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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

MAJOR DEVELOPMENTS IN THE SIX MONTHS ENDED 30 SEPTEMBER 2022:

- The Group's revenue increased by 25.7% from the six months ended 30 September 2021 to JPY14,927.4 million (equivalent to USD112.1 million). Two years after the outbreak of COVID-19 and with more governments and countries easing and abandoning COVID-19 related restrictions, overall golf business continued to experience positive uptake in both participation and purchase interest. As a result, the Group's revenue from most of the markets continued demonstrating robust sales growth. See "Management Discussion and Analysis – Financial Review – Revenue".

  - *By geography.* During the six months ended 30 September 2022, most of the Group's main markets recorded sales growth versus same period last year. Revenue from Japan, Korea, China, North America, and other regions rose robustly by 3.4%, 97.1%, 11.1%, 31.6% and 41.2%, respectively, on the back of a strong rebound of consumer demand, continued marketing activities to drive HONMA brand and product awareness, and successful activation of various HONMA products. Europe recorded a sales decline of 46.0% reflecting the Group's decision to change its distribution model to an indirect one.

  - *By product.* During the same period, revenue from golf clubs as well as accessories and other related products showed double digit growth across different product families, where golf clubs recorded 31.2% growth, and accessories and other related products recorded 52.2% growth from the six months ended 30 September 2021, thanks to continued improvement in HONMA's product development, merchandise planning and retail operations. Revenue from apparels and golf balls exhibited however a slight downward trend of 1.7% and 2.7% from the six months ended 30 September 2021, respectively. These declines were primarily caused by the continued lockdown happening in various parts of China as well as continued supply chain constraints in the sourcing of raw materials critical to the manufacturing of golf balls.

- *By channel.* The performance of self-operated stores continued to be strong, posting a steady increase of 29.9% from the six months ended 30 September 2021, thanks to continued optimisation in retail operations. At the same time, revenue from third-party retailers and wholesalers stepped up by 24.0% for the same period.

- Gross profit margin decreased by 2.6 percentage points to 52.7% for the six months ended 30 September 2022 as compared to 55.3% for the six months ended 30 September 2021, amidst growing inflation pressure and unprecedented devaluation in Japanese yen against U.S. dollar. The Group adjusted its retail pricing since summer which offset some of the inflation and currency risks.

- For the same period, profit before tax increased by 113.5% to reach JPY3,728.6 million (equivalent to USD28.0 million), up from JPY1,746.5 million for the six months ended 30 September 2021, resulting from a combination of increased operational profitability and currency revaluation results.

- Net operating cash flow stood at JPY3,277.2 million (equivalent to USD24.6 million) for the six months ended 30 September 2022, representing a decrease of 11.5% as compared to the same period last year.

Interim Dividend

The Board has declared the payment of an interim dividend of JPY1.5 per share, amounting to approximately a total of JPY908.5 million for the six months ended 30 September 2022, representing approximately 29.4% of the Group's distributable profits for the six months ended 30 September 2022.

The board of directors (the "**Board**") of Honma Golf Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results (the "**Interim Results**") of the Company and its subsidiaries (the "**Group**") for the six months ended 30 September 2022. The Interim Results have been prepared in accordance with the International Financial Reporting Standards (the "**IFRS**"). In addition, the interim 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 high performance golf clubs, balls, apparels and accessories.

As the only vertically integrated golf company with rich in-house design, development and manufacturing capabilities, extensive 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 U.S. and Japan and from increased participation in new and under-penetrated markets such as Korea and China.

The Company will be celebrating its 65th anniversary of HONMA in 2023. In January 2021, HONMA stepped up its tour presence in Asia by announcing 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.

Key Operating Results

Across different markets, the global golf industry has seen continued increases in the purchase interest and participation of avid golfers. With this, the management of HONMA decided to strengthen and streamline its product offering around two consumer segments, namely super-premium and premium-performance consumer segments. The super-premium segment is a segment that HONMA has maintained a strong and high penetration over the years. The premium-performance segment is dominated by avid golfers enjoying the strongest growth momentum for years. This product positioning strategy has led to a conscious decision by the Group to enrich its TOUR WORLD club family to include a performance enhancement series and to upgrade its legacy BERES club family with a modern and sophisticated design and development approach to appeal to today's golfers.

The continued presence of COVID-19 has led governments to implement various social distancing and shelter-in-place measures at different times throughout the year, which created significant business operation challenges and slowed retail sales. Since early 2021, the golf industry however witnessed encouraging recoveries, with a good majority of the golf courses in Asia, the U.S. and Europe re-opened for play and golfers increased participation. Since then, there have been steady and visible increase in the returned and new golf participation, and rounds played rose in most of the Group's major markets.

As a result and despite the fact that the Group's sales and supply chain operations in China have experienced extended interruptions during the six months ended 30 September 2022, the Group's revenue increased by 25.7% as compared to the six months ended 30 September 2021.

Market wise, most markets demonstrated strong if not robust growth. Revenue from Japan grew by 3.4%, on the back of a complete sales recovery in all channels and product categories. Korea led the way in terms of growth, delivering a year-on-year revenue growth of 97.1% thanks to continued uptake in golf participation and successful launch of new products since early 2022. Revenue from China, North America, and other regions rose robustly, recording a year-on-year growth of 11.1%, 31.6%, and 41.2%, respectively. Japan, Korea and China contributed 81.9% of the Group's total revenue.

Highlights of Major Achievements

For the six months ended 30 September 2022, the Company steadfastly followed its growth strategies while carefully protecting the health of its employees and financial status. Among others, the Company delivered 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 completely revamped its global website and social media platforms in January 2019 and made, since then, regular and frequent visual and content updates in all its digital platforms to continuously promote HONMA's brand and product awareness and to appeal to younger golfers. The rapid increase in 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-centric custom tools thereon, with a view 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 latest BERES and TOUR WORLD products, designed for affluent and avid golfers. Following the launch of Beres Aizu and TW757 as well as continued penetration into the super-premium and premium performance consumer segments, golf club sales grew by 31.2% during the six months ended 30 September 2022, reconfirming HONMA's strong brand equity and its ability to withstand economic challenges since HONMA went into the golf business in 1959. In particular, revenue from the BERES and TOUR WORLD family grew by 37.1% and 17.1% as compared to the six months ended 30 September 2021, respectively.

- ***Accelerating growth in golf balls business 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 sales and distribution of golf clubs. For the six months ended 30 September 2022, golf clubs generated 76.6% of the Group's total revenue. Meanwhile, 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 play preferences of its consumers. As a result, being the largest golf balls market within the Group, Japan recorded a rock solid growth of 20.3% as compared to the same period last year.

  In January 2019, HONMA re-launched its apparel collection in Japan and China. The apparel collection comprises of a professional and a fashion athletic line, catering to the distinctive requirements of golfers in Japan, China and Korea, both on-course and off-course. The six months period ended 30 September 2022 featured mostly HONMA's 2022 Spring/Summer collections.

- ***Anchoring HONMA's growth strategies in North America and Europe while improving both markets' financial standing.*** North America and Europe continued to enjoy the largest golfer demographics but with varied market conditions. For the six months ended 30 September 2022, the Group began to change its distribution model in North America and Europe by focusing on a smaller but premier group of accounts that are most capable to represent HONMA's tradition and pursue in the super-premium and premium-performance consumer segments. At the same time, the Group continued optimising its organisational set up and cost base in both markets to properly anchor their near to mid-term growth amidst social, economic and financial uncertainties.

  Following such strategic adjustment, in Europe, the Group closed 378 points of sales ("**POS**") in the six months ended 30 September 2022, hence decreasing its total POSs there to 237 by 30 September 2022. During the same period, in North America, the Group opened eight new POSs, leading to a modest POS network of 345 locations, 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 retail locations.

  Despite the shift, the Company continued to make investments into its e-commerce activities to create an 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 six months ended 30 September 2022, the Company had seen continued increase in site visits while average order value climbed to more than one thousand U.S. dollar. The strong performance is a good evidence of HONMA's brand equity and consumer interest in the North American market. Accordingly, during the six months ended 30 September 2022, revenue from North America grew by 31.6% as compared to the same period last year.

- ***360-degree brand experience built into new retail space and environments.*** The Company retained leading design and marketing agencies to renovate its retail space in order to provide ultimate brand experience and customizable consumer journey in major markets. In the six months ended 30 September 2022, the Company opened 11 new stores in China and three in other areas of Asia, 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 U.S., 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 six months ended 30 September 2022, HONMA hosted 1,912 customer days across its main markets, most of which were held on golf courses with dedicated fitters.

- ***Sponsoring TEAM HONMA players.*** As at 30 September 2022, TEAM HONMA consisted of 11 professional golf players. TEAM HONMA player Hideto Tanihara claimed the title of Mitsui Sumitomo VISA Taiheiyo Masters and Golf Nippon Series JT Cup in November 2021 and December 2021, respectively. The Company believes his image, endorsement and continued success on professional golf tournaments will continue to help drive its sales growth, especially in Japan. The Company will continue to scout and solicit 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 two major product families: BERES and TOUR WORLD, each targeting specific consumer segments. The Group leverages its innovative research methods and development capabilities to manage the product life cycle, continually generate customer interest, ensure product offerings remain up to date with the latest market trends and meet the preferences of target customers.

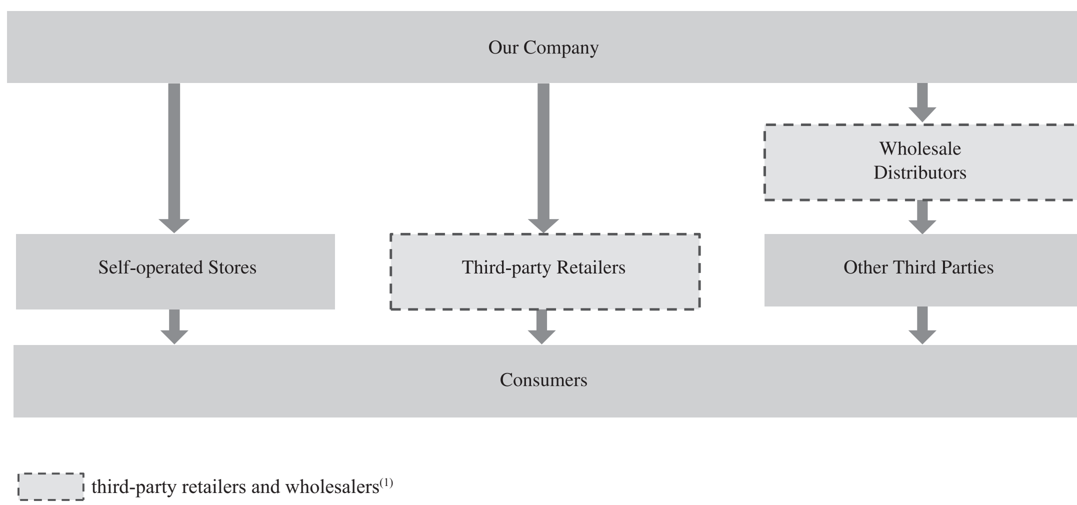
Based on extensive market research, HONMA categorises the market into nine key segments according to the importance golfers place on price, design and performance, which are correlated with their respective levels of affluence and enthusiasm towards golf, as illustrated in the chart below:

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 or the so-called super-premium segment, 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 or the so-called premium-performance segment, which comprises golf enthusiasts who place a higher emphasis on performance. In the 2019 financial year, HONMA made the decision to enrich its TOUR WORLD club family to include a performance enhancement series hence creating stronger focus on the younger and avid golfers.

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 30 September 2022, the Group had 83 HONMA-branded self-operated stores, all of which were located in Asia. 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 six months ended 30 September 2022:

	For the six months ended 30 September 2022			
	Period start	**Opened**	**Closed**	**Period end**
Japan	29	–	–	29
China (including Hong Kong and Macau)	33	11	9	35
U.S.	–	–	–	–
Rest of Asia	18	3	2	19
Total	80	14	11	83

To better serve avid golf enthusiasts, certain HONMA-branded self-operated stores offer fitting centers equipped with high-speed cameras and launch monitors to capture players' swing data. As at 30 September 2022, the Group had five fitting centers, including two in Japan, two in China and one in Korea.

As at 30 September 2022, the Group had approximately 3,831 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 30 September 2022, the Group's products were sold at 1,221 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.

The Company also revamped its CRM systems in key markets such as Japan, China and the U.S., 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 218 craftsmen, 33 of whom are master craftsmen with approximately 32 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 its Sakata Campus to optimise manufacturing processes and to expand its manufacturing capacity in line with sales growth.

Employees

As at 30 September 2022, the Group had 769 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 JPY2,395.6 million for the six months ended 30 September 2022.

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 committed to maintaining the traditional methods and arts 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 brought a series of actions that helped re-define and transform the HONMA brand in an age of explosive technological innovation.

HONMA has been perceived as the symbol for luxury and was closely associated with super-rich Asians in consumer sentiments. Extensive marketing efforts have been launched to transform this perception into a modern, premium performance focus, rooted in HONMA's unique craftsmanship and superior technology. The launch of GS series and TW757 series, both of which under the TOUR WORLD club family, have generated great media buzz and consumer purchase intent for HONMA among the younger and more avid golfers.

Outlook

Business Outlook

The current financial year continued presenting operating challenges and uncertainties for HONMA. As COVID-19 related regulatory restrictions began to ease from most areas of Asia to Europe and North America, the Company expects pent-up demand to continuously and visibly expand golf participation as well as an uptick in new orders from both golfers and HONMA's retail partners.

For the years 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 also pursue 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 reinforce HONMA's brand heritage and its core brand values of premium craftsmanship and performance, allowing HONMA to fully capture its 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 will continue upgrading its offline and online retail experiences based on the updated HONMA brand image, retail and visual guidelines. In Asia, HONMA opened a number of brand experience stores since 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 U.S. 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, which will be an increasingly important part of the Group's future growth strategy. While the Group already has a strong presence in its home markets, 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 continuously enriching its TOUR WORLD family, leveraging HONMA's improved international tour presence. At the same time, the Group will continuously nurture and foster stronger partnerships with its retail partners while intensifying investments in sales point product promotions that are relevant to these consumer segments.

- ***Anchoring sustainable growth in North America and Europe based on the updated product and distribution strategy.*** North America and Europe accounts for nearly 70.0% of the global golf market. During the six months ended 30 September 2022, HONMA began a journey to focus on a smaller but premier group of accounts in both markets while continuously implementing its unique direct-to-consumer communication and sales strategy. The said direct-to-consumer communication and distribution approach overlays with HONMA's existing wholesales points of sale and various digital platforms, hence allowing HONMA to effectively 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 provide great support to HONMA's growth strategy in North America, which market has continued to rebound with the number of golfers increasingly skewed towards premium-performance products.

- ***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, a leading Japanese textile and trading company. Since then, HONMA has actively expanded its apparel business, leveraging Itochu's rich industry networks and know-how while promoting HONMA as a "golf lifestyle brand". To support HONMA's apparel growth ambition, the Group has assembled dedicated apparel design and sales teams in Japan, China and Korea and created a network of quality retail footprints.

- ***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, all with close link with its manufacturing facilities in Sakata, Japan. The Group's research and development expenses amounted to JPY96.7 million and JPY102.2 million for the six months ended 30 September 2021 and 2022, respectively. The 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 six months ending 31 March 2023 as the Group witnessed since the outbreak of the global health pandemic. These challenges include uncertain global public health situations, increased supply chain challenges, global economic and political incidents and pace at which the global golf industry will continue to recover.

For the six months ended 30 September 2022, the golf industry has however experienced encouraging recoveries, while a good majority of the golf courses in Asia, the U.S. and Europe re-opened for play and golfers increased participation.

These positive developments have in part contributed to the Group's revenue increase for the six months ended 30 September 2022 across its major markets. The Company does expect the overall golf industry to gradually adapt itself to the new norm and to continue showing positive rebound in participation and purchase interest.

The Group also believes that the six months ending 31 March 2023 will be a crucial period for it to execute its growth strategies amidst global health challenge. The Group is confident in its ability to mitigate the adverse impacts of the global heath pandemic and will seize every possible opportunity to preserve cash, to optimize its operational efficiencies in order 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 endeavours to promote sustainable business development and strives to create long-term value for all of its shareholders.

The Group will stay alert to the developments of all external challenges including those posed by COVID-19. The Group will also continue reviewing its existing business strategies from time to time and take necessary actions to mitigate business risks while safeguarding 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 periods indicated, together with the change (expressed in percentages) from the six months ended 30 September 2021 to the six months ended 30 September 2022:

	Six months ended 30 September				
	2022		2021		**Period-to-period change**
	JPY	*%*	*JPY*	*%*	*%*
	(In thousands, except for percentages and per share data)				
Consolidated statement of profit or loss (unaudited)					
Revenue	**14,927,415**	**100.0**	11,871,947	100.0	25.7
Cost of sales	**(7,061,101)**	**(47.3)**	(5,310,098)	(44.7)	33.0
Gross profit	**7,866,314**	**52.7**	6,561,849	55.3	19.9
Other income and gains	**1,696,655**	**11.4**	203,763	1.7	732.7
Selling and distribution expenses	**(4,874,327)**	**(32.7)**	(4,301,589)	(36.2)	13.3
Administrative expenses	**(685,478)**	**(4.6)**	(688,353)	(5.8)	(0.4)
(Provision for)/reversal of impairment losses on financial assets	**(74,003)**	**(0.5)**	57,749	0.5	(228.1)
Other expenses, net	**(155,530)**	**(1.0)**	(47,588)	(0.4)	226.8
Finance costs	**(52,506)**	**(0.4)**	(45,365)	(0.4)	15.7
Finance income	**7,475**	**0.1**	6,029	0.1	24.0
Profit before tax	**3,728,600**	**25.0**	1,746,495	14.7	113.5
Income tax expense	**(641,218)**	**(4.3)**	(398,144)	(3.4)	61.1
Net profit	**3,087,382**	**20.7**	1,348,351	11.4	129.0
Earnings per share attributable to ordinary equity holders of the parent:					
Basic and diluted					
– For profit for the period (JPY)	**5.10**		2.23		128.7
Non-IFRS financial measure					
Operating profit(1)	**2,187,475**	**14.7**	1,590,320	13.4	37.5
Net operating profit(2)	**1,588,856**	**10.6**	1,194,550	10.1	33.0

Notes:

(1) Operating profit is derived from profit 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 before tax, see "Management Discussion and Analysis – Financial Review – Non-IFRS Financial Measures – Operating Profit".

(2) Net operating profit is derived from net profit by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding RSU expenses and (iv) adding impact on tax related to items (i) and (ii) above. For a reconciliation of net operating profit to net profit, see "Management Discussion and Analysis – Financial Review – Non-IFRS Financial Measures – Net Operating Profit".

Revenue

The Group's total revenue increased by 25.7% from JPY11,871.9 million for the six months ended 30 September 2021 to JPY14,927.4 million for the six months ended 30 September 2022.

Constant Currency Revenue

On a constant currency basis, the Group's total revenue increased by 17.3% from the six months ended 30 September 2021 to the six months ended 30 September 2022. For the purpose of calculating constant currency revenue, the Group has used the average exchange rate of the six months ended 30 September 2021 to translate sales recorded during the six months ended 30 September 2022, 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 golfers 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 revenue by product groups in absolute amounts and as percentages of the Group's total revenue for the periods indicated:

	For the six months ended 30 September				Period-to-period change	
	2022		2021		**on as reported basis**	**on constant currency basis**[1]
	JPY	*%*	*JPY*	*%*	*%*	*%*
	(In thousands, except for percentages)					
Golf clubs	**11,441,690**	**76.6**	8,719,383	73.4	31.2	22.4
Golf balls	**1,122,606**	**7.5**	1,153,704	9.7	(2.7)	(4.3)
Apparels	**1,237,367**	**8.3**	1,259,273	10.6	(1.7)	(12.4)
Accessories and other related[2]	**1,125,752**	**7.5**	739,587	6.2	52.2	42.2
Total	**14,927,415**	**100.0**	11,871,947	100.0	25.7	17.3

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.

Revenue from golf clubs increased by 31.2% from JPY8,719.4 million for the six months ended 30 September 2021 to reach JPY11,441.7 million for the same period in 2022. On a constant currency basis, revenue from golf clubs increased by 22.4% as compared to the same period last year.

Revenue from accessories and other related products increased by 52.2% from JPY739.6 million for the six months ended 30 September 2021 to JPY1,125.8 million for the same period in 2022. On a constant currency basis, revenue from accessories and other related products increased by 42.2% as compared to the same period last year.

The steady revenue increases in golf clubs as well as accessories and other related products were primarily driven by continued improvement in HONMA's product development, merchandise planning and retail operations.

Revenue from golf balls decreased by 2.7% from JPY1,153.7 million for the six months ended 30 September 2021 to JPY1,122.6 million for the same period in 2022. On a constant currency basis, revenue from golf balls decreased by 4.3% as compared to the same period last year.

Revenue from apparels decreased by 1.7% from JPY1,259.3 million for the six months ended 30 September 2021 to JPY1,237.4 million for the same period in 2022. On a constant currency basis, revenue from apparels decreased by 12.4% as compared to the same period last year.

Such declines in golf balls and apparels were primarily caused by the continued lockdown happening in various parts of China as well as continued supply chain constraints in the sourcing of raw materials critical to the manufacturing of golf balls.

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 periods indicated:

	For the six months ended 30 September				Period-to-period change	
	2022		2021		on as reported basis	on constant currency basis[1]
	JPY	*%*	*JPY*	*%*	*%*	*%*
	(In thousands, except for percentages)					
Japan	**3,951,625**	**26.5**	3,821,601	32.2	3.4	3.4
Korea	**4,237,634**	**28.4**	2,149,780	18.1	97.1	94.8
China (including Hong Kong and Macau)	**4,028,409**	**27.0**	3,624,678	30.5	11.1	(4.3)
North America	**565,128**	**3.8**	429,508	3.6	31.6	9.9
Europe	**285,766**	**1.9**	529,565	4.5	(46.0)	(54.4)
Other Regions	**1,858,853**	**12.5**	1,316,815	11.1	41.2	22.0
Total	**14,927,415**	**100.0**	11,871,947	100.0	25.7	17.3

Note:

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

During the six months ended 30 September 2022, most of the Group's markets reported record sales growth versus same period last year. Revenue from Japan, Korea, China, North America and other regions rose robustly by 3.4%, 97.1%, 11.1%, 31.6% and 41.2%, respectively, on the back of a strong rebound of consumer demand, continued marketing activities to drive HONMA brand and product awareness, and successful activation of various HONMA products.

Revenue from Japan recorded a growth of 3.4% from JPY3,821.6 million for the six months ended 30 September 2021 to JPY3,951.6 million for the same period in 2022, on the back of a complete sales recovery in all channels and product categories.

Revenue from Korea grew robustly by 97.1% from JPY2,149.8 million for the six months ended 30 September 2021 to JPY4,237.6 million for the same period in 2022, thanks to continued uptake in golf participation and successful launch of new products since early 2022.

Revenue from China (including Hong Kong and Macau) rose by 11.1% from JPY3,624.7 million for the six months ended 30 September 2021 to JPY4,028.4 million for the same period in 2022. On a constant currency basis, revenue from China (including Hong Kong and Macau) dropped by 4.3% during the same period, primarily due to negative impact from government imposed lockdown and social distancing measures.

Revenue from North America increased by 31.6% from JPY429.5 million for the six months ended 30 September 2021 to JPY565.1 million for the same period in 2022. On a constant currency basis, revenue from North America increased by 9.9% during the same period.

Revenue from Europe decreased by 46.0% from JPY529.6 million for the six months ended 30 September 2021 to JPY285.8 million for the same period in 2022. On a constant currency basis, revenue from Europe decreased by 54.4% during the same period. Such decline reflected the Group's decision to change its distribution model in Europe to an indirect one.

Revenue from other regions rose strongly by 41.2% from JPY1,316.8 million for the six months ended 30 September 2021 to JPY1,858.9 million for the same period in 2022. On a constant currency basis, revenue from other regions increased by 22.0% during the same period.

Revenue from the Group's home markets, namely Japan, Korea and China (including Hong Kong and Macau) accounted for 81.9% of the Group's total revenue for the six months ended 30 September 2022.

Revenue by Sales and Distribution Channels

The Group has an extensive sales and distribution network that allows the Group to address 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 POSs owned and managed by third-party retailers and wholesalers. The Group's third-party retailer and wholesaler partners include (a) Retailers, including various national and regional sports megastores, and (b) Wholesale Distributors that on-sell the Group's products to other third-party retailers and consumers. The following table sets forth revenue from self-operated stores and POSs in absolute amounts and as percentages of total revenue for the periods indicated:

	For the six months ended 30 September				Period-to-period change	
	2022		2021		**on as reported basis**	**on constant currency basis**(1)
	JPY	*%*	*JPY*	*%*	*%*	*%*
	(In thousands, except for percentages)					
Self-operated stores	**4,566,903**	**30.6**	3,516,080	29.6	29.9	20.2
Third-party retailers and wholesalers	**10,360,512**	**69.4**	8,355,867	70.4	24.0	16.1
Total	**14,927,415**	**100.0**	11,871,947	100.0	25.7	17.3

Note:

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

Revenue from self-operated stores increased by 29.9% from JPY3,516.1 million for the six months ended 30 September 2021 to JPY4,566.9 million for the same period in 2022. On a constant currency basis, revenue from self-operated stores increased by 20.2% during the same period. Such increase was primarily due to continued optimisation in retail operations.

Revenue from sales to third-party retailers and wholesalers increased by 24.0% from JPY8,355.9 million for the six months ended 30 September 2021 to JPY10,360.5 million for the same period in 2022. On a constant currency basis, revenue from third-party retailers and wholesalers increased by 16.1% during the same period thanks to pent-up demand. Sales to the Group's retail partners in Japan grew by 24.0% as most retailers recovered from extended and lingered business closure during COVID-19 pandemic.

Cost of Sales

Cost of sales increased by 33.0% from JPY5,310.1 million for the six months ended 30 September 2021 to JPY7,061.1 million for the same period in 2022. 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 periods indicated:

	For the six months ended 30 September			
	2022		2021	
	JPY	***%***	*JPY*	*%*
	(In thousands, except for percentages)			
Raw materials	**3,699,092**	**52.4**	2,842,287	53.5
Employee benefits	**541,474**	**7.7**	472,109	8.9
Manufacturing overhead[1]	**299,101**	**4.2**	176,903	3.3
Finished goods purchased from suppliers	**2,521,434**	**35.7**	1,818,799	34.3
Total	**7,061,101**	**100.0**	5,310,098	100.0

Note:

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

Gross Profit and Gross Profit Margin

Gross profit increased by 19.9% from JPY6,561.8 million for the six months ended 30 September 2021 to JPY7,866.3 million for the same period in 2022. Gross profit margin decreased from 55.3% for the six months ended 30 September 2021 to 52.7% for the same period in 2022.

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 periods indicated:

	For the six months ended 30 September			
	2022		2021	
	JPY	***%***	*JPY*	*%*
	(In thousands, except for percentages)			
Golf clubs	**6,845,942**	**59.8**	5,075,659	58.2
Golf balls	**358,323**	**31.9**	508,083	44.0
Apparels	**373,624**	**30.2**	675,735	53.7
Accessories and other related[1]	**288,425**	**25.6**	302,372	40.9
Total	**7,866,314**	**52.7**	6,561,849	55.3

Note:

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

Gross profit for golf clubs increased by 34.9% from JPY5,075.7 million for the six months ended 30 September 2021 to JPY6,845.9 million for the same period in 2022. Gross profit margin for golf clubs increased from 58.2% for the six months ended 30 September 2021 to 59.8% for the same period in 2022, primarily due to continued price management and manufacturing cost optimization.

Gross profit for golf balls decreased by 29.5% from JPY508.1 million for the six months ended 30 September 2021 to JPY358.3 million for the same period in 2022. Gross profit margin for golf balls decreased from 44.0% for the six months ended 30 September 2021 to 31.9% for the same period in 2022, primarily due to raw material price increase and unfavourable exchange rate against U.S. dollar as the main market of the Company is located in Japan.

Gross profit for apparels decreased by 44.7% from JPY675.7 million for the six months ended 30 September 2021 to JPY373.6 million for the same period in 2022. Gross profit margin for apparels decreased from 53.7% for the six months ended 30 September 2021 to 30.2% for the same period in 2022, primarily due to slow moving provision impact especially in Japan and Korea.

Gross profit for accessories and other related products decreased by 4.6% from JPY302.4 million for the six months ended 30 September 2021 to JPY288.4 million for the same period in 2022. Gross profit margin for accessories and other related products decreased from 40.9% for the six months ended 30 September 2021 to 25.6% for the same period in 2022, primarily due to unfavourable exchange rate against U.S. dollar as the main market of the Company is located in Japan.

Other Income and Gains

Other income and gains increased from JPY203.8 million for the six months ended 30 September 2021 to JPY1,696.7 million for the same period in 2022, primarily due to an increase in foreign exchange gain of JPY1,624.5 million.

Selling and Distribution Expenses

Selling and distribution expenses increased from JPY4,301.6 million for the six months ended 30 September 2021 to JPY4,874.3 million for the same period in 2022. Selling and distribution expenses as a percentage of revenue decreased from 36.2% for the six months ended 30 September 2021 to 32.7% for the same period in 2022, primarily due to economies of scale from the Group's robust sales expansion. 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 periods indicated:

	For the six months ended 30 September			
	2022		2021	
	JPY	***%***	*JPY*	*%*
	(In thousands, except for percentages)			
Employee benefits	**1,686,798**	**34.6**	1,578,327	36.7
Advertising and promotion expenses	**1,146,855**	**23.5**	953,954	22.2
Depreciation of right-of-use assets	**490,714**	**10.1**	471,905	10.9
Rental and other related fees	**266,723**	**5.5**	183,972	4.3
Others(1)	**1,283,237**	**26.3**	1,113,431	25.9
Total	**4,874,327**	**100.0**	4,301,589	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 remained relatively stable at JPY688.4 million for the six months ended 30 September 2021 and JPY685.5 million for the same period in 2022.

(Provision for)/Reversal of Impairment Losses on Financial Assets

We had reversal of impairment losses on financial assets of JPY57.7 million for the six months ended 30 September 2021 and provision for impairment losses on financial assets of JPY74.0 million for the same period in 2022, primarily due to an increase in bad debt provision following the IFRS 9 requirement.

Other Expenses, Net

Other expenses increased by 226.8% from JPY47.6 million for the six months ended 30 September 2021 to JPY155.5 million for the same period in 2022, primarily due to fixed assets disposal related to inefficient stores closure.

Finance Costs

Finance costs increased by 15.7% from JPY45.4 million for the six months ended 30 September 2021 to JPY52.5 million for the same period in 2022, primarily due to increased interest rate.

Finance Income

Finance income increased by 24.0% from JPY6.0 million for the six months ended 30 September 2021 to JPY7.5 million for the same period in 2022, primarily due to higher average cash balance.

Profit Before Tax

As a result of the foregoing, profit before tax for the six months ended 30 September 2022 was JPY3,728.6 million.

Income Tax Expense

Income tax expense increased by 61.1% from JPY398.1 million for the six months ended 30 September 2021 to JPY641.2 million for the same period in 2022. The Group's effective tax rate decreased from 22.8% for the six months ended 30 September 2021 to 17.2% for the same period in 2022.

Net Profit

As a result of the foregoing, net profit for the six months ended 30 September 2022 was JPY3,087.4 million. Net profit margin for the six months ended 30 September 2022 was 20.7%.

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 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 operating profit and net operating profit has material limitations as analytical tools, as operating profit does not include all items that have impacted profit before tax, the nearest IFRS performance measure, and net operating profit does not include all items that have impacted net profit, the nearest IFRS performance measure.

Operating Profit

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

	For the six months ended 30 September	
	2022	2021
	(In JPY thousands)	
Profit before tax	**3,728,600**	1,746,495
Adjustment for:		
Other income and gains	**(1,696,655)**	(203,763)
Other expenses	**155,530**	47,588
Operating profit	**2,187,475**	1,590,320

Net Operating Profit

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

	For the six months ended 30 September	
	2022	2021
	(In JPY thousands)	
Net profit	**3,087,382**	1,348,351
Adjustment for:		
Other income and gains	**(1,696,655)**	(203,763)
Other expenses	**155,530**	47,588
Impact on tax	**42,599**	2,374
Net operating profit	**1,588,856**	1,194,550

Working Capital Management

	For the twelve months ended	
	30 September 2022	31 March 2022
Inventories turnover days(1)	**292**	293
Trade and bills receivables turnover days(2)	**44**	68
Trade and bills payables turnover days(3)	**64**	58

Notes:

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

Inventories turnover days remained relatively stable at 293 days for the twelve months ended 31 March 2022 and 292 days for the twelve months ended 30 September 2022.

Trade and bills receivables turnovers days decreased by 24 days from 68 days for the twelve months ended 31 March 2022 to 44 days for the twelve months ended 30 September 2022, primarily due to strengthened collection in various markets.

On the other hand, trade and bills payables turnover days increased by six days from 58 days for the twelve months ended 31 March 2022 to 64 days for the twelve months ended 30 September 2022, primarily due to strong supplier management.

Inventories

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

	As at 30 September 2022	As at 31 March 2022
	(In JPY thousands)	
Raw materials	**3,236,324**	2,930,047
Work in progress	**1,521,784**	1,548,424
Finished goods	**10,510,051**	8,552,042
Less: provision	**(2,306,239)**	(1,535,677)
Total	**12,961,920**	11,494,836

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

	As at 30 September 2022	As at 31 March 2022
	(In JPY thousands)	
Within 1 year	**4,652,904**	5,763,355
1 year to 2 years	**3,667,353**	2,249,881
2 to 3 years	**2,460,096**	2,545,454
3 to 4 years	**1,493,279**	442,649
Over 4 years	**688,288**	493,496
Total	**12,961,920**	11,494,836

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 relative to each product's life cycle. The Group typically launches new club, ball and accessory products every 24 months and carries its previous older generation for another 12 months.

Liquidity and Capital Resources

During the six months ended 30 September 2022, 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 30 September 2022, the Group had JPY17,038.1 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 30 September 2022.

Indebtedness

As at 30 September 2022, the Group's interest-bearing bank borrowings amounted to JPY6,990.0 million, mainly of which were denominated in Japanese yen and carry interest at variable rates. All of such borrowings were unsecured. In particular, JPY6,390.0 million are payable within one year and JPY600.0 million are payable within ten years. The effective interest rate for the balance of the Group's interest-bearing bank borrowings as at 30 September 2022 ranged from 0.17% to 3.08%.

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 30 September 2022, the Group's gearing ratio was 35.0% (As at 31 March 2022, the Group's gearing ratio was 38.1%).

Capital Expenditures

The Group's capital expenditures for the six months ended 30 September 2022 amounted to JPY277.7 million, which was used primarily to purchase plant machinery and equipment, office equipment and leasehold improvement. In the six months ended 30 September 2022, the Group financed its capital expenditures primarily with cash generated from operations.

Contingent Liabilities

As at 30 September 2022, 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 30 September 2022.

Material Acquisitions and Future Plans for Major Investment

During the six months ended 30 September 2022, 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 (the "**Stock Exchange**") 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 30 September 2022	Percentage of unused balance as at 30 September 2022	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 30 September 2022, 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

The Board has declared the payment of an interim dividend of JPY1.5 per share, amounting to approximately a total of JPY908.5 million for the six months ended 30 September 2022 (the "**2022/2023 Interim Dividend**"), representing approximately 29.4% of the Group's distributable profits for the six months ended 30 September 2022.

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: JPY133.12. 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 financial information set out below in this announcement represents an extract from the interim condensed consolidated financial statements, which is unaudited but has been reviewed by the Company's independent auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and by the Audit Committee.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022

	Notes	FOR THE SIX MONTHS ENDED 30 SEPTEMBER	
		2022	2021
		(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Revenue	*4*	**14,927,415**	11,871,947
Cost of sales		**(7,061,101)**	(5,310,098)
Gross profit		**7,866,314**	6,561,849
Other income and gains	*4*	**1,696,655**	203,763
Selling and distribution expenses		**(4,874,327)**	(4,301,589)
Administrative expenses		**(685,478)**	(688,353)
(Provision for)/reversal of impairment losses on financial assets		**(74,003)**	57,749
Other expenses, net		**(155,530)**	(47,588)
Finance costs	*5*	**(52,506)**	(45,365)
Finance income		**7,475**	6,029
PROFIT BEFORE TAX	*6*	**3,728,600**	1,746,495
Income tax expense	*7*	**(641,218)**	(398,144)
PROFIT FOR THE PERIOD		**3,087,382**	1,348,351
Attributable to:			
Owners of the parent	*8*	**3,087,342**	1,348,421
Non-controlling interests		**40**	(70)
		3,087,382	1,348,351
PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted			
– For profit for the period (JPY)		**5.10**	2.23

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Note	FOR THE SIX MONTHS ENDED 30 SEPTEMBER	
		2022	2021
		(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
PROFIT FOR THE PERIOD		**3,087,382**	1,348,351
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(893,032)**	(30,376)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(893,032)**	(30,376)
Other comprehensive (loss)/income that will not be reclassified to profit in subsequent periods:			
Defined benefit plans:			
Remeasurement (losses)/gains	*17*	**(53,419)**	67,526
Income tax effect		**17,498**	(20,641)
		(35,921)	46,885
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**827**	(385)
Income tax effect		**(253)**	60
		574	(325)
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods		**(35,347)**	46,560
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		**(928,379)**	16,184
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,159,003**	1,364,535
Attributable to:			
Owners of the parent		**2,158,963**	1,364,605
Non-controlling interests		**40**	(70)
		2,159,003	1,364,535

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2022

	Notes	**30 September 2022**	31 March 2022
		(Unaudited)	*(Audited)*
		(JPY'000)	*(JPY'000)*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**1,856,665**	2,007,915
Right-of-use assets		**1,830,605**	1,599,034
Freehold land	*11*	**1,940,789**	1,940,789
Intangible assets		**116,393**	119,608
Finance lease receivables		**315,210**	308,503
Other non-current assets		**944,096**	863,366
Deferred tax assets		**1,504,719**	1,293,502
Total non-current assets		**8,508,477**	8,132,717
CURRENT ASSETS			
Inventories	*12*	**12,961,920**	11,494,836
Trade and bills receivables	*13*	**3,609,147**	5,248,073
Prepayments, deposits and other receivables		**1,950,357**	1,951,412
Due from a related party	*20(c)*	**43,231**	58,934
Finance lease receivables		**98,438**	82,199
Pledged deposits	*14*	**5,599**	4,747
Cash and cash equivalents	*14*	**17,038,061**	14,454,554
Total current assets		**35,706,753**	33,294,755
CURRENT LIABILITIES			
Trade and bills payables	*15*	**2,694,201**	2,395,067
Other payables and accruals		**3,861,646**	2,457,039
Interest-bearing bank borrowings	*16*	**6,390,000**	7,100,000
Lease liabilities		**987,754**	817,134
Income tax payable		**1,364,695**	762,294
Total current liabilities		**15,298,296**	13,531,534
NET CURRENT ASSETS		**20,408,457**	19,763,221
TOTAL ASSETS LESS CURRENT LIABILITIES		**28,916,934**	27,895,938

	Notes	**30 September 2022**	31 March 2022
		(Unaudited)	*(Audited)*
		(JPY'000)	*(JPY'000)*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*16*	**600,000**	600,000
Net employee defined benefit liabilities	*17*	**493,406**	465,019
Lease liabilities		**1,216,827**	1,146,783
Deferred tax liabilities		**205,623**	223,220
Other non-current liabilities		**100,758**	108,314
Total non-current liabilities		**2,616,614**	2,543,336
Net assets		**26,300,320**	25,352,602
EQUITY			
Equity attributable to owners of the parent			
Share capital	*18*	**153**	153
Reserves		**26,345,770**	25,398,092
		26,345,923	25,398,245
Non-controlling interests		**(45,603)**	(45,643)
Total equity		**26,300,320**	25,352,602

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Notes	FOR THE SIX MONTHS ENDED 30 SEPTEMBER	
		2022	2021
		(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,728,600**	1,746,495
Adjustments for:			
Provision for impairment of property, plant and equipment	*6*	**20,772**	–
Write-down of inventories to net realizable value	*6*	**770,562**	364,669
Provision for/(reversal of) impairment of trade receivables	*6*	**74,003**	(57,749)
Net losses on disposal of items of property, plant and equipment	*6*	**97,888**	14,299
Net loss/(gain) on disposal of right-of-use assets	*6*	**4,237**	(29,114)
Covid-19-related rent concessions from lessors	*6*	**(8,360)**	(33,065)
Depreciation of property, plant and equipment	*6*	**320,376**	282,688
Depreciation of right-of-use assets	*6*	**499,074**	504,970
Amortisation of intangible assets	*6*	**43,143**	55,352
Defined benefit plan expenses	*17*	**32,933**	29,707
Foreign exchange gains		**(1,731,020)**	(227,655)
Finance costs	*5*	**52,506**	45,365
Finance income		**(7,475)**	(6,029)
		3,897,239	2,689,933
Increase in inventories		**(2,237,646)**	(1,646,953)
Decrease in trade and bills receivables		**1,564,923**	1,545,813
Decrease in prepayments, deposits and other receivables		**1,055**	281,389
(Increase)/decrease in pledged deposits		**(852)**	31,117
Decrease in an amount due from a related party		**15,703**	–
Increase/(decrease) in other non-current assets		**(81,393)**	47,672
Increase in trade and bills payables		**299,134**	783,268
Increase in other payables and accruals		**177,258**	207,914
Increase in an amount due to a related party		**–**	628
(Decrease)/increase in other non-current liabilities		**(7,556)**	5,024
Payment of the defined benefit obligation	*17*	**(57,965)**	(48,349)
Cash generated from operations		**3,569,900**	3,897,456
Interest received		**7,475**	6,029
Interest paid		**(52,506)**	(45,365)
Income tax paid		**(247,650)**	(155,740)
Net cash flows generated from operating activities		**3,277,219**	3,702,380

	Note	FOR THE SIX MONTHS ENDED 30 SEPTEMBER	
		2022	2021
		(Unaudited)	*(Unaudited)*
		(JPY'000)	*(JPY'000)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and intangible assets		**(277,688)**	(100,199)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**–**	12,589
Decrease in finance lease receivables		**48,769**	36,756
Net cash flows used in investing activities		**(228,919)**	(50,854)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		**39,920,000**	30,950,000
Repayment of bank borrowings		**(40,630,000)**	(32,075,570)
Principal portion of lease payments		**(557,049)**	(518,204)
Net cash flows used in financing activities		**(1,267,049)**	(1,643,774)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,781,251**	2,007,752
Cash and cash equivalents at beginning of period		**14,454,554**	10,771,897
Effect of foreign exchange rate changes, net		**802,256**	187,381
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*14*	**17,038,061**	12,967,030
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	*14*	**17,038,061**	12,967,030

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 7 October 2013. The registered office address of the Company is at the offices of Maples Corporate Services Limited, PO 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 were principally engaged in the manufacture and sales of golf related products.

2.1 BASIS OF PREPARATION

The interim condensed financial information for the six months ended 30 September 2022 has been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2022.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

While the adoption of some of the 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 sales of golf related products and 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 resources allocation and performance assessment. Accordingly, no operating segment information is presented.

Revenues are attributed to geographic areas based on the location of customers as follows:

	For the six months ended 30 September	
	2022	2021
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Korea	**4,237,634**	2,149,780
China (including Hong Kong and Macau)	**4,028,409**	3,624,678
Japan	**3,951,625**	3,821,601
Rest of the world	**1,858,853**	1,316,815
North America	**565,128**	429,508
Europe	**285,766**	529,565
	14,927,415	11,871,947

Information about major customers

For the six months ended 30 September 2022, revenue of approximately JPY3,100,164,000 was derived from sales to a single customer (six months ended 30 September 2021: JPY1,271,904,000).

4. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 September	
	2022	2021
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Revenue		
Sale of goods	**14,848,912**	11,803,343
Rendering of services	**78,503**	68,604
	14,927,415	11,871,947
Other income and gains		
Foreign exchange gains, net	**1,624,510**	121,654
Government grants	**29,323**	25,757
Rental income	**1,024**	1,065
Gain on disposal of right-of-use assets, net	**–**	29,114
Others	**41,798**	26,173
	1,696,655	203,763

The disaggregation of the Group's revenue from contracts with customers, including the sale of goods and rendering of services above, for the six months ended 30 September 2022 and 2021, respectively are as follows:

	For the six months ended 30 September	
	2022	2021
	(Unaudited)	*(Unaudited)*
	(JPY'000)	*(JPY'000)*
Types of goods or services		
Sale of golf related products	**14,848,912**	11,803,343
Rendering of services relating to golf related products	**78,503**	68,604
Total revenue from contracts with customers	**14,927,415**	11,871,947
Timing of revenue recognition		
Goods transferred at a point in time	**14,848,912**	11,803,343
Services transferred over time	**78,503**	68,604
Total revenue from contracts with customers	**14,927,415**	11,871,947

The disaggregation of the Group's revenue based on the geographical region for the six months ended 30 September 2022 is included in note 3.

5. FINANCE COSTS

	For the six months ended 30 September	
	2022	2021
	(Unaudited)	*(Unaudited)*
	(JPY'000)	*(JPY'000)*
Interest on bank borrowings	**40,055**	26,147
Interest on lease liabilities	**12,451**	19,218
	52,506	45,365

6. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 September 2022 (Unaudited) (JPY'000)	2021 (Unaudited) (JPY'000)
Cost of inventories sold		**7,017,994**	5,268,986
Cost of service provided		**43,107**	41,112
Covid-19-related rent concessions from lessors		**(8,360)**	(33,065)
Depreciation of property, plant and equipment	*10*	**320,376**	282,688
Depreciation of right-of-use assets		**499,074**	504,970
Amortisation of intangible assets		**43,143**	55,352
Research and development costs		**102,184**	96,723
Provision for impairment of property, plant and equipment		**20,772**	–
Provision for/(reversal of) impairment of trade receivables		**74,003**	(57,749)
Lease payments not included in the measurement of lease liabilities		**113,392**	89,388
Employee benefit expense:			
Wages and salaries		**1,818,706**	1,806,137
Pension and social security costs		**167,178**	165,193
Defined benefit plan expenses	*17*	**32,933**	29,707
Employee benefits		**199,728**	179,935
Other benefits		**177,055**	131,421
		2,395,600	2,312,393
Foreign exchange gains, net		**(1,624,510)**	(121,654)
Write-down of inventories to net realisable value		**770,562**	364,669
Net losses on disposal of items of property, plant and equipment		**97,888**	14,299
Net loss/(gain) on disposal of right-of-use assets		**4,237**	(29,114)

7. INCOME TAX

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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

The subsidiaries 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 six months ended 30 September 2022 (six months ended 30 September 2021: 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 aggregate effective statutory tax rates for these taxes were 30.62% for the six months ended 30 September 2022 (six months ended 30 September 2021: 30.62%).

The provision for the PRC corporate income tax is based on the statutory rate of 25% for the assessable profits of the Group's PRC subsidiary as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

During the six months ended 30 September 2022, the Company's subsidiary incorporated and operating in the United States is subject to a federal corporation income tax rate of 21% (six months ended 30 September 2021: 21%), as well as state tax at 8.84% (six months ended 30 September 2021: 8.84%).

The subsidiaries incorporated in Taiwan and Thailand are subject to income tax at the rates of 20% and 20% on the assessable profits (six months ended 30 September 2021: 20% and 20%), respectively.

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 (six months ended 30 September 2021: 8.5%), as well as cantonal and communal taxes at rates ranging 2% to 5% (six months ended 30 September 2021: 2% to 5%).

The major components of income tax expense of the Group are as follows:

	For the six months ended 30 September	
	2022	2021
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Current income tax – Hong Kong	**662,556**	293,614
Current income tax – Mainland China	**187,495**	59,184
Deferred tax	**(208,833)**	45,346
	641,218	398,144

8. PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2022 and 2021 in respect of a dilution as the Group had no potentially ordinary shares in issue during those periods.

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

	For the six months ended 30 September	
	2022	2021
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**3,087,342**	1,348,421

	Number of shares For the six months ended 30 September	
	2022	2021
	('000)	*('000)*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**605,643**	605,643

9. DIVIDENDS

	For the six months ended 30 September	
	2022	2021
	(Unaudited)	*(Unaudited)*
	(JPY'000)	*(JPY'000)*
Final declared – JPY2.00 per ordinary share (2021: JPY1.70)	**1,211,285**	1,029,592

On 15 September 2022, the Company's shareholders approved the 2022 proposed final dividend with a total amount of JPY1,211,285,000.

On 29 November 2022, the board of directors declared the payment of an interim dividend of JPY1.50 (six months ended 30 September 2021: JPY1.50) per ordinary share totaling approximately JPY908,500,000 (six months ended 30 September 2021: JPY908,500,000) for the six months ended 30 September 2022.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended on 30 September 2022, the Group acquired items of property, plant and equipment with a cost of JPY254,343,000 (six months ended 30 September 2021: JPY120,381,000). Depreciation for items of property, plant and equipment was JPY320,376,000 during the period (six months ended 30 September 2021: JPY282,688,000). Assets with a net book value of JPY97,888,000 were disposed of by the Group during the six months ended 30 September 2022 (six months ended 30 September 2021: JPY26,887,000), resulting in a net loss on disposal of JPY97,888,000 (six months ended 30 September 2021: JPY14,299,000).

An impairment of JPY20,772,000 (six months ended 30 September 2021: Nil) has been provided for certain cash-generating units ("CGUs") of self-operated stores during the six months ended 30 September 2022 with recoverable amount of nil. The recoverable amounts of these self-operated stores have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a period over the remaining useful lives of the relevant assets.

11. FREEHOLD LAND

The carrying amounts of the Group's freehold land is JPY1,940,789,000 as at 30 September 2022 and 31 March 2022. The freehold land, which is located in Japan, is owned by Honma Golf Co., Ltd., a limited liability company incorporated under the laws of Japan.

12. INVENTORIES

	30 September 2022	31 March 2022
	(Unaudited)	*(Audited)*
	(JPY'000)	*(JPY'000)*
Raw materials	**3,236,324**	2,930,047
Work in progress	**1,521,784**	1,548,424
Finished goods	**10,510,051**	8,552,042
	15,268,159	13,030,513
Provision for inventories	**(2,306,239)**	(1,535,677)
	12,961,920	11,494,836

13. TRADE AND BILLS RECEIVABLES

	30 September 2022	31 March 2022
	(Unaudited)	*(Audited)*
	(JPY'000)	*(JPY'000)*
Trade receivables	**3,591,812**	5,295,751
Bills receivable	**323,172**	184,156
	3,914,984	5,479,907
Impairment of trade receivables	**(305,837)**	(231,834)
	3,609,147	5,248,073

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

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

	30 September 2022	31 March 2022
	(Unaudited)	*(Audited)*
	(JPY'000))	*(JPY'000)*
Within 1 month	**1,869,483**	3,934,777
Over 1 and within 3 months	**546,616**	460,544
Over 3 and within 12 months	**762,495**	578,073
Over 1 year	**107,381**	90,523
	3,285,975	5,063,917

14. CASH AND CASH EQUIVALENTS

	30 September 2022	31 March 2022
	(Unaudited) (JPY'000)	(Audited) (JPY'000)
Cash and bank balances	**17,038,061**	14,454,554
Time deposits	**5,599**	4,747
	17,043,660	14,459,301
Less: pledged deposits for letters of guarantee	**(5,599)**	(4,747)
Cash and cash equivalents	**17,038,061**	14,454,554

15. TRADE AND BILLS PAYABLES

	30 September 2022	31 March 2022
	(Unaudited) (JPY'000)	(Audited) (JPY'000)
Trade payables	**2,678,761**	2,393,326
Bills payable	**15,440**	1,741
	2,694,201	2,395,067

An ageing analysis of the trade and bills payables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2022	31 March 2022
	(Unaudited) (JPY'000)	(Audited) (JPY'000)
Within 3 months	**2,656,693**	2,324,078
Over 3 months	**37,508**	70,989
	2,694,201	2,395,067

16. INTEREST-BEARING BANK BORROWINGS

	30 September 2022	31 March 2022
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Current		
Bank loans – unsecured	**6,390,000**	7,100,000
Non-Current		
Bank loans – unsecured	**600,000**	600,000
	6,990,000	7,700,000
Analysed into:		
Bank loans repayable:		
Within one year	**6,390,000**	7,100,000
In the third to fifth years, inclusive	**232,980**	190,620
Beyond five years	**367,020**	409,380
	6,990,000	7,700,000

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

	30 September 2022	31 March 2022
	(Unaudited)	*(Audited)*
Effective interest rates	**0.17%-3.08%**	0.33%-1.07%

As at 30 September 2022 and 31 March 2022, there were no properties pledged to secure bank borrowings granted to the Group.

17. EMPLOYEE DEFINED BENEFIT PLANS

Net employee defined benefit liability:

	30 September 2022	31 March 2022
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Retirement benefit plans	**493,406**	465,019

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

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

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

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

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

The total expenses recognized in the interim condensed consolidated statement of profit or loss in respect of the plan are as follows:

	For the six months ended 30 September	
	2022	2021
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Current service cost	**31,199**	28,741
Interest cost	**1,734**	966
Net benefit expenses	**32,933**	29,707
Recognised in cost of sales	**10,536**	9,504
Recognised in selling and distribution costs	**11,066**	9,982
Recognised in administrative expenses	**11,331**	10,221
	32,933	29,707

The following tables summarize the components of net benefit expenses recognized in the interim condensed consolidated statement of profit or loss and the funded status and amounts recognized in the interim condensed consolidated statement of financial position for the plan:

Changes for the six months ended 30 September 2022 in the defined benefit obligation and fair value of plan assets:

	1 April 2022	**Service cost**	**Net interest**	**Sub-total included in profit or loss**	**Benefits paid**	**Return on plan assets**	**Experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Sub-total included in other comprehensive income**	**30 September 2022**
	(JPY'000)	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*
Defined benefit obligation	**2,410,661**	**31,199**	**5,287**	**36,486**	**(90,753)**	**–**	**–**	**(16,616)**	**(16,616)**	**2,339,778**
Fair value of plan assets	**(1,945,642)**	**–**	**(3,553)**	**(3,553)**	**32,788**	**70,035**	**–**	**–**	**70,035**	**(1,846,372)**
Benefit liability	**465,019**	**31,199**	**1,734**	**32,933**	**(57,965)**	**70,035**	**–**	**(16,616)**	**53,419**	**493,406**

Changes for the six months ended 30 September 2021 in the defined benefit obligation and fair value of plan assets:

	1 April 2021	Service cost	Net interest	Sub-total included in profit or loss	Benefits paid	Return on plan assets	Experience adjustments	Actuarial changes arising from changes in financial assumptions	Sub-total included in other comprehensive income	30 September 2021
	(JPY'000)	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*
Defined benefit obligation	2,553,076	28,741	4,116	32,857	(72,670)	–	(114)	(3,256)	(3,370)	2,509,893
Fair value of plan assets	(1,922,463)	–	(3,150)	(3,150)	24,321	(64,156)	–	–	(64,156)	(1,965,448)
Benefit liability	630,613	28,741	966	29,707	(48,349)	(64,156)	(114)	(3,256)	(67,526)	544,445

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

	30 September 2022	31 March 2022
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Stocks	**887,023**	1,001,638
Bonds	**748,286**	738,782
General account of life insurance companies	**146,016**	145,772
Others	**65,047**	59,450
	1,846,372	1,945,642

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

	30 September 2022	31 March 2022
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Method of allocating projected retirement benefits	**Projected Unit Credit Method**	Projected unit credit method
Discount rate	**0.45%**	0.37%
Salary increase rate (aged based, on average)	**3.90%**	3.90%
Turnover rate (aged based, on average)	**6.60%**	6.60%

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

		Increase/(decrease) in defined benefit obligations	
		30 September 2022	31 March 2022
Assumption	*Change in assumption*	***(Unaudited)*** ***(JPY'000)***	*(Audited)* *(JPY'000)*
Discount rate	Increase by 0.5%	**(82,601)**	(82,793)
	Decrease by 0.5%	**82,601**	82,793

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation 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 assumption 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 obligation as at 30 September 2022 is 5.4 years (31 March 2022: 5.4 years).

The actuarial valuation showed that the market value of plan assets was JPY1,846,372,000 as at 30 September 2022 (31 March 2022: JPY1,945,642,000), and represented 79% (31 March 2022: 81%) of the defined benefit obligation that had accrued to qualifying employees. The deficiency of JPY493,406,000 as at 30 September 2022 (31 March 2022: JPY465,019,000) is expected to be cleared over the remaining service period.

18. SHARE CAPITAL

	30 September 2022	31 March 2022
	(Unaudited)	*(Audited)*
Issued capital (As of 30 September 2022 and as of 31 March 2022: 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

19. CAPITAL COMMITMENTS

At the end of the reporting period, the Group did not have any significant capital commitments (31 March 2022: Nil).

20. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Related parties	**Relationships**
Shanghai POVOS Enterprise (Group) Co., Ltd.	Company controlled by the Shareholder

(b) Related party transactions

In addition to the transactions and balances disclosed elsewhere in the interim condensed consolidated financial information, the Group had the following material transactions with related parties during the period:

	For the six months ended 30 September	
	2022	2021
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Rental expense charged by a related party Shanghai POVOS Enterprise (Group) Co., Ltd.	**17,193**	14,189

(c) Balances with related parties

	30 September 2022	31 March 2022
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Due from a related party Shanghai POVOS Enterprise (Group) Co., Ltd.	**43,231**	58,934

(d) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2022	2021
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Short-term employee benefits	**93,711**	85,085
Pension scheme contributions	**6,769**	7,396
Total compensation paid to key management personnel	**100,480**	92,481

21. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets — Debt instruments at amortised cost

	30 September 2022	31 March 2022
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Trade receivables	**3,285,975**	5,063,917
Pledged deposits	**5,599**	4,747
Cash and cash equivalents	**17,038,061**	14,454,554
Financial assets included in prepayments, deposits and other receivables	**156,994**	48,764
Due from a related party	**43,231**	58,934
Finance lease receivables	**413,648**	390,702
Other non-current assets	**762,915**	743,778
	21,706,423	20,765,396

Financial assets – debt instruments at fair value through other comprehensive income

	30 September 2022	31 March 2022
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Bills receivables	**323,172**	184,156

Financial assets – equity instruments at fair value through other comprehensive income

	30 September 2022	31 March 2022
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Equity instruments at fair value through other comprehensive income	**13,083**	13,746

Financial liabilities – at amortised cost

	30 September 2022	31 March 2022
	(Unaudited)	*(Audited)*
	(JPY'000)	*(JPY'000)*
Trade and bills payables	**2,694,201**	2,395,067
Interest-bearing bank borrowings	**6,990,000**	7,700,000
Financial liabilities included in other payables and accruals	**2,622,008**	1,314,851
Financial liabilities included in other non-current liabilities	**22,963**	29,733
	12,329,172	11,439,651

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		**Fair values**	
	30 September 2022	31 March 2022	**30 September 2022**	31 March 2022
	(Unaudited)	*(Audited)*	***(Unaudited)***	*(Audited)*
	(JPY'000)	*(JPY'000)*	***(JPY'000)***	*(JPY'000)*
Interest-bearing bank borrowings	**600,000**	600,000	**585,021**	583,805

Financial assets and liabilities not presented at their fair value on the interim condensed consolidated statements of financial position mainly represent cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, the current portion of finance lease receivables, trade and bills payables, interest-bearing bank borrowings, an amount due to a related party, financial liabilities included in other payables and accruals and the current portion of lease liabilities, their fair values are approximate to their carrying amounts largely due to the short term maturities of these instruments.

The non-current portion of finance lease receivables and the non-current portion of lease liabilities of the Group approximate to their fair values because their carrying amounts are present value and internal rates of return are close to rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of rental deposits paid as lessee included in other non-current assets and rental deposits received as lessor included in other non-current liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments require the directors to make estimates about the expected future cash flows from future proceeds when the investments are realized and the fair values have been estimated to be the principal plus estimated interest income. The directors believe that the estimated fair values which are recorded in the interim condensed consolidated statements of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of each of the reporting periods.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the vice president responsible for finance. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair value of the non-current portion of interest-bearing bank borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The differences between the carrying amounts and fair values of those financial liabilities are not significant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments

Assets measured at fair value:

As at 30 September 2022

	Level 1	**Level 2**	**Level 3**	**Total**
	(Unaudited)	***(Unaudited)***	***(Unaudited)***	***(Unaudited)***
	JPY'000	***JPY'000***	***JPY'000***	***JPY'000***
Equity instruments at fair value through other comprehensive income	**12,983**	**–**	**100**	**13,083**
Bills receivable	**–**	**323,172**	**–**	**323,172**
	12,983	**323,172**	**100**	**336,255**

As at 31 March 2022

	Level 1	Level 2	Level 3	Total
	(Audited)	*(Audited)*	*(Audited)*	*(Audited)*
	JPY'000	*JPY'000*	*JPY'000*	*JPY'000*
Equity instruments at fair value through other comprehensive income	13,646	–	100	13,746
Bills receivable	–	184,156	–	184,156
	13,646	184,156	100	197,902

The Group did not have any financial liability measured at fair value as at 30 September 2022 (31 March 2022: Nil).

During the six months ended 30 September 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (six months ended 30 September 2021: Nil).

23. EVENT AFTER THE REPORTING PERIOD

On 29 November 2022, the board of directors declared the payment of an interim dividend of JPY1.50 per ordinary share totaling approximately JPY908,500,000 for the six months ended 30 September 2022.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

INTERIM DIVIDEND

The Board has declared the payment of the 2022/2023 Interim Dividend of JPY1.5 per share for the six months ended 30 September 2022, amounting to approximately a total of JPY908.5 million, representing approximately 29.4% of the Group's distributable profits for the six months ended 30 September 2022. The interim dividend for the six months ended 30 September 2021 amounted to JPY908.5 million (JPY1.5 per share).

The 2022/2023 Interim Dividend has been declared in Japanese Yen and will be 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 2022/2023 Interim Dividend will be paid on Wednesday, 28 December 2022 to the shareholders of the Company whose names appear on the register of members of the Company as at Wednesday, 14 December 2022.

The distribution of the 2022/2023 Interim Dividend will not be subject to withholding tax under the Cayman Islands laws.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to the interim dividend, the register of members of the Company will be closed for one day on Wednesday, 14 December 2022. No transfer of shares of the Company will be registered on the aforementioned book-close date. To qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 13 December 2022 for registration.

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**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). During the six months ended 30 September 2022, the Company has complied with all applicable code provisions as set out in the CG Code save for the deviation from code provision C.2.1.

Code provision C.2.1 of the CG Code 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 have complied with the Model Code and the Company's own code regarding directors' securities transactions throughout the six months ended 30 September 2022.

AUDIT COMMITTEE

The Company 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 Interim Results for the six months ended 30 September 2022. 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 six months ended 30 September 2022 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 six months ended 30 September 2022. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited ("**HKEX**") (www.hkexnews.hk) and that of the Company (www.honmagolf.com). The interim 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

29 November 2022

As at the date of this announcement, the executive directors of the Company are Mr. Liu Jianguo, Mr. Ito Yasuki, Mr. Murai Yuji and Mr. Zuo Jun; the non-executive directors of the Company are Mr. Yang Xiaoping and Mr. Ho Ping-hsien Robert; and the independent non-executive directors of the Company are Mr. Lu Pochin Christopher, Mr. Wang Jianguo and Mr. Xu Hui.