak of COVID-19 which has and will continue to cause market turbulence and economic uncertainties. Since early 2020, we have seen golf courses and retail stores being forced to close, production activities suspended and consumption demands decreased in a short period of time. The Group's operations, mainly, the operations of a significant number of our self-operated stores and retailers in China and our supply base in China and to some extent Japan have been interrupted by the COVID-19 outbreak, following the introduction of mandatory restrictive or lockdown measures by governmental authorities. As of the date of this announcement, the majority of our self-operated stores that were temporarily closed have been reopened but our retail partners in a number of countries, in particular markets outside Asia remain shut.

Although the reinstatement of golf at the 2016 Olympic Games significantly raised the profile of the sport worldwide, COVID-19 has also caused a painful decision to postpone the 2020 Tokyo Olympic. As of the date of this announcement, for markets that have lifted the lockdown, we have already seen increased participation in golf and we do expect the golf industry to gradually go back to the new norm as from July 2020.

The Group also believes that the year ending 31 March 2021 will be a crucial year for it to execute its development strategies. The Group is confident in its ability to mitigating the adverse impacts of the COVID-19 outbreak and will seize every possible opportunities to preserve cash, to right size its organization in order to foster a solid foundation for the mid- and long-term development with respect to our brand, products, distribution channel, employees and supply chain. The Group endeavors to promote the sustainable development and strives to create the long-term value for all of its shareholders.

The Group will stay alert on the developments of external challenges including COVID-19, continue to review its existing business strategies from time to time and take necessary action to mitigate the business risks while safe guarding the health and safety of its employees and teams.

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 2019 to the year ended 31 March 2020:

	For the year ended 31 March				Year-on-Year Change
	2020		2019		
	JPY	*%*	*JPY*	*%*	*%*
	(In thousands, except for percentages and per share data)				
Consolidated Statement of Profit or Loss					
Revenue	**23,787,214**	**100.0**	27,770,704	100.0	(14.3)
Cost of sales	**(11,669,597)**	**(49.1)**	(11,713,928)	(42.2)	(0.4)
Gross profit	**12,117,617**	**50.9**	16,056,776	57.8	(24.5)
Other income and gains	**67,908**	**0.3**	422,207	1.5	(83.9)
Selling and distribution expenses	**(9,546,408)**	**(40.1)**	(9,060,498)	(32.6)	5.4
Administrative expenses	**(2,186,825)**	**(9.2)**	(1,805,750)	(6.5)	21.1
Other expenses, net	**(831,289)**	**(3.5)**	(96,841)	(0.3)	758.4
Finance costs	**(69,191)**	**(0.3)**	(15,056)	(0.1)	359.6
Finance income	**90,509**	**0.4**	103,383	0.4	(12.5)
(Loss)/profit before tax	**(357,679)**	**(1.5)**	5,604,221	20.2	(106.4)
Income tax expense	**(374,734)**	**(1.6)**	(1,395,382)	(5.0)	(73.1)
Net (loss)/profit	**(732,413)**	**(3.1)**	4,208,839	15.2	(117.4)
(Loss)/earning per share attributable to ordinary equity holders of the parent:					
Basic and diluted – For (loss)/profit for the period(JPY)	**(1.20)**		6.91		(117.4)
Non-IFRS Financial Measure					
Adjusted SG&A[1]	**(11,733,948)**	**(49.3)**	(10,838,560)	(39.0)	8.3
Operating (loss)/profit[2]	**405,095**	**1.7**	5,309,429	19.1	(92.4)
Net operating profit[3]	**33,490**	**0.1**	3,928,898	14.1	(99.1)

Notes:

(1) Adjusted SG&A is derived from the sum of (a) selling and distribution expenses and (b) administrative expenses by 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 loss/profit is derived from loss/profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, and (iii) adding RSU expenses. For a reconciliation of operating loss/profit to loss/profit before tax, see "Management Discussion and Analysis – Financial Review – Non-IFRS Financial Measures – Operating Loss/Profit".

(3) Net operating profit is derived from net profit by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding RSU expenses and (iv) 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 decreased by 14.3% from JPY27,770.7 million for the year ended 31 March 2019 to JPY23,787.2 million for the year ended 31 March 2020.

Constant Currency Revenue

On a constant currency basis, the Group's total revenue decreased by 13.9% from the year ended 31 March 2019 to the year ended 31 March 2020. For the purpose of calculating constant currency revenue growth, the Group has used the average exchange rate of the year ended 31 March 2019 to translate sales recorded during the year ended 31 March 2020, to the extent the original currency for such sales is not in Japanese Yen.

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	
	2020		2019		**on as reported basis**	**on constant currency basis[(1)]**
	JPY	*%*	*JPY*	*%*	*%*	*%*
	(In thousands, except for percentages)					
Golf clubs	**18,838,711**	**79.2**	22,467,732	80.9	(16.2)	(15.8)
Golf balls	**2,205,839**	**9.3**	1,805,002	6.5	22.2	22.5
Apparels	**1,263,481**	**5.3**	1,283,130	4.6	(1.5)	0.7
Accessories and other related[(2)]	**1,479,183**	**6.2**	2,214,839	8.0	(33.2)	(33.0)
Total	**23,787,214**	**100.0**	27,770,704	100.0	(14.3)	(13.9)

Notes:

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

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

Golf clubs comprise the majority of the Group's business. Revenue for golf clubs decreased by 16.2% from JPY22,467.7 million for the year ended 31 March 2019 to JPY18,838.7 million for the year ended 31 March 2020. On a constant currency basis, revenue for golf clubs decreased by 15.8% from the year ended 31 March 2019 to the year ended 31 March 2020. The decrease in golf clubs was primarily attributable to negative impacts from COVID-19 on the Company's supply chain and retail activation of BERES 07 and TR 20, two of its main club products launched in December 2019 and January 2020, respectively.

Revenue for golf balls increased by 22.2% from JPY1,805.0 million for the year ended 31 March 2019 to JPY2,205.8 million for the year ended 31 March 2020. On a constant currency basis, revenue for golf balls grew by 22.5% from the year ended 31 March 2019 to the year ended 31 March 2020. The continued strong growth in golf balls was driven by the Group's continued product innovation, ball portfolio optimization and channel expansion in Japan and Korea.

During the same period and on a constant currency basis, despite unprecedented negative impacts from COVID-19 on the Company's supply chain and retail sales operation and activation of its FW19 and SS20 collections, revenue for apparels sales grew by 0.7% while sales in Japan and Korea grew by 19.0% and 125.7%, respectively.

Revenue for accessories and other related products decreased by 33.2% from JPY2,214.8 million for the year ended 31 March 2019 to JPY1,479.2 million for the year ended 31 March 2020. The decrease was mainly attributed to one off stock clearance ahead of the relaunch of HONMA's accessory lines.

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	
	2020		2019		**on as reported basis**	**on constant currency basis**(1)
	JPY	*%*	*JPY*	*%*	*%*	*%*
	(In thousands, except for percentages)					
Japan	**10,861,823**	**45.7**	14,369,818	51.7	(24.4)	(24.4)
Korea	**5,588,999**	**23.5**	4,919,939	17.7	13.6	13.6
China (including Hong Kong and Macau)	**2,750,992**	**11.6**	3,975,678	14.3	(30.8)	(28.1)
North America	**1,238,979**	**5.2**	1,362,855	4.9	(9.1)	(8.1)
Europe	**1,231,107**	**5.2**	1,069,485	3.9	15.1	15.2
Rest of the World	**2,115,314**	**8.9**	2,072,929	7.5	2.0	2.4
Total	**23,787,214**	**100**	27,770,704	100.0	(14.3)	(13.9)

Note:

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

For the year ended 31 March 2020, the Group continued implementing its growth strategy in its home and new markets. Revenue from Japan, Korea and China (including Hong Kong and Macau) accounted for 80.7% of the Group's total revenue for the year ended 31 March 2020, which collectively formed the Group's home markets.

Revenue from Japan decreased by 24.4% from JPY14,369.8 million for the year ended 31 March 2019 to JPY10,861.8 million for the year ended 31 March 2020, as a result of negative impact of COVID-19 which affected the economy of Japan for the most part of the fourth quarter of the year ended 31 March 2020. The decision to phase out Be ZEAL club series has also led to a year-on-year revenue decrease of 84.6% and Be ZEAL used to account for 25% of Japan's revenue.

Revenue from Korea recorded a double-digit growth of 13.6% for the seventh consecutive year from JPY4,919.9 million for the year ended 31 March 2019 to JPY5,589.0 million for the year ended 31 March 2020. On a constant currency basis, revenue for Korea also increased by 13.6% from the year ended 31 March 2019 to the year ended 31 March 2020. In the year ended 31 March 2020, the Group continuously increased its market share in Korea through intensive TV and social media campaigns to drive the mind share of HONMA brand as well as the product awareness and sales of its TOUR WORLD products. The Group has also established a strong local team to lead and drive the creation of a direct-to-consumer distribution model for its ball and apparel businesses.

Revenue from China (including Hong Kong and Macau) decreased by 30.8% from JPY3,975.7 million for the year ended 31 March 2019 to JPY2,751.0 million for the year ended 31 March 2020. On a constant currency basis, revenue for China (including Hong Kong and Macau) decreased by 28.1% from the year ended 31 March 2019 to the year ended 31 March 2020. The decrease was primarily caused by the continued deterioration of the situation in Hong Kong as well as the effects of the COVID-19. Excluding mainland China, revenue from Hong Kong decreased by 60.8% from JPY728.7 million for the year ended 31 March 2019 to JPY285.7 million for the year ended 31 March 2020.

Revenue from North America decreased by 9.1% from JPY1,362.9 million for the year ended 31 March 2019 to JPY1,239.0 million for the year ended 31 March 2020. On a constant currency basis, revenue for North America decreased by 8.1% from the year ended 31 March 2019 to the year ended 31 March 2020. The decrease was primarily due to negative impacts from COVID-19 on the retail activation of BERES 07 and TR 20, scheduled to take place between February and March 2020. In the year ended 31 March 2020, the Company did see sales for TOUR WORLD clubs rose by 51.6%, mostly driven on a successful activation of XP-1 in September 2019.

Revenue from Europe increased significantly by 15.1% from JPY1,069.5 million for the year ended 31 March 2019 to JPY1,231.1 million for the year ended 31 March 2020 despite the unprecedented impact from COVID-19 on the golf industry and the global economy. On a constant currency basis, revenue from Europe increased by 15.2% from the year ended 31 March 2019 to the year ended 31 March 2020. The increase was primarily due to the continued enhancement in HONMA's brand and product awareness 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 third-party retailers and wholesalers. The Group's third-party retailers and wholesalers 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 POSs in absolute amounts and as percentages of total revenue for the years indicated:

	For the year ended 31 March				Year-on-Year Change	
	2020		2019		**on as reported basis**	**on constant currency basis[(1)]**
	JPY	*%*	*JPY*	*%*	*%*	*%*
	(In thousands, except for percentages)					
Self-operated stores	**5,282,206**	**22.2**	6,040,575	21.8	(12.6)	(11.7)
3rd party retailers and wholesalers	**18,505,008**	**77.8**	21,730,129	78.2	(14.8)	(14.5)
Total	**23,787,214**	**100.0**	27,770,704	100.0	(14.3)	(13.9)

Note:

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

Revenue from self-operated stores decreased by 12.6% from JPY6,040.6 million for the year ended 31 March 2019 to JPY5,282.2 million for the year ended 31 March 2020. The decrease was primarily due to temporary closures of almost all of its self-operated stores in China, Japan and Korea in response to various mandatory restrictive or lockdown measures imposed by governmental authorities. Revenue from sales to third-party retailers and wholesalers decreased by 14.8% from JPY21,730.1 million for the year ended 31 March 2019 to JPY18,505.0 million for the year ended 31 March 2020.

Cost of Sales

Cost of sales remained relatively stable at JPY11,713.9 million for the year ended 31 March 2019 and JPY11,669.6 million for the year ended 31 March 2020. 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			
	2020		2019	
	JPY	***%***	*JPY*	*%*
	(In thousands, except for percentages)			
Raw materials	**6,988,343**	**59.9**	6,735,500	57.5
Employee benefits	**1,191,707**	**10.2**	1,336,261	11.4
Manufacturing overhead[1]	**399,080**	**3.4**	539,599	4.6
Finished goods purchased from suppliers	**3,090,467**	**26.5**	3,102,568	26.5
Total	**11,669,597**	**100.0**	11,713,928	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 decreased by 24.5% from JPY16,056.8 million for the year ended 31 March 2019 to JPY12,117.6 million for the year ended 31 March 2020. Gross profit margin decreased from 57.8% for the year ended 31 March 2019 to 50.9% for the year ended 31 March 2020.

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			
	2020		2019	
	JPY	*%*	*JPY*	*%*
	(In thousands, except for percentages)			
Golf clubs	**9,959,117**	**52.9**	13,605,115	60.6
Golf balls	**865,206**	**39.2**	838,309	46.4
Apparels	**790,114**	**62.5**	670,034	52.2
Accessories and other related[(1)]	**503,180**	**34.0**	943,318	42.6
Total	**12,117,617**	**50.9**	16,056,776	57.8

Note:

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

Gross profit for golf clubs decreased by 26.8% from JPY13,605.1 million for the year ended 31 March 2019 to JPY9,959.1 million for the year ended 31 March 2020. Gross profit margin for golf clubs decreased from 60.6% for the year ended 31 March 2019 to 52.9% for the year ended 31 March 2020, primarily due to negative product lifecycle impact as the year finished without a full-fledged launch of its two main golf club products, namely BERES 07 and TR20.

Gross profit for golf balls increased by 3.2% from JPY838.3 million for the year ended 31 March 2019 to JPY865.2 million for the year ended 31 March 2020. Gross profit margin for golf balls decreased from 46.4% for the year ended 31 March 2019 to 39.2% for the year ended 31 March 2020, primarily due to greater sales contribution from third-party retailers and wholesalers compared to self-operated stores.

Gross profit for apparels increased by 17.9% from JPY670.0 million for the year ended 31 March 2019 to JPY790.1 million for the year ended 31 March 2020, and gross profit margin for apparels increased from 52.2% for the year ended 31 March 2019 to 62.5% for the year ended 31 March 2020. The increases were due to continued improvement in price management and upgrade in HONMA's supplier network.

Gross profit for accessories and other related products decreased by 46.7% from JPY943.3 million for the year ended 31 March 2019 to JPY503.2 million for the year ended 31 March 2020 and gross profit margin for accessories and other related products decreased from 42.6% for the year ended 31 March 2019 to 34.0% for the year ended 31 March 2020. The decreases were primarily due to clearance of inventories from past collections ahead of the relaunch of HONMA's accessory lines.

Other Income and Gains

Other income and gains decreased significantly from JPY422.2 million for the year ended 31 March 2019 to JPY67.9 million for the year ended 31 March 2020. The decrease was primarily due to the decrease in net foreign exchange gains which was JPY336.7 million for the year ended 31 March 2019.

Selling and Distribution Expenses

Selling and distribution expenses increased by 5.4% from JPY9,060.5 million for the year ended 31 March 2019 to JPY9,546.4 million for the year ended 31 March 2020. Selling and distribution expenses as a percentage of revenue increased from 32.6% for the year ended 31 March 2018 to 40.1% for the year ended 31 March 2020. These increases were primarily due to increased personnel costs related to new markets and new businesses and decrease in overall sales. 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			
	2020		2019	
	JPY	*%*	*JPY*	*%*
	(In thousands, except for percentages)			
Employee benefits	**3,363,984**	**35.2**	3,187,106	35.2
Advertising and promotion expenses	**2,888,334**	**30.3**	3,156,787	34.8
Depreciation of right-of-use assets	**832,259**	**8.7**	–	–
Rental fees	**419,959**	**4.4**	1,229,628	13.6
Others[1]	**2,041,872**	**21.4**	1,486,977	16.4
Total	**9,546,408**	**100.0**	9,060,498	100.0

Note:

(1) Include distribution costs, depreciation and amortisation of tangible and intangible assets, travel expenses, consumables and other expenses.

Administrative Expenses

Administrative expenses increased by 21.1% from JPY1,805.8 million for the year ended 31 March 2019 to JPY2,186.8 million for the year ended 31 March 2020, primarily due to bad debt provision of JPY676.0 million as per IFRS9.

Other Expenses, Net

Other expenses increased significantly by 758.4% from JPY96.8 million for the year ended 31 March 2019 to JPY831.3 million for the year ended 31 March 2020. The increase was primarily due to net foreign exchange losses which was JPY574.2 million for the year ended 31 March 2020 and one off workforce rationalization cost of JPY197.5 million.

Finance Costs

Finance costs increased by 359.6% from JPY15.1 million for the year ended 31 March 2019 to JPY69.2 million for the year ended 31 March 2020. The increase was primarily due to the interest expense relating to lease liabilities of JPY43.5 million as adoption of IFRS16.

Finance Income

Finance income decreased by 12.5% from JPY103.4 million for the year ended 31 March 2019 to JPY90.5 million for the year ended 31 March 2020. The decrease was primarily due to the decrease in average bank deposit and the decline in bank interest rates.

Loss/Profit Before Tax

As a result of the foregoing, loss before tax for the year ended 31 March 2020 was JPY357.7 million.

Income Tax Expense

Income tax expense decreased by 73.1% from JPY1,395.4 million for the year ended 31 March 2019 to JPY374.7 million for the year ended 31 March 2020. The Group's effective tax rate decreased from 24.9% for the year ended 31 March 2019 to negative 104.8% for the year ended 31 March 2020.

Net Loss/Profit

As a result of the foregoing, net loss for the year ended 31 March 2020 was JPY732.4 million. Net loss margin for the year ended 31 March 2020 was 3.1%.

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 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	
	2020	2019
	(In JPY thousands)	
Selling and distribution expenses	**9,546,408**	9,060,498
Administrative expenses	**2,186,825**	1,805,750
Adjustment for:		
RSU expenses in relation to sales and marketing staff and administrative staff	**715**	(27,688)
Adjusted SG&A	**11,733,948**	10,838,560

Operating Loss/Profit

The Group derives operating profit from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, and (iii) 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	
	2020	2019
	(In JPY thousands)	
(Loss)/profit before tax	**(357,679)**	5,604,221
Adjustment for:		
Other income and gains	**(67,908)**	(422,207)
Other expenses	**831,289**	96,841
RSU expenses	**(607)**	30,574
Operating (loss)/profit	**405,095**	5,309,429

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 RSU expenses and (iv) 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	
	2020	2019
	(In JPY thousands)	
Net (loss)/profit	**(732,413)**	4,208,839
Adjustment for:		
Other income and gains	**(67,908)**	(422,207)
Other expenses	**831,289**	96,841
RSU expenses	**(607)**	30,574
Impact on tax	**3,129**	14,851
Net operating profit	**33,490**	3,928,898

Working Capital Management

	For the year ended 31 March	
	2020	2019
Inventories turnover days[1]	**268**	224
Trade and bills receivables turnover days[2]	**139**	122
Trade and bills payables turnover days[3]	**63**	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 2019, inventories turnover days increased by 44 days for the year ended 31 March 2020 primarily due to negative impact from COVID 19 which prevented the Company from shipping orders received. Due to the same reason, trade and bills receivables turnover days increased for the year ended 31 March 2020 by 17 days. Trade payables turnover days increased by 24 days for the year ended 31 March 2020, primarily due to continued supply chain improvement effects.

Inventories

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

	As at 31 March 2020	As at 31 March 2019
	(In JPY thousands)	
Raw materials	**2,200,698**	2,785,076
Work in progress	**1,105,279**	952,581
Finished goods	**7,106,722**	4,419,599
Less: provision	**(822,734)**	(579,255)
Total	**9,589,965**	7,578,001

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

	As at 31 March 2020	As at 31 March 2019
	(In JPY thousands)	
Within 1 year	**5,984,035**	4,160,007
1 year to 2 years	**1,793,830**	2,051,945
2 to 3 years	**1,072,500**	611,205
3 to 4 years	**435,545**	420,914
Over 4 years	**304,055**	333,931
Total	**9,589,965**	7,578,001

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 2020, 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 2020, the Group had JPY10,472.8 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 2020.

Indebtedness

As at 31 March 2020, the Group's interest-bearing borrowings amounted to JPY8,600.0 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 2020 ranged from 0.33% to 0.53%.

Gearing Ratio

The Group's gearing ratio is calculated by dividing (i) the sum of interest-bearing bank borrowings and lease liabilities by (ii) total equity. As at 31 March 2020, the Group's gearing ratio was 50.1% (as at 31 March 2019, the Group's gearing ratio was 13.0% or 17.6% after taking the impact of IFRS 16 into consideration).

Capital Expenditures

The Group's capital expenditures for the year ended 31 March 2020 amounted to JPY1,194.4 million, which was used primarily to purchase plant machinery and equipment, office equipment and leasehold improvement. In the year ended 31 March 2020, 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 2020, the Group did not have any significant contingent liabilities.

Funding and Treasury Policy

The Group adopts a stable, conservative approach on its funding and treasury policy, aiming to maintain an optimal financial position, the most economical finance costs, and minimal financial risks. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans

Charge on Assets

There was no charge on the Group's assets as at 31 March 2020.

Material Acquisitions and Future Plans for Major Investment

During the year ended 31 March 2020, 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 of Hong Kong Limited 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 2020	Percentage of unused balance as at 31 March 2020	Expected timeframe for utilizing the remaining unused net proceeds(2)
	(%)	*(In JPY millions)*	*(%)*	*(%)*	
Potential strategic acquisitions	29.4	4,939	–	29.4	–(3)
Sales and marketing activities in North America and Europe	15.1	2,536	15.1	–	N/A
Sales and marketing activities in home markets of Japan, Korea and China (including Hong Kong and Macau)	15.1	2,536	15.1	–	N/A
Capital expenditures	13.0	2,184	10.3	2.7	From 1 April 2020 to 31 March 2022
Repayment of interest-bearing bank borrowings	17.3	2,906	17.1	0.2	From 1 April 2020 to 31 March 2021
Providing funding for working capital and other general corporate purposes	10.1	1,697	10.1	–	N/A
Total	100.0	16,798	67.8	32.2	

Note:

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

(2) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

(3) As of the date of this announcement, we had not identified, committed to or entered into negotiations with any acquisition targets for our use of net proceeds from the global offering, hence we have no specific expected timeframe for fully utilizing such proceeds. We will continue to prudently evaluate potential acquisition targets within the golf products industry based on, among other factors, their brand recognition, geographic footprint, distribution network, product offerings, and financial condition, with a goal of identifying potential acquisition targets that best fit our growth strategies.

As at 31 March 2020, the unused balance of the proceeds from the global offering of approximately JPY5,415.1 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 JPY1.50 per share, amounting to approximately a total of JPY908.5 million for the year ended 31 March 2020 (the "**2019/2020 Final Dividend**"), representing approximately 6.4% of the Group's distributable profits as at 31 March 2020. The 2019/2020 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:JPY109.36. 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 consolidated annual results of the Group for the year ended 31 March 2020 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2020

	Notes	Year ended 31 March	
		2020	2019
		JPY'000	*JPY'000*
REVENUE	*4*	**23,787,214**	27,770,704
Cost of sales	*8*	**(11,669,597)**	(11,713,928)
Gross profit		**12,117,617**	16,056,776
Other income and gains	*4*	**67,908**	422,207
Selling and distribution expenses		**(9,546,408)**	(9,060,498)
Administrative expenses		**(2,186,825)**	(1,805,750)
Other expenses, net	*5*	**(831,289)**	(96,841)
Finance costs	*6*	**(69,191)**	(15,056)
Finance income	*7*	**90,509**	103,383
(LOSS)/PROFIT BEFORE TAX		**(357,679)**	5,604,221
Income tax expense	*9*	**(374,734)**	(1,395,382)
(LOSS)/PROFIT FOR THE YEAR		**(732,413)**	4,208,839
Attributable to:			
Owners of the parent		**(732,363)**	4,209,367
Non-controlling interests		**(50)**	(528)
		(732,413)	4,208,839
(Loss)/earnings per share attributable to ordinary equity holders of the parent (expressed in JPY per share)	*11*		
Basic and diluted			
– For (loss)/profit for the year		**(1.20)**	6.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	Year ended 31 March	
	2020	2019
	JPY'000	*JPY'000*
(LOSS)/PROFIT FOR THE YEAR	**(732,413)**	4,208,839
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**53,961**	(2,833)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**53,961**	(2,833)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement gains on the defined benefit plans	**123,162**	14,004
Income tax effect	**(38,326)**	(3,672)
	84,836	10,332
Loss on equity instruments at fair value through other comprehensive income	**(2,143)**	(5,288)
Income tax effect	**630**	1,642
	(1,513)	(3,646)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**83,323**	6,686
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**137,284**	3,853
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(595,129)**	4,212,692
Attributable to:		
Owners of the parent	**(595,079)**	4,213,220
Non-controlling interests	**(50)**	(528)
	(595,129)	4,212,692

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	**At 31 March 2020**	At 31 March 2019
		JPY'000	*JPY'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**2,634,443**	2,033,426
Right-of-use assets	*13*	**1,897,674**	–
Freehold land	*14*	**1,940,789**	1,940,789
Intangible assets		**293,850**	333,423
Finance lease receivables	*15*	**86,953**	–
Other non-current assets		**828,698**	754,445
Deferred tax assets		**1,502,459**	1,062,790
Total non-current assets		**9,184,866**	6,124,873
CURRENT ASSETS			
Inventories	*16*	**9,589,965**	7,578,001
Trade and bills receivables	*17*	**8,391,262**	9,787,669
Prepayments, deposits and other receivables		**1,238,129**	922,932
Finance lease receivables	*15*	**20,302**	–
Cash and cash equivalents	*18*	**10,472,793**	14,674,123
Total current assets		**29,712,451**	32,962,725
CURRENT LIABILITIES			
Trade and bills payables	*19*	**2,497,969**	1,523,086
Other payables and accruals		**2,122,465**	1,781,690
Interest-bearing bank borrowings	*20*	**8,600,000**	3,800,000
Due to a related party		**–**	7,144
Lease liabilities	*21*	**837,912**	–
Income tax payable		**1,201,467**	1,028,470
Total current liabilities		**15,259,813**	8,140,390
NET CURRENT ASSETS		**14,452,638**	24,822,335
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,637,504**	30,947,208

	Notes	At 31 March 2020 JPY'000	2019 JPY'000
NON-CURRENT LIABILITIES			
Lease liabilities	*21*	**1,205,404**	–
Net employee defined benefit liabilities	*22*	**904,809**	1,297,203
Deferred tax liabilities		**196,902**	388,814
Other non-current liabilities		**66,592**	68,464
Total non-current liabilities		**2,373,707**	1,754,481
NET ASSETS		**21,263,797**	29,192,727
EQUITY			
Equity attributable to owners of the parent			
Share capital	*23*	**153**	154
Reserves		**21,309,343**	29,238,222
		21,309,496	29,238,376
Non-controlling interests		**(45,699)**	(45,649)
Total equity		**21,263,797**	29,192,727

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2020

	Notes	Year ended 31 March 2020	2019
		JPY'000	*JPY'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(357,679)**	5,604,221
Adjustments for:			
Provision for impairment of property, plant and equipment	*12*	**12,798**	40,384
Write-down of inventories to net realisable value	*8*	**243,479**	162,454
Impairment of trade receivables		**675,595**	129,504
Net loss on disposal of property, plant and equipment and intangible assets	*8*	**18,028**	52,170
Net losses on disposal of right-of-use assets	*8*	**8,792**	–
Depreciation of property, plant and equipment	*12*	**540,203**	340,650
Depreciation of right-of-use assets	*13*	**832,259**	–
Amortisation of intangible assets		**116,974**	96,814
Defined benefit plan expenses	*22*	**80,369**	85,545
Equity-settled share-based payment expenses	*24*	**(607)**	30,574
Foreign exchange losses/(gains)		**347,775**	(348,503)
Finance costs	*6*	**69,191**	15,056
Finance income	*7*	**(90,509)**	(103,383)
		2,496,668	6,105,486
Increase in inventories		**(2,255,443)**	(933,460)
Decrease/(increase) in trade and bills receivables		**720,812**	(1,127,150)
Decrease/(increase) in prepayments, deposits and other receivables		**84,816**	(320,192)
Decrease in amounts due from related parties		**–**	7,851
Increase in other non-current assets		**(76,396)**	(107,779)
Increase in trade and bills payables		**974,883**	525,540
Increase in other payables and accruals		**36,424**	141,789
(Decrease)/increase in an amount due to a related party		**(7,144)**	488
(Decrease)/increase in other non-current liabilities		**(1,872)**	7,986
Payment of the defined benefit obligations		**(110,028)**	(48,772)
Contributions in plan assets		**(2,515)**	(1,091)
Cash generated from operating activities		**1,860,205**	4,250,696
Interest received		**90,509**	103,383
Interest paid		**(69,191)**	(15,056)
Japan income tax paid		**(1,214,493)**	(93,995)
Overseas income tax paid		**(108,378)**	(1,635,958)
Net cash flows generated from operating activities		**558,652**	2,609,070

	Notes	Year ended 31 March 2020 *JPY'000*	2019 *JPY'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and intangible assets		**(1,194,404)**	(669,397)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**6,014**	–
Decrease in finance lease receivables		**10,844**	–
Net cash flows used in investing activities		**(1,177,546)**	(669,397)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**(214,282)**	–
Proceeds from bank borrowings		**78,600,000**	40,800,000
Repayment of bank borrowings		**(73,800,000)**	(39,500,000)
Principal portion of lease payments		**(809,270)**	–
Dividends paid		**(7,100,717)**	(3,055,452)
Net cash flows used in financing activities		**(3,324,269)**	(1,755,452)
Net (decrease)/increase in cash and cash equivalents		**(3,943,163)**	184,221
Cash and cash equivalents at the beginning of year		**14,674,123**	14,147,319
Effect of foreign exchange rate changes, net		**(258,167)**	342,583
Cash and cash equivalents at the end of year		**10,472,793**	14,674,123
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the consolidated statement of financial position	*18*	**10,472,793**	14,674,123

NOTES TO FINANCIAL STATEMENTS

31 March 2020

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 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 certain financial instruments 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 2020. 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 new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC-23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for IFRS 16 *Leases*, the new and revised IFRSs had no significant impact on the Group's financial statements. The nature and the impact of IFRS 16 are described below:

IFRS 16 replaces IAS 17 *Leases*, IFRIC-4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-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 account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for the year ended 31 March 2019 was not restated and continued to be reported under IAS 17 and related interpretations.

<u>New definition of a lease</u>

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019. The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 April 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 April 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application; and

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

Financial impact at 1 April 2019

The impact arising from the adoption of IFRS 16 as at 1 April 2019 was as follows:

	Increase/(decrease) *JPY'000*
Assets	
Increase in right-of-use assets	1,330,348
Decrease in prepayments, other receivables and other assets	(31,558)
Increase in total assets	1,298,790
Liabilities	
Increase in lease liabilities	1,325,896
Decrease in other payables and accruals	(8,911)
Increase in total liabilities	1,316,985
Decrease in retained profits	(18,195)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as of 31 March 2019 are as follows:

	JPY'000
Operating lease commitments as at 31 March 2019	1,622,146
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(235,884)
	1,386,262
Weighted average incremental borrowing rate as at 1 April 2019	2.34%
Discounted operating lease commitments as at 1 April 2019	1,348,543
Less: Prepayments included in prepayments, other receivables and other assets as at 31 March 2019	(31,558)
Add: Rental payables included in other payables and accruals	8,911
Lease liabilities as at 1 April 2019	1,325,896

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 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 No mandatory effective date yet determined but available for adoption

While the adoption of some of the new and revised IFRSs may result in changes in accounting policies, none of these IFRSs is expected to have a significant impact on the Group's results of operations 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	
	2020	2019
	JPY'000	*JPY'000*
Japan	**10,861,823**	14,369,818
Korea	**5,588,999**	4,919,939
China (including Hong Kong and Macau)	**2,750,992**	3,975,678
North America	**1,238,979**	1,362,855
Europe	**1,231,107**	1,069,485
Rest of the world	**2,115,314**	2,072,929
	23,787,214	27,770,704

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

(b) Non-current assets

	At 31 March	
	2020	2019
	JPY'000	*JPY'000*
Japan	**4,832,094**	3,899,858
Other Asia Pacific countries	**973,466**	269,018
North America	**927,183**	136,482
Europe	**34,013**	2,280
	6,766,756	4,307,638

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

Information about major customers

Revenue of approximately JPY4,838,095,000 was derived from one major customer (2019: JPY4,535,905,000 was derived from one 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	
	2020	2019
	JPY'000	*JPY'000*
Revenue from contracts with customers		
Sale of goods	**23,656,372**	27,679,005
Rendering of services	**130,842**	91,699
Total	**23,787,214**	27,770,704

	Year ended 31 March	
	2020	2019
	JPY'000	*JPY'000*
Other income and gains		
Foreign exchange gains, net	**–**	336,698
Government grants	**–**	29,293
Others	**67,908**	56,216
Total	**67,908**	422,207

	Year ended 31 March	
	2020	2019
	JPY'000	*JPY'000*
Types of goods or services		
Sale of golf related products	**23,656,372**	27,679,005
Rendering of services relating to golf related products	**130,842**	91,699
Total revenue from contracts with customers	**23,787,214**	27,770,704
Timing of revenue recognition		
Goods transferred at a point in time	**23,656,372**	27,679,005
Services transferred over time	**130,842**	91,699
Total revenue from contracts with customers	**23,787,214**	27,770,704

The disaggregation of the Group's revenue based on the geographical region for the year ended 31 March 2020 is included in note 3.

5. OTHER EXPENSES, NET

	Year ended 31 March	
	2020	2019
	JPY'000	*JPY'000*
Employee termination benefits	**197,516**	29,700
Net losses on disposal of items of property, plant and equipment and intangible assets	**18,028**	52,170
Net loss on disposal of right-of-use assets	**8,792**	–
Foreign exchange losses, net	**574,216**	–
Others	**32,737**	14,971
Total	**831,289**	96,841

6. FINANCE COSTS

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

	Year ended 31 March	
	2020	2019
	JPY'000	*JPY'000*
Interest on bank borrowings	**25,737**	15,056
Interest on lease liabilities	**43,454**	–
	69,191	15,056

7. FINANCE INCOME

	Year ended 31 March	
	2020	2019
	JPY'000	*JPY'000*
Interest income	**89,895**	102,791
Others	**614**	592
Total	**90,509**	103,383

8. (LOSS)/PROFIT BEFORE TAX

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

	Notes	**Year ended 31 March 2020** *JPY'000*	2019 *JPY'000*
Cost of inventories sold		**11,565,338**	11,658,343
Cost of service provided		**104,259**	55,585
Depreciation of property, plant and equipment	*12*	**540,203**	340,650
Depreciation of right-of-use assets	*13*	**832,259**	–
Amortisation of intangible assets		**116,974**	96,814
Research and development costs		**343,877**	362,284
Provision for impairment of property, plant and equipment	*12*	**12,798**	40,384
Impairment of trade receivables	*17*	**675,595**	129,504
Minimum lease payments under operating leases		**–**	1,129,811
Lease payments not included in the measurement of lease liabilities		**308,334**	–
Auditors' remuneration		**78,577**	81,023
Employee benefit expense:			
Wages and salaries		**3,958,104**	3,851,786
Pension and social security costs		**368,083**	344,291
Defined benefit plan expenses	*22*	**80,369**	85,545
Employee benefits		**519,167**	521,100
Other benefits		**311,643**	298,887
Equity-settled share-based payment expenses	*24*	**(607)**	30,574
		5,236,759	5,132,183
Foreign exchange losses/(gains), net	*4/5*	**574,216**	(336,698)
Write-down of inventories to net realizable value		**243,479**	162,454
Net losses on disposal of items of property, plant and equipment and intangible assets	*5*	**18,028**	52,170
Net loss on disposal of right-of-use assets	*5*	**8,792**	–

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 the 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 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 (2019: 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 rate for these taxes was 30.62% for the year (2019: 30.62%).

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% (2019: 25%).

The subsidiaries incorporated in Taiwan and Thailand are subject to income tax at the rates of 17% and 20% on the assessable profits (2019: 17% and 20%), respectively.

The Company's subsidiary incorporated and operating in the United States was subject to federal corporation income tax at a rate of 21% during the year (2019: 21%), as well as state tax at approximately 8.84% (2019: 8.84%).

The Company's subsidiary incorporated and operating in Switzerland was subject to federal corporation income tax at a rate of 8.5% during the year (2019: 8.5%), as well as cantonal and communal taxes at rates ranging 2% and 5% (2019: 2% ~ 5%).

Tax in the statement of profit or loss represents:

	Year ended 31 March	
	2020	2019
	JPY'000	*JPY'000*
Current income tax – Japan	**–**	872,722
Current income tax – Hong Kong	**964,123**	606,782
Current income tax – elsewhere	**174**	1,480
Deferred tax	**(589,563)**	(85,602)
	374,734	1,395,382

A reconciliation of the tax charge applicable to (loss)/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			
	2020		2019	
	JPY'000	***%***	*JPY'000*	*%*
(Loss)/profit before tax	**(357,679)**		5,604,221	
Tax at the statutory tax rate (30.62% for the year ended 31 March 2020, and 30.62% for the year ended 31 March 2019)	**(109,521)**	**30.62**	1,716,012	30.62
Different tax rates or tax basis for entities outside Japan	**(710,995)**	**198.78**	(485,780)	(8.67)
Expense not deductible	**103,423**	**(28.92)**	21,274	0.38
Income not subject to tax	**(17,338)**	**4.85**	(111,867)	(2.00)
Effect of withholding tax on the distributable profits of the Group's subsidiaries in the PRC and Japan	**(90,088)**	**25.19**	87,279	1.56
Impact of unrecognised tax losses and temporary differences	**1,199,253**	**(335.29)**	168,464	3.01
Tax charge at the Group's effective rate	**374,734**	**(104.77)**	1,395,382	24.90

10. DIVIDENDS

	Year ended 31 March	
	2020	2019
	JPY'000	*JPY'000*
Interim – JPY9.85 (2019: 1.75) per ordinary share	**6,090,528**	1,065,838
Proposed final – JPY1.50 (2019: JPY1.70) per ordinary share	**908,464**	1,037,501
Dividend declared by the company	**7,100,717**	3,055,452

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

11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of basic and diluted (loss)/earnings per share are based on the (loss)/profit 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 (loss)/earnings per share amounts presented for the years ended 31 March 2020 and 2019 in respect of a dilution as the Group had no potentially ordinary dilutive shares in issue during the years ended 31 March 2020 and 2019.

The following reflects the income and the share data used in the basic (loss)/earnings per share computation:

	Year ended 31 March	
	2020	2019
	JPY'000	*JPY'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	**(732,363)**	4,209,367

	Number of shares	
	2020	2019
	('000)	*('000)*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (losses)/earnings per share calculation	**608,727**	609,050

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	Equipment, furniture and fitting	Construction in progress	Total
	JPY'000	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*
31 March 2020							
Cost:							
At 1 April 2019	6,570,692	2,109,864	1,199,971	45,989	1,415,227	146,140	11,487,883
Additions	–	78,490	416,842	–	67,201	628,164	1,190,697
Transfer from construction in progress	23,787	1,770	554,933	–	105,110	(685,600)	–
Disposals	–	–	(90,740)	–	(25,934)	(2,540)	(119,214)
Exchange realignment	–	(173)	(20,260)	–	(2,001)	(2,397)	(24,831)
At 31 March 2020	6,594,479	2,189,951	2,060,746	45,989	1,559,603	83,767	12,534,535
Accumulated depreciation:							
At 1 April 2019	5,556,168	1,599,152	665,886	35,285	1,163,070	–	9,019,561
Depreciation provided during the year	103,283	96,027	204,000	3,288	133,605	–	540,203
Disposals	–	–	(16,335)	–	(15,293)	–	(31,628)
Exchange realignment	–	(104)	(10,910)	–	(1,180)	–	(12,194)
At 31 March 2020	5,659,451	1,695,075	842,641	38,573	1,280,202	–	9,515,942
Accumulated impairment:							
At 1 April 2019	86,314	1,868	275,363	198	71,153	–	434,896
Impairment provided during the year	–	–	10,948	–	1,850	–	12,798
Disposals	–	–	(59,002)	–	(4,542)	–	(63,544)
At 31 March 2020	86,314	1,868	227,309	198	68,461	–	384,150
Net book value:							
At 31 March 2020	848,714	493,008	990,796	7,218	210,940	83,767	2,634,443

	Building	Machinery	Leasehold improvement	Motor vehicles	Equipment, furniture and fitting	Construction in progress	Total
	JPY'000	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*
31 March 2019							
Cost:							
At 1 April 2018	6,506,050	1,922,030	1,404,385	62,542	1,390,440	5,634	11,291,081
Additions	64,642	169,026	42,177	1,693	110,901	159,066	547,505
Transfer from construction in progress	–	18,703	–	–	–	(18,703)	–
Disposals	–	–	(247,808)	(18,286)	(86,568)	–	(352,662)
Exchange realignment	–	105	1,217	40	454	143	1,959
At 31 March 2019	6,570,692	2,109,864	1,199,971	45,989	1,415,227	146,140	11,487,883
Accumulated depreciation:							
At 1 April 2018	5,454,654	1,526,645	736,627	47,838	1,100,494	–	8,866,258
Depreciation provided during the year	101,514	72,566	50,349	5,191	111,030	–	340,650
Disposals	–	–	(122,460)	(17,747)	(48,747)	–	(188,954)
Exchange realignment	–	(59)	1,370	3	293	–	1,607
At 31 March 2019	5,556,168	1,599,152	665,886	35,285	1,163,070	–	9,019,561
Accumulated impairment:							
At 1 April 2018	86,314	1,868	315,502	198	102,168	–	506,050
Impairment provided during the year	–	–	39,333	–	1,051	–	40,384
Disposals	–	–	(79,472)	–	(32,066)	–	(111,538)
At 31 March 2019	86,314	1,868	275,363	198	71,153	–	434,896
Net book value:							
At 31 March 2019	928,210	508,844	258,722	10,506	181,004	146,140	2,033,426

13. RIGHT-OF-USE ASSETS

	Shops	Office properties	Motor vehicles	Total
	JPY'000	*JPY'000*	*JPY'000*	*JPY'000*
Carrying amount at 31 March 2019	–	–	–	–
Impact of adopting IFRS 16 *(note2.2)*	807,189	495,260	27,899	1,330,348
Carrying amount at 1 April 2019	807,189	495,260	27,899	1,330,348
Addition	1,512,821	29,654	57,668	1,600,143
Depreciation during the year	(628,758)	(178,003)	(25,498)	(832,259)
Disposal	(17,467)	(148,551)	–	(166,018)
Exchange realignment	(32,681)	(1,847)	(12)	(34,540)
Carrying amount at 31 March 2020	1,641,104	196,513	60,057	1,897,674

14. FREEHOLD LAND

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

	Year ended 31 March	
	2020	2019
	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 and is located in Japan.

15. FINANCE LEASE RECEIVABLES

The total future lease payments receivable under finance leases and their present values were as follows:

	At 31 March 2020
	JPY'000
Within one year	**20,365**
After one year but within two years	**20,365**
After two years but within three years	**20,365**
After three years but within four years	**20,365**
After four years but within five years	**20,365**
After five years	**6,728**
Total minimum finance lease receivables	**108,553**
Unearned finance income	**(1,298)**
Total net finance lease receivables	**107,255**
Portion classified as current assets	**(20,302)**
Non-current portion	**86,953**

	At 31 March 2020
	JPY'000
Within one year	**20,302**
After one year but within two years	**20,221**
After two years but within three years	**20,128**
After three years but within four years	**20,035**
After four years but within five years	**19,943**
After five years	**6,626**
Total present value of minimum finance lease receivables	**107,255**

The Group applies a simplified approach in calculating ECLs prescribed by IFRS 9, which permits the use of the lifetime expected losses for lease receivables. All of the finance lease receivables are not past due. To measure the expected credit losses, finance lease receivables have been grouped based on shared credit risk characteristics and the days past due. The determination of expected credit losses have also incorporated forward-looking information. All the finance lease receivables are classified as Stage 1 without any significant increase in credit risk tracked since initial recognition. The expected credit loss rates for finance lease receivables that were not yet past due are minimal.

16. INVENTORIES

	At 31 March	
	2020	2019
	JPY'000	*JPY'000*
Raw materials	**2,200,698**	2,785,076
Work in progress	**1,105,279**	952,581
Finished goods	**7,106,722**	4,419,599
	10,412,699	8,157,256
Less: provision	**(822,734)**	(579,255)
	9,589,965	7,578,001

17. TRADE AND BILLS RECEIVABLES

	At 31 March	
	2020	2019
	JPY'000	*JPY'000*
Trade receivables	**8,887,817**	9,822,174
Bills receivable	**260,552**	149,528
	9,148,369	9,971,702
Less: provision	**(757,107)**	(184,033)
	8,391,262	9,787,669

The Group's trading terms with its customers are mainly on credit. The credit period is ranging from 30 to 180 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.

An ageing 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	
	2020	2019
	JPY'000	*JPY'000*
Within 1 month	**4,193,113**	8,913,637
1 to 3 months	**1,195,788**	578,970
3 to 12 months	**1,490,551**	91,875
Over 1 year	**1,251,258**	53,659
	8,130,710	9,638,141

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

	At 31 March	
	2020	2019
	JPY'000	*JPY'000*
Opening balance	**184,033**	54,529
Addition	**675,595**	184,033
Reversal	**–**	(54,529)
Amount written off as uncollectable	**(102,521)**	–
Ending balance	**757,107**	184,033

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 March 2020

	Expected loss rates	**Gross carrying amounts**	**Impairment**
	JPY'000	***JPY'000***	***JPY'000***
General item:			
Current and within 6 months	**1.78%**	**8,241,226**	**146,356**
6 to 12 months past due	**58.26%**	**85,876**	**50,036**
Over 1 year past due	**100.00%**	**560,715**	**560,715**
		8,887,817	**757,107**

As at 31 March 2019

	Expected loss rates	Gross carrying amounts	Impairment
	JPY'000	*JPY'000*	*JPY'000*
General item:			
Current and within 6 months	0.59%	9,634,622	56,964
6 to 12 months past due	22.62%	78,165	17,682
Over 1 year past due	100.00%	109,387	109,387
		9,822,174	184,033

18. CASH AND CASH EQUIVALENTS

	At 31 March	
	2020	2019
	JPY'000	*JPY'000*
Cash and bank balances	**10,472,793**	14,674,123
Denominated in JPY	**2,637,743**	3,398,834
Denominated in USD	**6,782,529**	9,160,115
Denominated in HKD	**236,988**	638,132
Denominated in TWD	**45,583**	134,366
Denominated in RMB	**633,703**	654,095
Denominated in other currencies	**136,247**	688,581
	10,472,793	14,674,123

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.

19. TRADE AND BILLS PAYABLES

	At 31 March	
	2020	2019
	JPY'000	*JPY'000*
Trade payables	**2,494,583**	1,523,086
Bills payable	**3,386**	–
	2,497,969	1,523,086

The ageing of trade and bills payables as at 31 March 2020 and 2019 is as follows:

	At 31 March	
	2020	2019
	JPY'000	*JPY'000*
Within 3 months	**2,373,238**	1,518,620
Over 3 months	**124,731**	4,466
	2,497,969	1,523,086

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

20. INTEREST-BEARING BANK BORROWINGS

	At 31 March	
	2020	2019
	JPY'000	*JPY'000*
Current		
Bank loans – unsecured	**8,600,000**	3,800,000
Analysed into:		
Bank loans repayable:		
Within one year	**8,600,000**	3,800,000

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

	At 31 March	
	2020	2019
Effective interest rates	**0.33%-0.53%**	0.33%-0.51%

At 31 March 2020 and 2019 there were no properties pledged to secure bank borrowings granted to the Group.

21. LEASE LIABILITIES

	At 31 March 2020
	JPY'000
At the end of the previous year	**–**
Impact of adopting IFRS 16 *(note 2.2)*	**1,325,896**
At the beginning of the year (restated)	**1,325,896**
Addition	**1,600,143**
Accretion of interest	**43,454**
Payment	**(852,724)**
Lease modification	**(36,475)**
Exchange realignment	**(36,978)**
At the end of the year	**2,043,316**

Maturity profile of lease liabilities as at 31 March 2020 is as follows:

	At 31 March 2020
	JPY'000
Within one year	**865,379**
In the second year	**545,106**
In the third to five years, inclusive	**520,533**
After five years	**160,110**
Total undiscounted lease liabilities	**2,091,128**
Discount amount	**(47,812)**
Total present value of lease liabilities	**2,043,316**
Portion classified as current liabilities	**(837,912)**
Non-current portion	**1,205,404**
Analysed into:	
Lease liabilities:	
Within one year	**837,912**
In the second year	**533,835**
In the third to fifth years, inclusive	**512,296**
Beyond five years	**159,273**
	2,043,316

22. EMPLOYEE DEFINED BENEFIT PLANS

Net employee defined benefit liabilities:

	At 31 March	
	2020	2019
	JPY'000	*JPY'000*
Retirement benefit plans	**904,809**	1,297,203

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 require 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 plans.

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 plans 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 have been carried out by Mizuho Trust & Banking Co., Ltd. and Professional Actuary Management Consulting Co., which are members of the actuarial society societies 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	
	2020	2019
	JPY'000	*JPY'000*
Current service cost	**78,092**	81,117
Interest cost	**2,277**	4,428
Net benefit expenses	**80,369**	85,545
Recognised in cost of sales	**27,888**	29,684
Recognised in selling and distribution costs	**35,533**	37,821
Recognised in administrative expenses	**16,948**	18,040
	80,369	85,545

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 2020 in the defined benefit obligations and fair value of plan assets:

	1 April 2019	**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 employer**	**31 March 2020**
	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	**3,437,388**	**78,092**	**6,118**	**84,210**	**(440,598)**	**–**	**(222,996)**	**2,165**	**(220,831)**	**–**	**2,860,169**
Fair value of plan assets	**(2,140,185)**	**–**	**(3,841)**	**(3,841)**	**93,512**	**97,669**	**–**	**–**	**97,669**	**(2,515)**	**(1,955,360)**
Benefit liability	**1,297,203**	**78,092**	**2,277**	**80,369**	**(347,086)**	**97,669**	**(222,996)**	**2,165**	**(123,162)**	**(2,515)**	**904,809**

Changes for the year ended 31 March 2019 in the defined benefit obligations and fair value of plan assets:

	1 April 2018	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 employer	31 March 2019
	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	3,454,031	81,117	12,040	93,157	(101,286)	–	(5,846)	(2,668)	(8,514)	–	3,437,388
Fair value of plan assets	(2,178,506)	–	(7,612)	(7,612)	52,514	(5,490)	–	–	(5,490)	(1,091)	(2,140,185)
Benefit liability	1,275,525	81,117	4,428	85,545	(48,772)	(5,490)	(5,846)	(2,668)	(14,004)	(1,091)	1,297,203

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

	At 31 March	
	2020	2019
	JPY'000	*JPY'000*
Stocks	**939,727**	1,099,170
Bonds	**796,943**	849,572
General account of life insurance companies	**140,101**	141,439
Others	**78,589**	50,004
Total	**1,955,360**	2,140,185

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

	At 31 March	
	2020	2019
	JPY'000	*JPY'000*
Method of allocating projected retirement benefits	**Projected unit credit method**	Projected unit credit method
Discount rate	**0.29%**	0.17%
Salary increase rate (age-based, on average)	**1.90%**	1.90%
Turnover rate (age-based, on average)	**4.90%**	4.90%
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 shown below:

		Increase/(decrease) in defined benefit obligations At 31 March	
		2020	2019
Assumption	*Change in assumption*	***JPY'000***	*JPY'000*
Discount rate	Increase by 0.5%	**(113,948)**	(125,561)
	Decrease by 0.5%	**113,948**	125,561

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 2020 and 2019 were 6.8 years and 7.4 years, respectively.

The actuarial valuation showed that the market value of plan assets was JPY1,955,360,000 and JPY2,140,185,000 as at 31 March 2020 and 2019 and represented 68% and 63% of the defined benefit obligations, respectively, that had accrued to qualified employees. The deficiency of JPY904,809,000 and JPY1,297,203,000 as at 31 March 2020 and 2019, respectively, is excepted to be cleared over the remaining service period.

23. SHARE CAPITAL AND TREASURY SHARES

	At 31 March	
	2020	2019
Issued capital: (As of 31 March 2020: 20,000,000,000 authorised shares of USD0.0000025 each, 605,642,500 ordinary shares in issue; As of 31 March 2019: 20,000,000,000 authorised shares of USD0.0000025 each, 609,050,000 ordinary shares in issue) USD	**1,514**	1,523
Equivalent to JPY	**153,000**	154,000

During the year ended 31 March 2020, the Company repurchased 3,407,500 Shares on the Hong Kong Stock Exchange at considerations of JPY214,282,000. All of the repurchased Shares were cancelled during the year.

A summary of movements in the Company's share capital and treasury shares is as follows:

	Number of shares in issue	**Share capital**	**Treasury shares**
		JPY'000	*JPY'000*
At 1 April 2018, 31 March 2019 and 1 April 2019	609,050,000	154	–
Repurchases of shares	–	–	(214,282)
Cancellation of treasury shares	(3,407,500)	(1)	214,282
At 31 March 2020	605,642,500	153	–

24. SHARE-BASED PAYMENT

The company operates a restricted share unit scheme ("the Scheme") for the purpose of providing incentives and rewards to eligible participants who will contribute to the success of the Group's operations. The Scheme includes three batches, which became effective on 20 October 2015 and 31 May 2016 ("2015 and 2016 RSU scheme") and 6 October 2017 ("2017 RSU scheme").

2015 and 2016 RSU scheme

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 individuals' 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 results for the fiscal year ended 31 March 2018 (whichever is earlier) and 30% on 30 April 2019 or the date on which the Company publishes its annual results for the fiscal year ended 31 March 2019 (whichever is earlier), which was accounted for as cancellation and modification of share-based payment.

During the year ended 31 March 2020, the vesting schedule of the 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 results for the fiscal year ended 31 March 2018 (whichever is earlier) and 30% on 30 June 2020, which was accounted for as cancellation and modification of share-based payment.

2017 RSU scheme

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

During the year ended 31 March 2020, the vesting schedule of the above RSUs was modified to 50% on 30 April 2018 or the date on which the Company publishes its annual results for the fiscal year ended 31 March 2018 (whichever is earlier) and 50% on 30 June 2020, which was accounted for as cancellation and modification of share-based payment.

The following RSUs were outstanding during the year:

	At 31 March	
	2020	2019
	Shares represented by RSUs	Shares represented by RSUs
At the beginning of the year	**4,212,608**	9,347,488
Forfeited during the year	**(465,699)**	(373,542)
Cancelled during the year	**–**	(381,030)
Exercised during the year	**–**	(4,380,308)
At the end of the year	**3,746,909**	4,212,608

The Group reversed RSU expenses of JPY607,000, which was immaterial, during the year ended 31 March 2020 upon the resignation of employees.

The Group recognised RSU expenses of JPY30,574,000 during the year ended 31 March 2019.

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of JPY1,600,143,000 and JPY1,600,143,000, respectively, in respect of lease arrangements for office properties shops and motor vehicles (31 March 2019: Nil).

(b) Changes in liabilities arising from financing activities are as follows:

	Interest-bearing bank borrowings	Dividend payable included in other payables	Lease liabilities
	JPY'000	*JPY'000*	*JPY'000*
At 1 April 2018	2,500,000	–	–
Changes from financing cash flows	1,300,000	(3,055,452)	–
Final dividend payable	–	3,055,452	–
At 31 March 2019	3,800,000	–	–
Impact of adopting IFRS 16 *(note 2.2)*	–	–	1,325,896
At 1 April 2019	3,800,000	–	1,325,896
Changes from financing cash flows	4,800,000	(7,100,717)	(809,270)
New leases	–	–	1,600,143
Interest expenses	–	–	43,454
Interest paid classified as operating cash flows	–	–	(43,454)
Lease modification	–	–	(36,475)
Foreign exchange movement	–	–	(36,978)
Final dividend payable	–	7,100,717	–
At 31 March 2020	8,600,000	–	2,043,316

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 March 2020
	JPY'000
Within operating activities	351,788
Within financing activities	809,270
	1,161,058

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save for the repurchase of shares of the Company set out below, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020:

Month/Year	Number of shares purchased	Price per share (Highest)	Price per share (Lowest)	Total consideration
		HK$	*HK$*	*HK$*
February 2020	2,955,000	4.58	3.96	12,981,200.40
March 2020	452,500	4.62	4.39	2,037,529.15
Total	3,407,500			15,018,629.55

The repurchases were effected for the benefit of the Company and the Shareholders as a whole by enhancing the value of net assets per share and earnings per share of the Company.

FINAL DIVIDEND

The Board recommends the payment of the 2019/2020 Final Dividend of JPY1.50 per share for the year ended 31 March 2020, amounting to approximately a total of JPY908.5 million, representing approximately 6.4% of the Group's distributable profits as at 31 March 2020, which is subject to the approval of the Company's shareholders at the forthcoming AGM. Together with the special dividend of JPY8.21 per share paid on 2 September 2019 and the interim dividend of JPY1.64 per share paid on 30 December 2019, total dividends for the year ended 31 March 2020 will amount to JPY11.35 per share and the total dividend payout will amount to JPY6,999.0 million, representing approximately 49.4% of the Group's distributable profits as at 31 March 2020.

The 2019/2020 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.

The 2019/2020 Final Dividend, if approved by the Company's shareholders at the forthcoming AGM, will be paid on Monday, 5 October 2020 to the shareholders of the Company whose names appear on the register of members of the Company as at Wednesday, 16 September 2020.

The distribution of the 2019/2020 Final Dividend will not be subject to withholding tax under the Cayman Islands laws.

CLOSURE OF REGISTER OF MEMBERS

For determining entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 7 September 2020 to Thursday, 10 September 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 4 September 2020 (Hong Kong time).

Subject to the approval of the declaration of 2019/2020 Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed on Wednesday, 16 September 2020 during which day no transfer of shares will be registered. In order to be qualified for the proposed final dividend, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 15 September 2020 (Hong Kong time).

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 2020, the Company has complied with all code provisions as set out in the CG Code save for the deviations 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 regular meetings to approve the annual results for the year ended 31 March 2019 and the interim results for the six months ended 30 September 2019. The Company has not held regular quarterly Board meetings 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 2020.

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 2020. 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 2020 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 consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited ("**HKEX**") (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 HKEX and that of the Company in due course.

For and on behalf of the Board
Honma Golf Limited
本間高爾夫有限公司
Liu Jianguo
Chairman

15 June 2020

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 and Mr. Ho Ping-hsien, Robert as non-executive Directors; and Mr. Lu Pochin Christopher, Mr. Wang Jianguo and Mr. Xu Hui as independent non-executive Directors.