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 2021

During the year ended 31 March 2021, the Company continued delivering steady results despite negative impacts of the COVID-19 pandemic on both the golf industry and its retail operations.

- Full year revenue decreased by 4.9% from the year ended 31 March 2020 to JPY22,735.1 million (equivalent to USD208.2 million) on a constant currency basis. With the gradual ease of the COVID-19 restrictions, golf business experienced unprecedented increase in demand and participation. In particular, revenue from China, Korea and the rest of the world rose robustly by 98.2%, 14.2% and 13.4%, respectively, on a constant currency basis yet diluted by markets beheld by continued pandemic interruptions. See "Management Discussion and Analysis – Financial Review – Revenue".

    - *By geography*. During the year ended 31 March 2021, some of the Group's main markets, such as China and Korea, reported record sales growth versus same period last year, while the rest, in particular Japan, North America and Europe, showed declines of different degrees, primarily due to continued negative impact from the global health crisis. Revenue from China and Korea rose robustly by 98.2% and 14.2%, respectively, on a constant currency basis on the back of a speedier recovery from the pandemic and the successful activation of products launched before the outbreak. On the other hand, revenue from Japan, North America and Europe declined by 39.7%, 25.8% and 25.0%, respectively, on a constant currency basis, primarily due to extended and in some parts, worsening impact from the COVID-19 pandemic.

- *By product*. During the same period, revenue from golf balls, apparels and accessories increased by 20.2%, 35.3% and 3.0%, respectively, on a constant currency basis from the year ended 31 March 2020. Such increases were primarily resulted from continued market penetration in HONMA's home markets, namely Japan, Korea and China, and product development in the non-club business segments since 2019. Revenue from golf clubs declined by 11.2% on a constant currency basis. While China and Korea recorded excellent growth in revenue from golf clubs of 125.6% and 7.0% on a constant currency basis, the rest of the markets for golf clubs exhibited negative developments, corresponding to the pace at which local governments responded to the pandemic.

- *By channel*. Revenue from self-operated stores remained resilient and recorded an increase of 12.2% on a constant currency basis from the year ended 31 March 2020. Despite significant disruptions in the Company's retail operations in Japan, China and other parts of the world for a big part of the year ended 31 March 2021, sales from self-operated stores remained strong primarily due to increased sales per store and continued retail operation optimization. In particular, e-commerce sales rose robustly and more than doubled during the same period. On the other hand, revenue from third-party retailers and wholesalers decreased by 9.8% on a constant currency basis as the Company's retail partners tried to reduce inventory following extended and lingered business closure.

- Gross profit margin remained relatively stable at 50.3% for the year ended 31 March 2021, as compared to 50.9% for the year ended 31 March 2020 albeit negative product mix impact.

- Full year profit before tax was JPY2,420.3 million (equivalent to USD22.2 million), up from a loss of JPY357.7 million for the year ended 31 March 2020.

- Operating cash flow remained positive and stood at JPY3,982.8 million (equivalent to USD36.5 million) for the year ended 31 March 2021.

PROPOSED FINAL DIVIDEND

Proposed final dividend of JPY1.7 per share, amounting to approximately a total of JPY1,029.6 million for the year ended 31 March 2021 and representing approximately 8.2% of the Group's distributable profits as at 31 March 2021. Together with the interim dividend of JPY1.5 per share paid on 28 December 2020, total dividends for the year ended 31 March 2021 will amount to JPY3.2 per share and the total dividend payout will amount to JPY1,938.1 million, representing approximately 14.5% of the Group's distributable profits as at 31 March 2021.

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 2021. 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.

The Company will be celebrating its 64th anniversary of HONMA in 2022. In January 2021, HONMA stepped up its tour presence in Asia with the announcement of a brand new HONMA team consisting of six additional female players whom are considered rising stars by the golf industry. The announcement came right before Asian markets started its new season and attracted wide attention from younger golfers in super-premium and premium-performance segments.

Overview of Key Operating Results

The global golf industry has seen continued increases across the globe in purchase interest and participation. 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 to enrich its TOUR WORLD family clubs to include a performance enhancement series, and to continue with its legacy BERES family clubs with however a modern and sophisticated approach.

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 of its latest new products targeting super-premium and premium-performance segments. The majority of the Group's self-operated stores experienced business interruptions for a good part of the year ended 31 March 2021. On a constant currency basis, the Group's revenue decreased by 4.9% as compared to the year ended 31 March 2020.

Market wise, China and Korea continued to lead the way in terms of growth, delivering a year on year revenue growth of 98.2% and 14.2%, respectively, on a constant currency basis, primarily due to a speedier recovery from the pandemic and the successful activation of products launched before the outbreak. On the other hand, revenue from Japan, North America and Europe declined by 39.7%, 25.8% and 25.0%, respectively, on a constant currency basis, primarily due to extended and in some parts, worsening impact from the COVID-19 pandemic. Japan, Korea and China contributed 81.1% of total revenue.

Since May 2020, the golf industry experienced encouraging recoveries, as a good majority of the golf courses in Asia, the US and Europe re-opened for play under social distancing rules. Since then, there have been steady and in some markets unprecedented increase in the returned and new golf participation, and rounds played rose in most of the Group's major markets.

Highlights of Major Achievements

For the year ended 31 March 2021, the Company steadfastly followed its growth strategies and delivered, 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 all its digital platforms to promote brand awareness and to appeal to the younger golfers. The rapid increase of HONMA's digital communications has generated continued improvement 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 revamped and/or launched customer relationship management ("**CRM**") systems in multiple markets and added various e-commerce capabilities and consumer-facing custom tools thereon, to provide consumers with the ultimate 360-degree brand experience, to strengthen HONMA's direct to consumer communication and to eventually increase sales both online and offline.

- ***Focusing on club products that best represent Japanese traditional craftsmanship and innovative technology in pursuit of 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. HONMA applied several of its revolutionary proprietary technologies to the design and development of its new GS series, the second performance enhancement series under the TOUR WORLD club family, designed for avid golfers with a handicap of eight to twenty. GS was launched in January 2021. In December 2019, HONMA launched BERES 07 targeting super-premium consumers. Driven by the new product offerings, golf club sales grew by 30.1% from China, Korea and the rest of the world combined, reconfirming HONMA's strong brand equity and its ability to withstand economic challenges since HONMA went into the golf business in 1959.

- ***Accelerating growth in golf 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 continues to derive most of its revenue from the sale and distribution of golf clubs. For the year ended 31 March 2021, golf clubs generated 74.0% of the Company's total sales. Following continued and mid-double-digit growth in revenue from golf balls over the past years, the Company further prioritized its product development resources and launched golf balls with its own patent in order to meet the HONMA brand positioning and the play preferences and performance demands of its club users. Despite of the lingering negative impacts from the pandemic on the Company's retail activities, revenue from golf balls increased by 20.2% on a constant currency basis, as compared to the year ended 31 March 2020.

  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 2021 included mostly sales from the 2020 Fall Winter collections and the 2021 Spring Summer collections. In spite of the negative impact of COVID-19 pandemic on the Company's retail activities, apparel sales grew by 35.3% on a constant currency basis during this period.

- ***De-risking HONMA's 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 2021, in response to continued business disruptions in North America, the Company slowed the pace at which elevated store presence was rolled out while maintaining its mobile vans coverage to bring total HONMA fitting experience to the golfer's home course. As at 31 March 2021, the Company had 83 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. As at 31 March 2021, the Company maintained 12 mobile vans covering all major golf states and areas.

  The Company continued to make investments into its e-commerce website to create another important brand touchpoint for 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. For the year ended 31 March 2021, the Company has seen site visits almost doubled and average order value climbed to more than one thousand U.S. dollar, which trend continued into March 2021 albeit negative impact from COVID-19. The strong performance is a good evidence of HONMA's brand building and consumer interest in its 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 51 new points of sales ("**POS**") while closing none in the year ended 31 March 2021, hence increasing its total POSs to 591 by 31 March 2021.

- ***360-degree brand experience built into new retail space and environments.*** The Company retained a leading design and marketing agency 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 2021, the Company opened five new stores in Japan, ten in China and three in Taiwan, 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 in order to ultimately 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 2021, HONMA hosted over 3,000 customer days across its main markets, most of which were held on golf courses with dedicated fitters.

- ***Sponsoring TEAM HONMA players.*** As at 31 March 2021, TEAM HONMA consisted of 17 professional golf players. In July 2019, TEAM HONMA player Feng Shan-Shan claimed the title of Thornberry Creek LPGA Classic. The Company believes her image, endorsement and continued success on professional golf tournaments will continue to help drive its sales growth, especially in China. The Company is also in the process of securing additional and younger players in Asia with visible social media following to anchor brand redefinition and to better appeal to younger and avid golfers.

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. The Group uses 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. The Group leverages its 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:

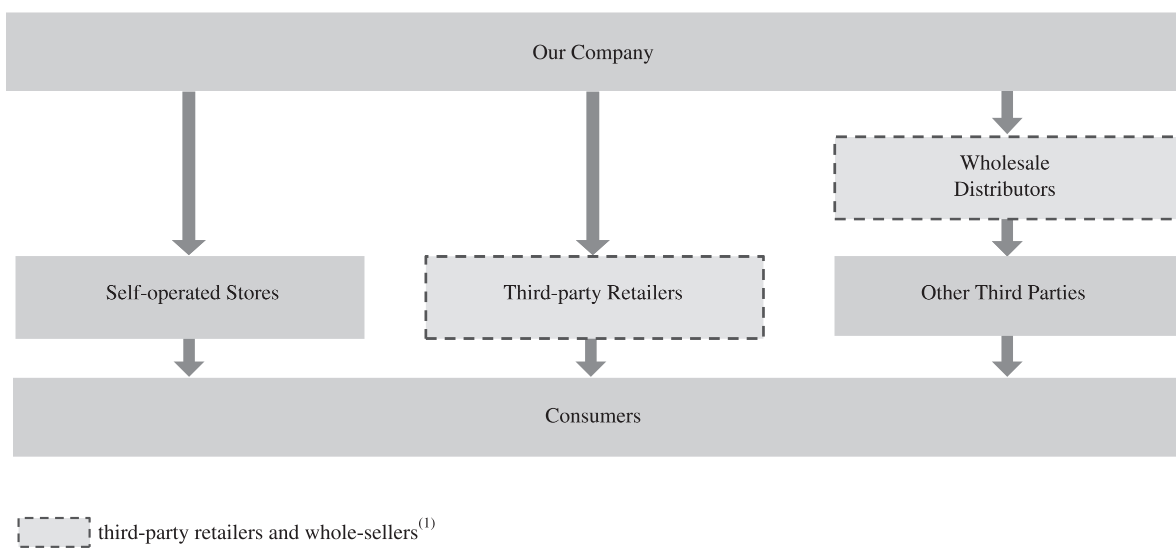
1 High Price Low Enthusiasm	**Design & Price**	2 High Price Middle Enthusiasm	**Primarily Design**	3 High Price High Enthusiasm	**Design & Performance**
4 Middle Price Low Enthusiasm	**Performance & Price**	5 Middle Price Middle Enthusiasm	**Performance & Design**	6 Middle Price High Enthusiasm	**Primarily 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. In addition, the Company launched BERES 07 in December 2019 to strengthen its market position in the super-premium segment.

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 included retailers and wholesalers. 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 2021, the Group had 80 HONMA-branded self-operated stores, 78 of which were located in Asia and the rest in the US. The Group opened five new self-operated stores and closed three stores in Japan, opened ten new self-operated stores and closed 12 stores in China, closed one store in the US and opened three new self-operated stores and closed one store in Taiwan in the year ended 31 March 2021. 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 2021:

	For the year ended 31 March 2021			
	Period start	**Opened**	**Closed**	**Period end**
Japan	29	5	3	31
China (including Hong Kong and Macau)	37	10	12	35
US	3	–	1	2
Rest of Asia	10	3	1	12
Total	79	18	17	80

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 2021, the Group had five fitting centers, including two in Japan, two in China and one in Korea.

As at 31 March 2021, the Group had approximately 3,935 POSs, representing a year-on-year increase of 16 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 2021, the Group's products were sold at 1,544 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 and relaunched its social media platforms in various countries in January 2019. These efforts 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 revamped its 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. The Company is the only major golf products company that utilizes professional handcrafted techniques together with significant in-house manufacturing capabilities. The Group conducts all key manufacturing processes for golf clubs at its campus located in Sakata, Yamagata prefecture of Japan (the "**Sakata Campus**"), while outsourcing non-core processes to its well-respected suppliers. This combination of in-house and outsourced manufacturing processes enables the Group to control core technical know-how and intellectual property and ensure the quality of products while controlling production costs.

Located on an approximately 163,000 square metre parcel of land, the Sakata Campus is staffed with approximately 221 craftsmen, 21 of whom are master craftsmen with approximately 35 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 2021, the Group had 765 employees worldwide, a 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 benefit expenses amounted to JPY4,646.3 million for the year ended 31 March 2021.

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, the Group has started a series of actions that will help re-define and transform the HONMA brand in an age of technological innovation while maintaining its 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 latest launch of GS series, the second performance enhancement series under the TOUR WORLD club family, have generated great consumer and media buzz for HONMA.

Outlook

Business Outlook

The current financial year continued to experience an extremely challenging operating environment and a lot of uncertainties about the future. Since May 2020, the golf industry gradually recovered. As the COVID-19 related regulatory restrictions began to ease from Asia to Europe and North America, the Company observed pent-up demand to play golf, visible increase in new and returning golfers and an uptick in new orders from both end consumers and retailers.

For the year ahead, the Group will continue executing its long-term growth strategy to build a world-leading golf lifestyle company leveraging HONMA's brand legacy, its expanding distribution network and innovative technologies and traditional Japanese craftsmanship. In the face of uncertainties posed by the COVID-19 pandemic, the Company will continue to take active actions to reduce cost, maximize liquidity and protect its employees' health.

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 lies with continuous enhancement of brand awareness and loyalty, HONMA plans to continue upgrading its offline and online retail experiences based on the updated HONMA brand image, retail and visual guidelines. In Asia, HONMA 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, Korea, Taiwan, the US and Europe. All these stores will form the centrepiece of HONMA's new consumer touchpoints 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, it believes that there is still significant room to increase its 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 its distribution strategy.*** North America accounts for more than half of the global golf market. During the year ended 31 March 2021, HONMA continued implementing unique direct to consumer distribution strategy, and now possess 83 retail POSs with elevated retail presence and 12 mobile vans that are capable of performing fitting events at major golf courses in North America. In October 2019, HONMA opened its first flagship store in Carlsbad, California, which further increased HONMA's brand awareness. 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. The new GS series, the second performance enhancement series under the TOUR WORLD club family, designed for avid golfers with a handicap of eight to twenty, was launched in January 2021, which is expected to 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.*** In 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 its 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 four apparel collections, 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 JPY343.9 million and JPY259.4 million for the year ended 31 March 2020 and 2021, respectively. The Group has also 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 2022 as the Group has seen in the year ended 31 March 2021. These challenges include anticipated slowdown of GDP growths in the Company's major markets, increased supply chain challenges under inflation pressure and sustained if not accelerating outbreak of COVID-19 which has and will continue to cause market turbulence and economic uncertainties. Since early 2020, the Group has 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 its self-operated stores and retailers in China and its supply base in China and Japan have been interrupted by the COVID-19 outbreak in the year ended 31 March 2021, following the introduction of mandatory restrictive or lockdown measures by governmental authorities.

Since May 2020, the golf industry started to experience encouraging recoveries, as a good majority of the golf courses in Asia, the US and Europe re-opened for play under social distancing rules. Since then, there have been steady and in some markets unprecedented increase in the returned and new golf participation, and rounds played rose in most of the Group's major markets. The Group's revenue rose robustly in China and Korea for the year ended 31 March 2021 on the back of a speedier recovery from the pandemic and the successful activation of products launched before the outbreak. The Company does expect the golf industry to gradually go back to the new norm.

The Group also believes that the year ending 31 March 2022 will be a crucial period for it to execute its growth strategies. The Group is confident in its ability to mitigate the adverse impacts of the COVID-19 outbreak and will seize every possible opportunities to preserve cash, to right size its organization to foster a solid foundation for the mid- and long-term development with respect to its 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 2020 to the year ended 31 March 2021:

	For the year ended 31 March				
	2021		2020		**Year-on-Year Change**
	JPY	*%*	*JPY*	*%*	*%*
	(In thousands, except for percentages and per share data)				
Consolidated Statement of Profit or Loss					
Revenue	**22,735,119**	**100.0**	23,787,214	100.0	(4.4)
Cost of sales	**(11,289,914)**	**(49.7)**	(11,669,597)	(49.1)	(3.3)
Gross profit	**11,445,205**	**50.3**	12,117,617	50.9	(5.5)
Other income and gains	**1,538,719**	**6.8**	67,908	0.3	2,165.9
Selling and distribution expenses	**(8,930,887)**	**(39.3)**	(9,546,408)	(40.1)	(6.4)
Administrative expenses	**(1,217,804)**	**(5.4)**	(2,186,825)	(9.2)	(44.3)
Other expenses, net	**(351,232)**	**(1.5)**	(831,289)	(3.5)	(57.7)
Finance costs	**(76,225)**	**(0.3)**	(69,191)	(0.3)	10.2
Finance income	**12,531**	**0.1**	90,509	0.4	(86.2)
Profit/(loss) before tax	**2,420,307**	**10.6**	(357,679)	(1.5)	776.7
Income tax expense	**(561,201)**	**(2.5)**	(374,734)	(1.6)	49.8
Net profit/(loss)	**1,859,106**	**8.2**	(732,413)	(3.1)	353.8
Earnings/(loss) per share attributable to ordinary equity holders of the parent:					
Basic and diluted					
– For profit/(loss) for the year (JPY)	**3.07**		(1.20)		N/A
Non-IFRS Financial Measure					
Adjusted SG&A(1)	**(10,148,691)**	**(44.6)**	(11,733,948)	(49.3)	(13.5)
Operating profit(2)	**1,232,820**	**5.4**	405,095	1.7	204.3
Net operating profit(3)	**759,751**	**3.3**	33,490	0.1	2,168.6

Notes:

(1) Adjusted SG&A is derived from the sum of (i) selling and distribution expenses and (ii) 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 (i) selling and distribution expenses and (ii) administrative expenses, see "Management Discussion and Analysis – Financial Review – Non-IFRS Financial Measures – Adjusted SG&A".

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

(3) Net operating profit is derived from net profit/(loss) 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. For a reconciliation of net operating profit to net profit/(loss), see "Management Discussion and Analysis – Financial Review – Non-IFRS Financial Measures – Net Operating Profit".

Revenue

The Group's total revenue decreased by 4.4% from JPY23,787.2 million for the year ended 31 March 2020 to JPY22,735.1 million for the year ended 31 March 2021.

Constant Currency Revenue

On a constant currency basis, the Group's total revenue decreased by 4.9% from the year ended 31 March 2020 to the year ended 31 March 2021. For the purpose of calculating constant currency revenue, the Group has used the average exchange rate of the year ended 31 March 2020 to translate sales recorded during the year ended 31 March 2021, to the extent that the original currency for such sales is not in Japanese yen.

Constant currency revenue 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 by product groups in 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	
	2021		2020		on as reported basis	on constant currency basis[1]
	JPY	*%*	*JPY*	*%*	*%*	*%*
	(In thousands, except for percentages)					
Golf clubs	**16,818,174**	**74.0**	18,838,711	79.2	(10.7)	(11.2)
Golf balls	**2,659,248**	**11.7**	2,205,839	9.3	20.6	20.2
Apparels	**1,727,014**	**7.6**	1,263,481	5.3	36.7	35.3
Accessories and other related[2]	**1,530,683**	**6.7**	1,479,183	6.2	3.5	3.0
Total	**22,735,119**	**100.0**	23,787,214	100.0	(4.4)	(4.9)

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 10.7% from JPY18,838.7 million for the year ended 31 March 2020 to JPY16,818.2 million for the year ended 31 March 2021. On a constant currency basis, revenue for golf clubs decreased by 11.2% during the same period. The decrease in golf clubs was primarily attributable to negative impacts from COVID-19 on the Company's supply chain, as well as retail activities in markets such as Japan, North America and Europe.

Revenue for golf balls increased by 20.6% from JPY2,205.8 million for the year ended 31 March 2020 to JPY2,659.2 million for the year ended 31 March 2021. On a constant currency basis, revenue for golf balls increased by 20.2% during the same period. Revenue for apparels increased by 36.7% from JPY1,263.5 million for the year ended 31 March 2020 to JPY1,727.0 million for the year ended 31 March 2021. On a constant currency basis, revenue for apparels increased by 35.3% during the same period. Revenue for accessories and other related products increased by 3.5% from JPY1,479.2 million for the year ended 31 March 2020 to JPY1,530.7 million for the year ended 31 March 2021. On a constant currency basis, revenue for accessories and other related products increased by 3.0% during the same period. Such increases were primarily resulted from continued market penetration in HONMA's home markets, namely Japan, Korea and China, and product development in the non-club business segments since 2019.

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	
	2021		2020		on as reported basis	on constant currency basis[1]
	JPY	*%*	*JPY*	*%*	*%*	*%*
	(In thousands, except for percentages)					
Japan	**6,544,915**	**28.8**	10,861,823	45.7	(39.7)	(39.7)
Korea	**6,383,392**	**28.1**	5,588,999	23.5	14.2	14.2
China (including Hong Kong and Macau)	**5,512,022**	**24.2**	2,750,992	11.6	100.4	98.2
North America	**918,542**	**4.0**	1,238,979	5.2	(25.9)	(25.8)
Europe	**947,473**	**4.2**	1,231,107	5.2	(23.0)	(25.0)
Rest of the World	**2,428,775**	**10.7**	2,115,314	8.8	14.8	13.4
Total	**22,735,119**	**100.0**	23,787,214	100.0	(4.4)	(4.9)

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 its home markets, namely Japan, Korea and China (including Hong Kong and Macau) accounted for 81.1% of the Group's total revenue for the year ended 31 March 2021.

Revenue from Korea recorded a double-digit growth of 14.2% for the eighth consecutive year from JPY5,589.0 million for the year ended 31 March 2020 to JPY6,383.4 million for the year ended 31 March 2021. In the year ended 31 March 2021, the Group continuously increased its market share in Korea through intensive TV and social media campaigns to drive HONMA brand and product awareness and sales conversion 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 golf ball and apparel businesses. Revenue from China (including Hong Kong and Macau) increased significantly by 100.4% from JPY2,751.0 million for the year ended 31 March 2020 to JPY5,512.0 million for the year ended 31 March 2021. On a constant currency basis, revenue for China (including Hong Kong and Macau) increased by 98.2% during the same period. The abovementioned increases in revenue from Korea and China were mainly attributed to a speedier recovery from the pandemic and the successful activation of products launched before the outbreak.

Revenue from Japan decreased by 39.7% from JPY10,861.8 million for the year ended 31 March 2020 to JPY6,544.9 million for the year ended 31 March 2021. Revenue from North America decreased by 25.9% from JPY1,239.0 million for the year ended 31 March 2020 to JPY918.5 million for the year ended 31 March 2021. On a constant currency basis, revenue for North America decreased by 25.8% during the same period. Revenue from Europe decreased by 23.0% from JPY1,231.1 million for the year ended 31 March 2020 to JPY947.5 million for the year ended 31 March 2021. On a constant currency basis, revenue from Europe decreased by 25.0% during the same period. These decreases were primarily due to extended and in some parts, worsening impact from the COVID-19 pandemic.

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	
	2021		2020		**on as reported basis**	**on constant currency basis[1]**
	JPY	*%*	*JPY*	*%*	*%*	*%*
	(In thousands, except for percentages)					
Self-operated stores	**5,972,588**	**26.3**	5,282,206	22.2	13.1	12.2
Third-party retailers and wholesalers	**16,762,531**	**73.7**	18,505,008	77.8	(9.4)	(9.8)
Total	**22,735,119**	**100.0**	23,787,214	100.0	(4.4)	(4.9)

Note:

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

Revenue from self-operated stores increased by 13.1% from JPY5,282.2 million for the year ended 31 March 2020 to JPY5,972.6 million for the year ended 31 March 2021. On a constant currency basis, revenue from self-operated stores increased by 12.2% during the same period. Despite significant disruptions in the Company's retail operations in Japan, China and other parts of the world for a big part of the year ended 31 March 2021, sales from self-operated stores remained strong primarily due to increased sales per store and continued retail operation optimization. In particular, e-commerce sales rose robustly and more than doubled during the same period.

Revenue from sales to third-party retailers and wholesalers decreased by 9.4% from JPY18,505.0 million for the year ended 31 March 2020 to JPY16,762.5 million for the year ended 31 March 2021. On a constant currency basis, revenue from third-party retailers and wholesalers decreased by 9.8% during the same period. The decrease was because the Company's retail partners tried to reduce inventory following extended and lingered business closure.

Cost of Sales

Cost of sales decreased by 3.3% from JPY11,669.6 million for the year ended 31 March 2020 to JPY11,289.9 million for the year ended 31 March 2021. 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			
	2021		2020	
	JPY	***%***	*JPY*	*%*
	(In thousands, except for percentages)			
Raw materials	**6,043,896**	**53.5**	6,988,343	59.9
Employee benefits	**1,139,338**	**10.1**	1,191,707	10.2
Manufacturing overhead[1]	**620,559**	**5.5**	399,080	3.4
Finished goods purchased from suppliers	**3,486,121**	**30.9**	3,090,467	26.5
Total	**11,289,914**	**100.0**	11,669,597	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 5.5% from JPY12,117.6 million for the year ended 31 March 2020 to JPY11,445.2 million for the year ended 31 March 2021. Gross profit margin decreased from 50.9% for the year ended 31 March 2020 to 50.3% for the year ended 31 March 2021.

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			
	2021		2020	
	JPY	***%***	*JPY*	*%*
	(In thousands, except for percentages)			
Golf clubs	**8,616,029**	**51.2**	9,959,117	52.9
Golf balls	**1,195,413**	**45.0**	865,206	39.2
Apparels	**1,023,706**	**59.3**	790,114	62.5
Accessories and other related[1]	**610,057**	**39.9**	503,180	34.0
Total	**11,445,205**	**50.3**	12,117,617	50.9

Note:

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

Gross profit for golf clubs decreased by 13.5% from JPY9,959.1 million for the year ended 31 March 2020 to JPY8,616.0 million for the year ended 31 March 2021. Gross profit margin for golf clubs decreased from 52.9% for the year ended 31 March 2020 to 51.2% for the year ended 31 March 2021, primarily due to decrease in Japan's gross margin percentage resulting from extended negative impacts from COVID-19 which hit the sales of BERES golf club family the most.

Gross profit for golf balls increased by 38.2% from JPY865.2 million for the year ended 31 March 2020 to JPY1,195.4 million for the year ended 31 March 2021. Gross profit margin for golf balls increased from 39.2% for the year ended 31 March 2020 to 45.0% for the year ended 31 March 2021, primarily due to pricing harmonization from enhancement in product mix.

Gross profit for apparels increased by 29.6% from JPY790.1 million for the year ended 31 March 2020 to JPY1,023.7 million for the year ended 31 March 2021, primarily due to increased brand and product recognition for HONMA's apparels, rigorous price management initiatives and upgrade in HONMA's supplier base. Gross profit margin for apparels decreased from 62.5% for the year ended 31 March 2020 to 59.3% for the year ended 31 March 2021, primarily due to a one-off clearance in Japan for old inventories.

Gross profit for accessories and other related products increased by 21.2% from JPY503.2 million for the year ended 31 March 2020 to JPY610.1 million for the year ended 31 March 2021. Gross profit margin for accessories and other related products increased from 34.0% for the year ended 31 March 2020 to 39.9% for the year ended 31 March 2021, primarily due to continued sourcing improvement efforts.

Other Income and Gains

Other income and gains increased significantly from JPY67.9 million for the year ended 31 March 2020 to JPY1,538.7 million for the year ended 31 March 2021, primarily due to an increase in foreign exchange gain of JPY1,118.9 million.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 6.4% from JPY9,546.4 million for the year ended 31 March 2020 to JPY8,930.9 million for the year ended 31 March 2021. The decrease was primarily due to decreases in employee benefits and advertising and promotion expenses due to discretionary cost control measures taken by the Company to mitigate the negative impact of the COVID-19 pandemic. As a result, selling and distribution expenses as a percentage of revenue decreased from 40.1% for the year ended 31 March 2020 to 39.3% for the year ended 31 March 2021. 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			
	2021		2020	
	JPY	*%*	*JPY*	*%*
	(In thousands, except for percentages)			
Employee benefits	**3,128,828**	**35.0**	3,363,984	35.2
Advertising and promotion expenses	**2,218,561**	**24.8**	2,888,334	30.3
Depreciation of right-of-use assets	**987,987**	**11.1**	832,259	8.7
Rental fees	**357,667**	**4.0**	419,959	4.4
Others[(1)]	**2,237,844**	**25.1**	2,041,872	21.4
Total	**8,930,887**	**100.0**	9,546,408	100.0

Note:

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

Administrative Expenses

Administrative expenses decreased by 44.3% from JPY2,186.8 million for the year ended 31 March 2020 to JPY1,217.8 million for the year ended 31 March 2021, primarily because there was a one-off bad debt provision of JPY675.6 million during the year ended 31 March 2020.

Other Expenses, Net

Other expenses decreased by 57.7% from JPY831.3 million for the year ended 31 March 2020 to JPY351.2 million for the year ended 31 March 2021, primarily due to reduced foreign exchanges losses.

Finance Costs

Finance costs increased by 10.2% from JPY69.2 million for the year ended 31 March 2020 to JPY76.2 million for the year ended 31 March 2021, primarily due to an increase in average bank borrowings.

Finance Income

Finance income decreased by 86.2% from JPY90.5 million for the year ended 31 March 2020 to JPY12.5 million for the year ended 31 March 2021, primarily due to lower deposit interest rate.

Profit Before Tax

As a result of the foregoing, profit before tax for the year ended 31 March 2021 was JPY2,420.3 million.

Income Tax Expense

Income tax expense increased by 49.8% from JPY374.7 million for the year ended 31 March 2020 to JPY561.2 million for the year ended 31 March 2021. The Group's effective tax rate increased from negative 104.8% for the year ended 31 March 2020 to 23.2% for the year ended 31 March 2021.

Net Profit

As a result of the foregoing, net profit for the year ended 31 March 2021 was JPY1,859.1 million. Net profit margin for the year ended 31 March 2021 was 8.2%.

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/(loss) before tax, the nearest IFRS performance measure, and net operating profit does not include all items that have impacted net profit/(loss), the nearest IFRS performance measure.

Adjusted SG&A

The Group derives adjusted SG&A from the sum of (i) selling and distribution expenses and (ii) 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 (i) selling and distribution expenses and (ii) administrative expenses for the years indicated:

	For the year ended 31 March	
	2021	2020
	(In JPY thousands)	
Selling and distribution expenses	**8,930,887**	9,546,408
Administrative expenses	**1,217,804**	2,186,825
Adjustment for:		
RSU expenses in relation to sales and marketing staff and administrative staff	**–**	715
Adjusted SG&A	**10,148,691**	11,733,948

Operating Profit

The Group derives operating profit from profit/(loss) 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/(loss) before tax for the years indicated:

	For the year ended 31 March	
	2021	2020
	(In JPY thousands)	
Profit/(loss) before tax	**2,420,307**	(357,679)
Adjustment for:		
Other income and gains	**(1,538,719)**	(67,908)
Other expenses	**351,232**	831,289
RSU expenses	**–**	(607)
Operating profit	**1,232,820**	405,095

Net Operating Profit

The Group derives net operating profit from net profit/(loss) 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/(loss) for the years indicated:

	For the year ended 31 March	
	2021	2020
	(In JPY thousands)	
Net profit/(loss)	**1,859,106**	(732,413)
Adjustment for:		
Other income and gains	**(1,538,719)**	(67,908)
Other expenses	**351,232**	831,289
RSU expenses	**–**	(607)
Impact on tax	**88,132**	3,129
Net operating profit	**759,751**	33,490

Working Capital Management

	For the year ended 31 March	
	2021	2020
Inventories turnover days[(1)]	**314**	268
Trade and bills receivables turnover days[(2)]	**112**	139
Trade and bills payables turnover days[(3)]	**69**	63

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 and bills payables turnover days are calculated using the average of opening balance and closing balance of trade and bills 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 2020, inventories turnover days increased by 46 days for the year ended 31 March 2021, primarily due to negative impact from COVID-19 where some of the Company's third-party retailers and wholesalers reduced purchase. During the same period, trade and bills receivables turnover days decreased by 27 days for the year ended 31 March 2021, primarily due to strengthened collection during COVID-19. Trade and bills payables turnover days increased by six days for the year ended 31 March 2021, primarily due to payment term improvements attained vis-à-vis major suppliers of the Company.

Inventories

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

	As at 31 March 2021	As at 31 March 2020
	(In JPY thousands)	
Raw materials	**2,375,810**	2,200,698
Work in progress	**1,421,394**	1,105,279
Finished goods	**7,060,058**	7,106,722
Less: provision	**(1,033,923)**	(822,734)
Total	**9,823,339**	9,589,965

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

	As at 31 March 2021	As at 31 March 2020
	(In JPY thousands)	
Within 1 year	**4,474,564**	5,984,035
1 year to 2 years	**3,400,240**	1,793,830
2 to 3 years	**901,664**	1,072,500
3 to 4 years	**678,960**	435,545
Over 4 years	**367,911**	304,055
Total	**9,823,339**	9,589,965

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 12 months.

Liquidity and Capital Resources

During the year ended 31 March 2021, 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 2021, the Group had JPY10,771.9 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 on 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 2021.

Indebtedness

As at 31 March 2021, the Group's interest-bearing bank borrowings amounted to JPY8,025.6 million, mainly of which were denominated in Japanese yen and carry interest at variable rates. All of such borrowings were unsecured and most of them were payable within one year. The effective interest rate for the balance of the Group's interest-bearing bank borrowings as at 31 March 2021 ranged from 0.33% to 0.54%.

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 2021, the Group's gearing ratio was 49.4% (as at 31 March 2020, the Group's gearing ratio was 50.1%).

Capital Expenditures

The Group's capital expenditures for the year ended 31 March 2021 amounted to JPY601.6 million, which was used primarily to purchase plant machinery and equipments, office equipments and leasehold improvement. In the year ended 31 March 2021, the Group financed its capital expenditures primarily with cash generated from operations.

Contingent Liabilities

As at 31 March 2021, 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 2021.

Material Acquisitions and Future Plans for Major Investment

During the year ended 31 March 2021, 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 JPY16,798.0 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 Company'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 2021	Percentage of unused balance as at 31 March 2021	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	13.0	–	N/A
Repayment of interest-bearing bank borrowings	17.3	2,906	17.1	0.2[4]	N/A[4]
Providing funding for working capital and other general corporate purposes	10.1	1,697	10.1	–	N/A
Total	100.0	16,798	70.4	29.6	

Notes:

(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 at the date of this announcement, the Group had not identified, committed to or entered into negotiations with any acquisition targets for its use of net proceeds from the global offering; hence it has no specific expected timeframe for fully utilizing such proceeds. The Group 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 its growth strategies.

(4) As at the date of this announcement, the Group has repaid the interest-bearing bank borrowings intended to be repaid through the proceeds from the global offering in full. The difference between the intended use of proceeds from the global offering and the actual repayment was due to the changes in foreign exchange rates. For the remaining unused net proceeds, the Group plans to use for general corporate purpose. As at the date of this announcement, the Group has not used the remaining 0.2% of the unused balance and will evaluate suitable usage based on its business needs.

As at 31 March 2021, the unused balance of the proceeds from the global offering of approximately JPY4,972.2 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 JPY1.7 per share, amounting to approximately a total of JPY1,029.6 million for the year ended 31 March 2021 (the "**2020/2021 Final Dividend**"), representing approximately 8.2% of the Group's distributable profits as at 31 March 2021. The 2020/2021 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:JPY109.22. 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 2021 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2021

	Notes	Year ended 31 March 2021 *JPY'000*	2020 *JPY'000*
REVENUE	*4*	**22,735,119**	23,787,214
Cost of sales	*8*	**(11,289,914)**	(11,669,597)
Gross profit		**11,445,205**	12,117,617
Other income and gains	*4*	**1,538,719**	67,908
Selling and distribution expenses		**(8,930,887)**	(9,546,408)
Administrative expenses		**(1,217,804)**	(2,186,825)
Other expenses, net	*5*	**(351,232)**	(831,289)
Finance costs	*6*	**(76,225)**	(69,191)
Finance income	*7*	**12,531**	90,509
PROFIT/(LOSS) BEFORE TAX	*8*	**2,420,307**	(357,679)
Income tax expense	*9*	**(561,201)**	(374,734)
PROFIT/(LOSS) FOR THE YEAR		**1,859,106**	(732,413)
Attributable to:			
Owners of the parent		**1,859,041**	(732,363)
Non-controlling interests		**65**	(50)
		1,859,106	(732,413)
Earnings/(loss)per share attributable to ordinary equity holders of the parent (expressed in JPY per share)			
Basic and diluted			
– For profit/(loss) for the year	*11*	**3.07**	(1.20)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2021

	Year ended 31 March	
	2021	2020
	JPY'000	*JPY'000*
PROFIT/(LOSS) FOR THE YEAR	**1,859,106**	(732,413)
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(80,225)**	53,961
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(80,225)**	53,961
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Defined benefit plans:		
Remeasurement gains	**118,351**	123,162
Income tax effect	**(29,623)**	(38,326)
	88,728	84,836
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**1,684**	(2,143)
Income tax effect	**(495)**	630
	1,189	(1,513)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**89,917**	83,323
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**9,692**	137,284
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**1,868,798**	(595,129)
Attributable to:		
Owners of the parent	**1,868,733**	(595,079)
Non-controlling interests	**65**	(50)
	1,868,798	(595,129)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Notes	At 31 March 2021	2020
		JPY'000	JPY'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**2,348,288**	2,634,443
Right-of-use assets	13	**2,374,208**	1,897,674
Freehold land	14	**1,940,789**	1,940,789
Intangible assets		**207,812**	293,850
Finance lease receivables	15	**67,187**	86,953
Other non-current assets		**842,462**	828,698
Deferred tax assets		**1,081,362**	1,502,459
Total non-current assets		**8,862,108**	9,184,866
CURRENT ASSETS			
Inventories	16	**9,823,339**	9,589,965
Trade and bills receivables	17	**5,558,253**	8,391,262
Prepayments, deposits and other receivables		**1,420,860**	1,238,129
Finance lease receivables	15	**21,573**	20,302
Pledged deposits		**35,467**	–
Cash and cash equivalents	18	**10,771,897**	10,472,793
Total current assets		**27,631,389**	29,712,451
CURRENT LIABILITIES			
Trade and bills payables	19	**1,799,142**	2,497,969
Other payables and accruals		**1,650,510**	2,122,465
Interest-bearing bank borrowings	20	**8,000,000**	8,600,000
Lease liabilities	21	**982,405**	837,912
Income tax payable		**384,398**	1,201,467
Total current liabilities		**12,816,455**	15,259,813
NET CURRENT ASSETS		**14,814,934**	14,452,638
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,677,042**	23,637,504

	Notes	At 31 March 2021 JPY'000	At 31 March 2020 JPY'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*20*	**25,570**	–
Lease liabilities	*21*	**1,518,006**	1,205,404
Net employee defined benefit liabilities	*22*	**630,613**	904,809
Deferred tax liabilities		**85,980**	196,902
Other non-current liabilities		**95,737**	66,592
Total non-current liabilities		**2,355,906**	2,373,707
NET ASSETS		**21,321,136**	21,263,797
EQUITY			
Equity attributable to owners of the parent			
Share capital	*23*	**153**	153
Reserves		**21,366,617**	21,309,343
		21,366,770	21,309,496
Non-controlling interests		**(45,634)**	(45,699)
Total equity		**21,321,136**	21,263,797

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2021

	Notes	**Year ended 31 March** **2021** *JPY'000*	2020 *JPY'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**2,420,307**	(357,679)
Adjustments for:			
Provision for impairment of property, plant and equipment	*12*	**96,433**	12,798
Write-down of inventories to net realisable value	*8*	**211,189**	243,479
Impairment of trade receivables	*17*	**2,320**	675,595
Net losses on disposal of property, plant and equipment and intangible assets	*5*	**41,948**	18,028
Net loss on disposal of right-of-use assets	*5*	**11,674**	8,792
COVID-19-related rent concessions from lessors	*21*	**(99,925)**	–
Depreciation of property, plant and equipment	*12*	**673,498**	540,203
Depreciation of right-of-use assets	*13*	**1,087,911**	832,259
Amortisation of intangible assets	*8*	**121,113**	116,974
Defined benefit plan expenses	*22*	**73,326**	80,369
Equity-settled share-based payment expenses	*24*	**–**	(607)
Foreign exchange (gains)/losses		**(422,357)**	347,775
Finance costs	*6*	**76,225**	69,191
Finance income	*7*	**(12,531)**	(90,509)
		4,281,131	2,496,668
Increase in inventories		**(444,563)**	(2,255,443)
Decrease in trade and bills receivables		**2,830,689**	720,812
(Increase)/decrease in prepayments, deposits and other receivables		**(614,302)**	84,816
Increase in pledged deposits		**(35,467)**	–
Increase in other non-current assets		**(12,080)**	(76,396)
(Decrease)/increase in trade and bills payables		**(698,827)**	974,883
(Decrease)/increase in other payables and accruals		**(415,781)**	36,424
Decrease in amounts due to related parties		**–**	(7,144)
Increase/(decrease) in other non-current liabilities		**29,145**	(1,872)
Payment of the defined benefit obligations		**(226,514)**	(110,028)
Contributions in plan assets		**(2,657)**	(2,515)
Cash generated from operating activities		**4,690,774**	1,860,205
Interest received		**12,531**	90,509
Interest paid		**(76,225)**	(69,191)
Japan income tax refunded/(paid)		**709,246**	(1,214,493)
Overseas income tax paid		**(1,353,480)**	(108,378)
Net cash flows generated from operating activities		**3,982,846**	558,652

	Note	Year ended 31 March 2021	2020
		JPY'000	*JPY'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and intangible assets		**(601,577)**	(1,194,404)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**9,118**	6,014
Decrease in finance lease receivables		**20,970**	10,844
Net cash flows used in investing activities		**(571,489)**	(1,177,546)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**–**	(214,282)
Proceeds from bank borrowings		**77,305,570**	78,600,000
Repayment of bank borrowings		**(77,880,000)**	(73,800,000)
Principal portion of lease payments		**(1,017,559)**	(809,270)
Dividends paid		**(1,811,459)**	(7,100,717)
Net cash flows used in financing activities		**(3,403,448)**	(3,324,269)
Net increase/(decrease) in cash and cash equivalents		**7,909**	(3,943,163)
Cash and cash equivalents at the beginning of year		**10,472,793**	14,674,123
Effect of foreign exchange rate changes, net		**291,195**	(258,167)
Cash and cash equivalents at the end of year		**10,771,897**	10,472,793
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the consolidated statement of financial position	*18*	**10,771,897**	10,472,793

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.

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 2021. 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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendments to IFRS 16	*COVID-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 March 2021, certain monthly lease payments for the leases of the Group's shops and office properties have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 April 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 March 2021. Accordingly, a reduction in the lease payments arising from the rent concessions of JPY99,925,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 March 2021.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Disclosure of Accounting Estimates*[3]
Amendments to IAS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021*[6]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[3]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

6 Effective for annual periods beginning on or after 1 April 2021

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	
	2021	2020
	JPY'000	*JPY'000*
Japan	**6,544,915**	10,861,823
Korea	**6,383,392**	5,588,999
China (including Hong Kong and Macau)	**5,512,022**	2,750,992
North America	**918,542**	1,238,979
Europe	**947,473**	1,231,107
Rest of the world	**2,428,775**	2,115,314
	22,735,119	23,787,214

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

(b) ***Non-current assets***

	At 31 March	
	2021	2020
	JPY'000	*JPY'000*
Japan	**5,381,199**	4,832,094
Other Asia Pacific countries	**736,904**	973,466
North America	**727,151**	927,183
Europe	**25,843**	34,013
	6,871,097	6,766,756

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

Information about major customers

Revenue of approximately JPY5,284,022,000 (2020: JPY4,838,095,000) was derived from one major customer for the year ended 31 March 2021.

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	
	2021	2020
	JPY'000	*JPY'000*
Revenue from contracts with customers		
Sale of goods	**22,650,106**	23,656,372
Rendering of services	**85,013**	130,842
	22,735,119	23,787,214

	Year ended 31 March	
	2021	2020
	JPY'000	*JPY'000*
Other income and gains		
Foreign exchange gains, net	**1,118,897**	–
Compensation income	**277,189**	–
Government grants	**79,634**	–
Others	**62,999**	67,908
	1,538,719	67,908

	Year ended 31 March	
	2021	2020
	JPY'000	*JPY'000*
Types of goods or services		
Sale of golf related products	**22,650,106**	23,656,372
Rendering of services relating to golf related products	**85,013**	130,842
Total revenue from contracts with customers	**22,735,119**	23,787,214
Timing of revenue recognition		
Goods transferred at a point in time	**22,650,106**	23,656,372
Services transferred over time	**85,013**	130,842
Total revenue from contracts with customers	**22,735,119**	23,787,214

The disaggregation of the Group's revenue based on the geographical region for the year ended 31 March 2021 is included in note 3.

5. OTHER EXPENSES, NET

	Year ended 31 March	
	2021	2020
	JPY'000	*JPY'000*
Employee termination benefits	**178,647**	197,516
Net losses on disposal of property, plant and equipment and intangible assets	**41,948**	18,028
Net loss on disposal of right-of-use assets	**11,674**	8,792
Foreign exchange losses, net	**–**	574,216
Provision for impairment of property, plant and equipment	**96,433**	12,798
Others	**22,530**	19,939
	351,232	831,289

6. FINANCE COSTS

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

	Year ended 31 March	
	2021	2020
	JPY'000	*JPY'000*
Interest on bank borrowings	**34,881**	25,737
Interest on lease liabilities	**41,344**	43,454
	76,225	69,191

7. FINANCE INCOME

	Year ended 31 March	
	2021	2020
	JPY'000	*JPY'000*
Interest income	**12,007**	89,895
Others	**524**	614
	12,531	90,509

8. PROFIT/(LOSS) BEFORE TAX

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

		Year ended 31 March	
	Notes	**2021**	2020
		JPY'000	*JPY'000*
Cost of inventories sold		**11,214,724**	11,565,338
Cost of service provided		**75,190**	104,259
Depreciation of property, plant and equipment	*12*	**673,498**	540,203
Depreciation of right-of-use assets	*13*	**1,087,911**	832,259
Amortisation of intangible assets		**121,113**	116,974
Research and development costs		**259,399**	343,877
Provision for impairment of property, plant and equipment	*12*	**96,433**	12,798
Impairment of trade receivables	*17*	**2,320**	675,595
Lease payments not included in the measurement of lease liabilities		**129,471**	308,334
Auditors' remuneration		**91,772**	78,577
Employee benefit expense:			
Wages and salaries		**3,675,086**	3,958,104
Pension and social security costs		**305,484**	368,083
Defined benefit plan expenses	*22*	**73,326**	80,369
Employee benefits		**415,414**	519,167
Other benefits		**177,002**	311,643
Equity-settled share-based payment expenses	*24*	**–**	(607)
		4,646,312	5,236,759
Foreign exchange (gains)/losses, net	*4/5*	**(1,118,897)**	574,216
Write-down of inventories to net realisable value		**211,189**	243,479
Net losses on disposal of items of property, plant and equipment and intangible assets	*5*	**41,948**	18,028
Net loss on disposal of right-of-use assets	*5*	**11,674**	8,792

9. INCOME TAX

The Group is subject to income tax on an entity basis on profits 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 (2020: 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 (2020: 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% (2020: 25%).

The subsidiaries incorporated in Taiwan and Thailand are subject to income tax at the rates of 20% and 20% on the assessable profits (2020: 20% 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 (2020: 21%), as well as state tax at approximately 8.84% (2020: 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 (2020: 8.5%), as well as cantonal and communal taxes at rates ranging 2% to 5% (2020: 2% to 5%).

Tax in the statement of profit or loss represents:

	Year ended 31 March	
	2021	2020
	JPY'000	*JPY'000*
Current income tax – Hong Kong	**537,260**	964,123
Current income tax – elsewhere	**–**	174
Deferred tax	**23,941**	(589,563)
	561,201	374,734

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

	Year ended 31 March			
	2021		2020	
	JPY'000	*%*	*JPY'000*	*%*
Profit/(loss) before tax	**2,420,307**		(357,679)	
Tax at the statutory tax rate (30.62% for the year ended 31 March 2021, and 30.62% for the year ended 31 March 2020)	**741,098**	**30.62**	(109,521)	30.62
Different tax rates or tax basis for entities outside Japan	**(629,507)**	**(26.01)**	(710,995)	198.78
Expense not deductible	**23,259**	**0.96**	103,423	(28.92)
Income not subject to tax	**(30,761)**	**(1.27)**	(17,338)	4.85
Effect of withholding tax on the distributable profits of the Group's subsidiaries in the PRC and Japan	**(46,870)**	**(1.94)**	(90,088)	25.19
Impact of unrecognised tax losses and temporary differences	**503,982**	**20.82**	1,199,253	(335.29)
Tax charge at the Group's effective rate	**561,201**	**23.18**	374,734	(104.77)

10. DIVIDENDS

	Year ended 31 March	
	2021	2020
	JPY'000	*JPY'000*
Interim – JPY1.50 (2020: JPY1.64) per ordinary share	**908,464**	998,842
Special dividend – Nil (2020: JPY8.21) per ordinary share	**–**	5,091,686
Proposed final – JPY1.70 (2020: JPY1.50) per ordinary share	**1,029,592**	908,464
Dividend declared by the Company	**1,811,459**	7,100,717

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

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

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

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 March 2021 and 2020 in respect of a dilution as the Group had no potentially ordinary dilutive shares in issue during the years ended 31 March 2021 and 2020.

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

	Year ended 31 March	
	2021	2020
	JPY'000	*JPY'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent	**1,859,041**	(732,363)

	Number of shares	
	2021	2020
	('000)	*('000)*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(losses) per share calculation	**605,643**	608,727

12. PROPERTY, PLANT AND EQUIPMENT

	Building	Machinery	Leasehold improvements	Motor vehicles	Equipment, furniture and fittings	Construction in progress	Total
	JPY'000	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*
31 March 2021							
Cost:							
At 1 April 2020	**6,594,479**	**2,189,951**	**2,060,746**	**45,989**	**1,559,603**	**83,767**	**12,534,535**
Additions	**–**	**4,338**	**229,321**	**2,118**	**139,499**	**136,147**	**511,423**
Transfer from construction in progress	**7,033**	**30,690**	**149,407**	**–**	**30,274**	**(217,404)**	**–**
Disposals	**–**	**(2,500)**	**(279,244)**	**–**	**(30,726)**	**–**	**(312,470)**
Exchange realignment	**–**	**951**	**44,950**	**–**	**3,996**	**1,138**	**51,035**
At 31 March 2021	**6,601,512**	**2,223,430**	**2,205,180**	**48,107**	**1,702,646**	**3,648**	**12,784,523**
Accumulated depreciation:							
At 1 April 2020	**5,659,451**	**1,695,075**	**842,641**	**38,573**	**1,280,202**	**–**	**9,515,942**
Depreciation provided during the year	**101,853**	**97,251**	**333,735**	**4,490**	**136,169**	**–**	**673,498**
Disposals	**–**	**(2,500)**	**(166,063)**	**–**	**(20,237)**	**–**	**(188,800)**
Exchange realignment	**–**	**539**	**24,595**	**–**	**2,482**	**–**	**27,616**
At 31 March 2021	**5,761,304**	**1,790,365**	**1,034,908**	**43,063**	**1,398,616**	**–**	**10,028,256**
Accumulated impairment:							
At 1 April 2020	**86,314**	**1,868**	**227,309**	**198**	**68,461**	**–**	**384,150**
Impairment provided during the year	**7,025**	**–**	**77,609**	**–**	**11,799**	**–**	**96,433**
Disposals	**–**	**–**	**(62,567)**	**–**	**(10,037)**	**–**	**(72,604)**
At 31 March 2021	**93,339**	**1,868**	**242,351**	**198**	**70,223**	**–**	**407,979**
Net book value:							
At 31 March 2021	**746,869**	**431,197**	**927,921**	**4,846**	**233,807**	**3,648**	**2,348,288**

	Building	Machinery	Leasehold improvements	Motor vehicles	Equipment, furniture and fittings	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

13. RIGHT-OF-USE ASSETS

	Shops	**Office properties**	**Motor vehicles**	**Total**
	JPY'000	***JPY'000***	***JPY'000***	***JPY'000***
Carrying amount at 1 April 2020	**1,641,104**	**196,513**	**60,057**	**1,897,674**
Addition	**1,108,534**	**379,349**	**27,842**	**1,515,725**
Depreciation during the year	**(899,622)**	**(151,747)**	**(36,542)**	**(1,087,911)**
Disposal	**(9,551)**	**(13,887)**	**(756)**	**(24,194)**
Exchange realignment	**69,591**	**1,689**	**1,634**	**72,914**
Carrying amount at 31 March 2021	**1,910,056**	**411,917**	**52,235**	**2,374,208**

	Shops	Office properties	Motor vehicles	Total
	JPY'000	*JPY'000*	*JPY'000*	*JPY'000*
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	
	2021	2020
	JPY'000	*JPY'000*
Cost:		
At 31 March	**1,940,789**	1,940,789
Impairment:		
At 31 March	**–**	–
Net book value:		
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	
	2021	2020
	JPY'000	*JPY'000*
Within one year	**21,627**	20,755
After one year but within two years	**21,715**	21,186
After two years but within three years	**22,168**	21,273
After three years but within four years	**22,258**	21,717
After four years but within five years	**1,855**	21,805
After five years	**–**	1,817
Total minimum finance lease receivables	**89,623**	108,553
Unearned finance income	**(863)**	(1,298)
Total net finance lease receivables	**88,760**	107,255
Portion classified as current assets	**(21,573)**	(20,302)
Non-current portion	**67,187**	86,953

	At 31 March	
	2021	2020
	JPY'000	*JPY'000*
Within one year	**21,573**	20,302
After one year but within two years	**21,561**	20,829
After two years but within three years	**21,909**	21,012
After three years but within four years	**21,897**	21,554
After four years but within five years	**1,820**	21,742
After five years	**–**	1,816
Total present value of minimum finance lease receivables	**88,760**	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	
	2021	2020
	JPY'000	*JPY'000*
Raw materials	**2,375,810**	2,200,698
Work in progress	**1,421,394**	1,105,279
Finished goods	**7,060,058**	7,106,722
	10,857,262	10,412,699
Less: provision	**(1,033,923)**	(822,734)
	9,823,339	9,589,965

17. TRADE AND BILLS RECEIVABLES

	At 31 March	
	2021	2020
	JPY'000	*JPY'000*
Trade receivables	**6,197,088**	8,887,817
Bills receivable	**119,973**	260,552
	6,317,061	9,148,369
Less: provision	**(758,808)**	(757,107)
	5,558,253	8,391,262

The Group's trading terms with its customers are mainly on credit. The credit period ranges 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	
	2021	2020
	JPY'000	*JPY'000*
Within 1 month	**4,238,812**	4,482,593
1 to 3 months	**482,576**	1,690,331
3 to 12 months	**457,835**	1,181,465
Over 1 year	**259,057**	776,321
	5,438,280	8,130,710

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

	At 31 March	
	2021	2020
	JPY'000	*JPY'000*
Opening balance	**757,107**	184,033
Addition	**2,320**	675,595
Amount written off as uncollectible	**(619)**	(102,521)
Ending balance	**758,808**	757,107

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 one year 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 2021

	Expected loss rates	**Gross carrying amounts**	**Impairment**
	JPY	***JPY'000***	***JPY'000***
General item:			
Current and within 6 months	**1.77%**	**5,473,118**	**96,970**
6 to 12 months past due	**46.92%**	**117,060**	**54,928**
Over 1 year past due	**100.00%**	**606,910**	**606,910**
		6,197,088	**758,808**

As at 31 March 2020

	Expected loss rates	Gross carrying amounts	Impairment
	JPY	*JPY'000*	*JPY'000*
General item:			
Current and within 6 months	1.78%	8,241,226	146,356
6 to 12 months past due	58.27%	85,876	50,036
Over 1 year past due	100.00%	560,715	560,715
		8,887,817	757,107

18. CASH AND CASH EQUIVALENTS

	At 31 March	
	2021	2020
	JPY'000	*JPY'000*
Cash and bank balances	**10,771,897**	10,472,793
Time deposits	**35,467**	–
	10,807,364	10,472,793
Less: pledged deposits	**(35,467)**	–
Cash and cash equivalents	**10,771,897**	10,472,793
Denominated in JPY	**1,220,253**	2,637,743
Denominated in USD	**7,016,355**	6,782,529
Denominated in HKD	**190,432**	236,988
Denominated in TWD	**105,406**	45,583
Denominated in RMB	**2,082,348**	633,703
Denominated in other currencies	**157,103**	136,247
	10,771,897	10,472,793

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.

Pledged deposits with a carrying value of JPY35,467,000 as at 31 March 2021 (2020: Nil) were frozen by the local regulators subject to resolutions of certain disputes.

19. TRADE AND BILLS PAYABLES

	At 31 March	
	2021	2020
	JPY'000	*JPY'000*
Trade payables	**1,799,142**	2,494,583
Bills payable	**–**	3,386
	1,799,142	2,497,969

The ageing analysis of trade and bills payables as at 31 March 2021 and 2020 is as follows:

	At 31 March	
	2021	2020
	JPY'000	*JPY'000*
Within 3 months	**1,739,453**	2,373,238
Over 3 months	**59,689**	124,731
	1,799,142	2,497,969

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	
	2021	2020
	JPY'000	*JPY'000*
Current		
Bank loans – unsecured	**8,000,000**	8,600,000
Non-Current		
Bank loans – unsecured	**25,570**	–
	8,025,570	8,600,000
Analysed into:		
Bank loans repayable:		
Within one year	**8,000,000**	8,600,000
In the second year	**25,570**	–
	8,025,570	8,600,000

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

	At 31 March	
	2021	2020
Effective interest rates	**0.33%-0.54%**	0.33%-0.53%

At 31 March 2021 and 2020, there were no properties pledged to secure bank borrowings granted to the Group.

21. LEASE LIABILITIES

	At 31 March	
	2021	2020
	JPY'000	*JPY'000*
At the beginning of year	**2,043,316**	1,325,896
Addition	**1,515,725**	1,600,143
Accretion of interest	**41,344**	43,454
Payment	**(1,058,903)**	(852,724)
Lease modification	**(12,520)**	(36,475)
COVID-19-related rent concessions from lessors	**(99,925)**	–
Exchange realignment	**71,374**	(36,978)
At the end of year	**2,500,411**	2,043,316

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain shops and office properties during the year.

Maturity profile of lease liabilities as at 31 March 2021 and 2020 are as follows:

	At 31 March	
	2021	2020
	JPY'000	*JPY'000*
Within one year	**995,071**	865,379
In the second year	**622,334**	545,106
In the third to five years, inclusive	**824,723**	520,533
After five years	**89,231**	160,110
Total undiscounted lease liabilities	**2,531,359**	2,091,128
Discount amount	**(30,948)**	(47,812)
Total present value of lease liabilities	**2,500,411**	2,043,316
Portion classified as current liabilities	**(982,405)**	(837,912)
Non-current portion	**1,518,006**	1,205,404
Analysed into:		
Lease liabilities:		
Within one year	**982,405**	837,912
In the second year	**617,178**	535,794
In the third to fifth years, inclusive	**813,887**	513,973
Beyond five years	**86,941**	155,637
	2,500,411	2,043,316

22. EMPLOYEE DEFINED BENEFIT PLANS

Net employee defined benefit liabilities:

	At 31 March	
	2021	2020
	JPY'000	*JPY'000*
Retirement benefit plans	**630,613**	904,809

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.,Ltd. which are members of the actuarial 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	
	2021	2020
	JPY'000	*JPY'000*
Current service cost	**70,762**	78,092
Interest cost	**2,564**	2,277
Net benefit expenses	**73,326**	80,369
Recognised in cost of sales	**25,444**	27,888
Recognised in selling and distribution costs	**32,419**	35,533
Recognised in administrative expenses	**15,463**	16,948
	73,326	80,369

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 2021 in the defined benefit obligations and fair value of plan assets:

	1 April 2020	**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 2021**
	JPY'000	***JPY'000***	***JPY'000***	***JPY'000***	***JPY'000***	***JPY'000***	***JPY'000***	***JPY'000***	***JPY'000***	***JPY'000***	***JPY'000***
Defined benefit obligation	**2,860,169**	**70,762**	**8,287**	**79,049**	**(631,204)**	**–**	**245,172**	**(110)**	**245,062**	**–**	**2,553,076**
Fair value of plan assets	**(1,955,360)**	**–**	**(5,723)**	**(5,723)**	**404,690**	**(363,413)**	**–**	**–**	**(363,413)**	**(2,657)**	**(1,922,463)**
Benefit liability	**904,809**	**70,762**	**2,564**	**73,326**	**(226,514)**	**(363,413)**	**245,172**	**(110)**	**(118,351)**	**(2,657)**	**630,613**

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*	*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

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

	At 31 March	
	2021	2020
	JPY'000	*JPY'000*
Stocks	**974,580**	939,727
Bonds	**751,727**	796,943
General account of life insurance companies	**144,204**	140,101
Others	**51,952**	78,589
Total	**1,922,463**	1,955,360

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

	At 31 March	
	2021	2020
	JPY	*JPY*
Method of allocating projected retirement benefits	**Projected unit credit method**	Projected unit credit method
Discount rate	**0.32%**	0.29%
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	
		2021	2020
Assumption	*Change in assumption*	***JPY'000***	*JPY'000*
Discount rate	Increase by 0.5%	**(105,302)**	(113,948)
	Decrease by 0.5%	**105,302**	113,948

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 2021 and 2020 were 6.6 years and 6.8 years, respectively.

The actuarial valuation showed that the market values of plan assets were JPY1,922,463,000 and JPY1,955,360,000 as at 31 March 2021 and 2020 and represented 75% and 68% of the defined benefit obligations, respectively, that had accrued to qualified employees. The deficiencies of JPY630,613,000 and JPY904,809,000 as at 31 March 2021 and 2020, respectively, are expected to be cleared over the remaining service period.

23. SHARE CAPITAL AND TREASURY SHARES

	At 31 March	
	2021	2020
Issued capital: (As of 31 March 2021: 20,000,000,000 authorised shares of USD0.0000025 each, 605,642,500 ordinary shares in issue; as of 31 March 2020: 20,000,000,000 authorised shares of USD0.0000025 each, 605,642,500 ordinary shares in issue) USD	**1,514**	1,514
Equivalent to JPY	**153,000**	153,000

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

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 2019	609,050,000	154	–
Repurchases of shares	–	–	(214,282)
Cancellation of treasury shares	(3,407,500)	(1)	214,282
At 31 March 2020, 1 April 2020 and 31 March 2021	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 19 October 2025, 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 2021, 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 19 October 2025, which was accounted for as cancellation and modification of share-based payment.

The following RSUs were outstanding during the year:

	At 31 March	
	2021	2020
	JPY'000	*JPY'000*
At the beginning of the year	**3,746,909**	4,212,608
Forfeited during the year	**(337,740)**	(465,699)
Total	**3,409,169**	3,746,909

The Group had no RSU expenses during the year ended 31 March 2021.

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

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 JPY1,515,725,000 and JPY1,515,725,000, respectively, in respect of lease arrangements for office properties, shops and motor vehicles (31 March 2020: JPY1,600,143,000 and JPY1,600,143,000).

(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 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 and 1 April 2020	8,600,000	–	2,043,316
Changes from financing cash flows	(574,430)	(1,811,459)	(1,017,559)
New leases	–	–	1,515,725
Interest expenses	–	–	41,344
Interest paid classified as operating cash flows	–	–	(41,344)
Lease modification	–	–	(12,520)
COVID-19-related rent concessions from lessors	–	–	(99,925)
Foreign exchange movement	–	–	71,374
Final dividend payable	–	1,811,459	–
At 31 March 2021	8,025,570	–	2,500,411

(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	
	2021	2020
	JPY'000	*JPY'000*
Within operating activities	**170,815**	351,788
Within financing activities	**1,017,559**	809,270
	1,188,374	1,161,058

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

FINAL DIVIDEND

The Board recommends the payment of the 2020/2021 Final Dividend of JPY1.7 per share for the year ended 31 March 2021, amounting to approximately a total of JPY1,029.6 million, representing approximately 8.2% of the Group's distributable profits as at 31 March 2021, which is subject to the approval of the Company's shareholders at the forthcoming AGM. Together with the interim dividend of JPY1.5 per share paid on 28 December 2020, total dividends for the year ended 31 March 2021 will amount to JPY3.2 per share and the total dividend payout will amount to JPY1,938.1 million, representing approximately 14.5% of the Group's distributable profits as at 31 March 2021.

The 2020/2021 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 2020/2021 Final Dividend, if approved by the Company's shareholders at the forthcoming AGM, will be paid on Monday, 11 October 2021 to the shareholders of the Company whose names appear on the register of members of the Company as at Friday, 24 September 2021.

The distribution of the 2020/2021 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, 13 September 2021 to Thursday, 16 September 2021, 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, 10 September 2021 (Hong Kong time).

Subject to the approval of the declaration of 2020/2021 Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed on Friday, 24 September 2021 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 Thursday, 23 September 2021 (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 2021, the Company has complied with all code provisions as set out in the CG Code save for the deviation from code provisions A.1.1 and A.2.1.

Code provision A.1.1 requires the holding of regular Board meetings for at least four times a year. During the year, the Board held two regular meetings to approve the annual results for the year ended 31 March 2020 and the interim results for the six months ended 30 September 2020. 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 2021.

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 2021. 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 2021 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 Hong Kong Institute of Certified Public Accountants (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

28 June 2021

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.