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 2023

MAJOR DEVELOPMENTS IN THE SIX MONTHS ENDED 30 SEPTEMBER 2023:

- The Group's revenue decreased by 11.6% from the six months ended 30 September 2022 to JPY13,194.8 million (equivalent to USD93.9 million). Although the golf industry had experienced exciting increase in both participation and purchase interest during the COVID-19, the golf industry also faced increased market competitions and adjustments in participation and consumers' willingness to pay resulting from global economic situation and slowdowns in certain areas of the world. See "Management Discussion and Analysis – Financial Review – Revenue".

  - *By geography.* During the six months ended 30 September 2023, the Group's main markets recorded different sales momentum versus same period last year. Revenue from Japan and Hong Kong rose by 5.6% and 11.2%, 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. China (including Hong Kong and Macau), on the other hand, showed a decline of 12.4% as the overall economy and retail market experienced significant slowdowns. Korea also recorded a sales decline of 7.0%, reflecting the Group's decision to optimize its distribution network prior to its new products launch in the first quarter of 2024.

  - *By product.* During the same period, revenue from golf clubs showed a decline of 12.5%, mainly due to a decline in China's golf club sales of 26.3%. Revenue from golf clubs in Japan rose by 20.1% as compared to the six months ended 30 September 2022. Revenue from apparels went up by 2.1% from the six months ended 30 September 2022, in spite of the weak consumer sentiments in China. Sales from golf balls edged lower by 2.2%, mainly due to temporary sales adjustment following upward retail price adjustment to cope with Japanese yen depreciation over the past few years.

- *By channel.* The performance of self-operated stores continued to be strong, posting a steady increase of 13.2% from the six months ended 30 September 2022, mainly due to a robust retail sales recovery in Japan and China of 30.7% and 23.6%, respectively. Revenue from third-party retailers and wholesalers decreased by 22.5% for the same period, primarily due to (i) sales decrease in China owing to challenges the industry was facing as well as channel shifting of the Group's apparel business; and (ii) sales decrease in Europe following last year's distribution model change.

- Gross profit margin decreased by 0.6 percentage points for the six months ended 30 September 2023 and reached 52.1% as compared to 52.7% for the six months ended 30 September 2022, mainly due to increased raw material prices, downward currency pressure and tightened inventory provision policies.

- For the same period, profit before tax decreased by 2.5% to reach JPY3,635.8 million (equivalent to USD25.9 million), down from JPY3,728.6 million for the six months ended 30 September 2022.

- Net operating cash flow remained positive and stood at JPY3,251.3 million (equivalent to USD23.1 million) for the six months ended 30 September 2023. Net operating cash flow generated in the same period last year was JPY3,277.2 million (equivalent to USD24.6 million).

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 2023, representing approximately 27.3% of the Group's distributable profits for the six months ended 30 September 2023.

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 2023. 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 celebrate its 66th anniversary in 2024. In the past couple of years, HONMA has actively re-branded itself in order to re-define the HONMA brand as a dynamic, relevant and global brand among younger golfers. The Group renewed its tour presence in Asia by retaining a HONMA team consisting of two veterans and six female players whom are considered rising stars by the golf industry and collaborated with coaches and key opinion leaders in the main Asian markets. The Group also made significant investments into its retail distribution network and digital capabilities in Japan and China to provide a unified and improved consumer experience and journey to its loyal consumers as well as the younger golfers.

Key Operating Results

Since early 2023, the global golf industry has seen adjustments in both the purchase interest and participation of golfers at different stages and across different markets. This reconfirmed the management's decision to further strengthen and streamline its product offering around two consumer segments, namely super-premium and premium-performance consumer segments. The super-premium segment is a consumer segment that HONMA has maintained a leading and strong market position for decades. The premium-performance consumer segment is dominated by avid golfers, which is the largest segment in terms of participation so far, and has enjoyed the strongest growth momentum for years. To increase HONMA's market penetration, the Group updated its product strategy by enriching its TOUR WORLD club portfolio offering to include a performance enhancement series and by renewing its legacy BERES club family with a modern and sophisticated design and development approach to appeal to today's golfers.

The above has greatly enhanced HONMA's brand and product awareness and has increased the participation of younger and more avid golfers. For example, revenue from Japan, the Group's home market, grew by 5.6% during the six months ended 30 September 2023 as compared to the same period last year, on the back of a complete sales recovery in all channels and product categories.

Highlights of Major Achievements

For the six months ended 30 September 2023, the Company steadfastly followed its growth strategies while carefully protecting its financial strength and cash flow. Among others, the Company has continued to invest in and focused on the following strategic initiatives which the Company believes will continue to bring satisfactory business advancements and results in the future.

- ***Re-defining the HONMA brand.*** The Company initiated various programs to improve its global brand positioning and communication with target consumers. 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 while making regular and frequent visual and content updates to all its digital platforms to continuously promote its brand and product awareness and to appeal to younger golfers. The rapid increase in HONMA's digital communications on both earned and paid media has contributed to continued improvements 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 advanced 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 craftsmanship and world standard 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 in 2021, the Group continuously penetrated into the super-premium and premium performance consumer segments, especially in Asia. Revenue from golf clubs in Japan rose by 20.1% during the six months ended 30 September 2023, reconfirming HONMA's strong brand equity and its ability to withstand economic challenges since HONMA went into the golf business in 1959. During the same period, revenue from specialized models grew by 34.5% as compared to the six months ended 30 September 2022 as the younger golfers opted for individualism that has been reflected in specialized models.

- ***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 2023, golf clubs generated 75.9% of the Group's total revenue. In addition, considering the continued and stable contribution in revenue from golf balls over the past years, the Company further prioritized its product development resources and launched golf balls with its own patent in order to meet the HONMA brand positioning and play preferences of its consumers.

In January 2019, HONMA re-launched its apparel business. As of now, the apparel collection comprises of a professional and a fashion athletic line, catering to the distinctive requirements of golfers in China, both on-course and off-course. The six months ended 30 September 2023 featured mostly HONMA's 2023 Spring/Summer collections.

- ***Reprioritising 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 2023, the Group continued to reprioritise its distribution strategy 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 North America, the Group opened six points of sales ("**POS**") and closed 116 POSs in the six months ended 30 September 2023, hence decreasing its total POSs there to 235 by 30 September 2023. During the same period, in Europe, the Group opened 45 new POSs, leading to a modest POS network of 80 locations.

  Despite the shift, the Company continued to make investments into its digital communication and e-commerce activities in both markets 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 2023, the Company had seen continued increase in site visits. The strong performance is a good evidence of HONMA's brand equity and consumer interest in the North American market.

- ***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. For the six months ended 30 September 2023, the Company opened 11 new stores in China, and one in other areas of Asia, consistently applying the new retail visual identity, design concept and consumer experience elements using advanced technology. The Company also upgraded multiple shop-in-shops in the U.S., Japan and China using the same design concept to ultimately present the same 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 2023, HONMA hosted 1,757 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 2023, TEAM HONMA consisted of eight professional golf players. TEAM HONMA player Minami Hiruta and Seo Yeun Jung claimed victory at CAT Ladies 2023 and KG Ladies Open in August 2023 and September 2023, respectively. The Company believes TEAM HONMA's 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.

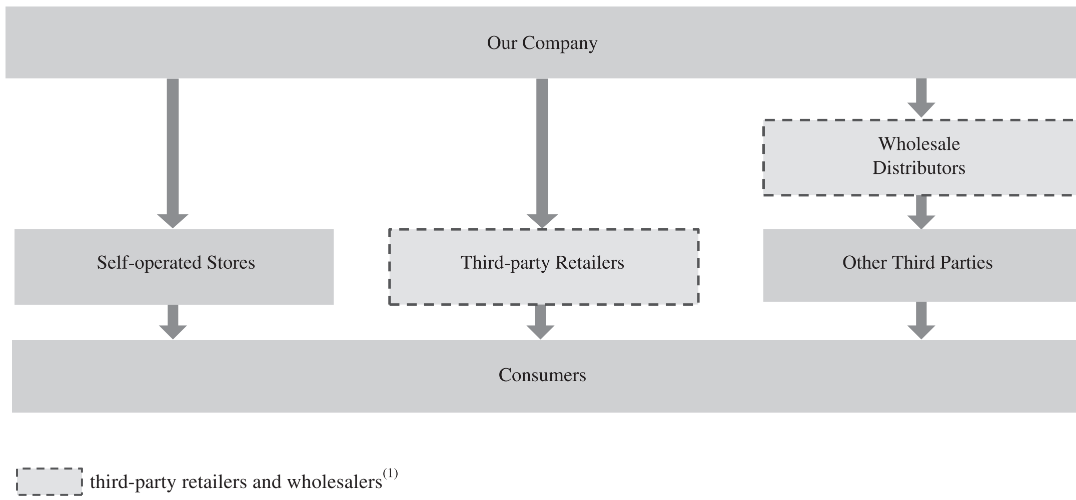
Based on extensive market research, HONMA categorises the market into nine key segments according to the importance golfers place on price, design and performance, which are correlated with their respective levels of affluence and enthusiasm towards golf, as illustrated in the chart below:

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. Since then, BERES and TOUR WORLD have been the two main club products for HONMA across all of its markets.

Sales and Distribution Network

The Company's sales and distribution network consists of HONMA-branded self-operated stores as well as third-party distributors which 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 2023, the Group had 95 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 2023:

	For the six months ended 30 September 2023			
	Period start	**Opened**	**Closed**	**Period end**
Japan	29	–	1	28
China (including Hong Kong and Macau)	41	11	2	50
Rest of Asia	20	1	4	17
Total	90	12	7	95

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 2023, the Group had five fitting centers, including two in Japan, two in China and one in Korea.

As at 30 September 2023, the Group had approximately 3,506 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 2023, the Group's products were sold at 1,329 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 197 craftsmen, 32 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 2023, the Group had 712 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 JPY2,230.9 million for the six months ended 30 September 2023.

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 continues to present operating challenges and economic uncertainties for HONMA. After COVID-19 related regulatory restrictions have been lifted, the pent-up demand from golfers has been unleashed and their participation and purchase interest have improved amidst economic uncertainty and geopolitical tension.

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.

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 product 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 2023, HONMA continued to shift its 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 JPY102.2 million and JPY110.6 million for the six months ended 30 September 2022 and 2023, 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 2024. These challenges include uncertain global public health situations, supply chain challenges, global economic and political uncertainties.

For the six months ended 30 September 2023, the golf industry experienced continued rebound, while a good majority of the golf courses in Asia, the U.S. and Europe re-opened for play and golfers increased participation. 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 2024 will be a crucial period for it to deliver its growth strategies amidst global economic and political uncertainties. The Group is confident in its ability to mitigate the adverse impacts of such uncertainties 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 2022 to the six months ended 30 September 2023:

	Six months ended 30 September				
	2023		2022		**Period-to-period change**
	JPY	*%*	*JPY*	*%*	*%*
	(In thousands, except for percentages and per share data)				
Consolidated statement of profit or loss (unaudited)					
Revenue	**13,194,832**	**100.0**	14,927,415	100.0	(11.6)
Cost of sales	**(6,317,853)**	**(47.9)**	(7,061,101)	(47.3)	(10.5)
Gross profit	**6,876,979**	**52.1**	7,866,314	52.7	(12.6)
Other income and gains	**2,019,415**	**15.3**	1,696,655	11.4	19.0
Selling and distribution expenses	**(4,485,975)**	**(34.0)**	(4,874,327)	(32.7)	(8.0)
Administrative expenses	**(680,425)**	**(5.2)**	(685,478)	(4.6)	(0.7)
Reversal of/(provision for) impairment losses on financial assets	**70,853**	**0.5**	(74,003)	(0.5)	(195.7)
Other expenses, net	**(73,662)**	**(0.6)**	(155,530)	(1.0)	(52.6)
Finance costs	**(97,102)**	**(0.7)**	(52,506)	(0.4)	84.9
Finance income	**5,677**	*	7,475	0.1	(24.1)
Profit before tax	**3,635,760**	**27.6**	3,728,600	25.0	(2.5)
Income tax expense	**(306,257)**	**(2.3)**	(641,218)	(4.3)	(52.2)
Net profit	**3,329,503**	**25.2**	3,087,382	20.7	7.8
Earnings per share attributable to ordinary equity holders of the parent:					
Basic and diluted					
– For profit for the period (JPY)	**5.50**		5.10		7.8
Non-IFRS financial measure					
Operating profit[(1)]	**1,690,007**	**12.8**	2,187,475	14.7	(22.7)
Net operating profit[(2)]	**1,648,940**	**12.5**	1,588,856	10.6	3.8

* less than 0.1%

Notes:

(1) Operating profit is derived from profit before tax by (i) subtracting other income and gains and (ii) adding other 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 and (iii) 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 decreased by 11.6% from JPY14,927.4 million for the six months ended 30 September 2022 to JPY13,194.8 million for the six months ended 30 September 2023.

Constant Currency Revenue

On a constant currency basis, the Group's total revenue decreased by 12.4% from the six months ended 30 September 2022 to the six months ended 30 September 2023. For the purpose of calculating constant currency revenue, the Group has used the average exchange rate of the six months ended 30 September 2022 to translate sales recorded during the six months ended 30 September 2023, 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**	
	2023		2022		**on as reported basis**	**on constant currency basis[1]**
	JPY	*%*	*JPY*	*%*	*%*	*%*
	(In thousands, except for percentages)					
Golf clubs	**10,011,857**	**75.9**	11,441,690	76.6	(12.5)	(13.2)
Golf balls	**1,097,872**	**8.3**	1,122,606	7.5	(2.2)	(3.1)
Apparels	**1,263,961**	**9.6**	1,237,367	8.3	2.1	1.1
Accessories and other related[2]	**821,142**	**6.2**	1,125,752	7.5	(27.1)	(28.3)
Total	**13,194,832**	**100.0**	14,927,415	100.0	(11.6)	(12.4)

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 decreased by 12.5% from JPY11,441.7 million for the six months ended 30 September 2022 to JPY10,011.9 million for the six months ended 30 September 2023, mainly due to a decline in China's golf club sales of 26.3%. On a constant currency basis, revenue from golf clubs decreased by 13.2% during the same period.

Revenue from golf balls decreased by 2.2% from JPY1,122.6 million for the six months ended 30 September 2022 to JPY1,097.9 million for the six months ended 30 September 2023, mainly due to temporary sales adjustment following upward retail price adjustment to cope with Japanese yen depreciation over the past few years. On a constant currency basis, revenue from golf balls decreased by 3.1% during the same period.

Revenue from apparels increased by 2.1% from JPY1,237.4 million for the six months ended 30 September 2022 to JPY1,264.0 million for the six months ended 30 September 2023, in spite of weak consumer sentiments in China. On a constant currency basis, revenue from apparels increased by 1.1% during the same period.

Revenue from accessories and other related products decreased by 27.1% from JPY1,125.8 million for the six months ended 30 September 2022 to JPY821.1 million for the six months ended 30 September 2023. On a constant currency basis, revenue from accessories and other related products decreased by 28.3% during the same period. Such decrease was primarily caused by constrained sales in Japan to protect margin prior to a new product launch in Spring 2024.

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**	
	2023		2022		**on as reported basis**	**on constant currency basis**[(1)]
	JPY	*%*	*JPY*	*%*	*%*	*%*
	(In thousands, except for percentages)					
Japan	**4,172,787**	**31.6**	3,951,625	26.5	5.6	5.6
Korea	**3,942,808**	**29.9**	4,237,634	28.4	(7.0)	(7.4)
China (including Hong Kong and Macau)	**3,529,130**	**26.7**	4,028,409	27.0	(12.4)	(12.8)
North America	**335,024**	**2.5**	565,128	3.8	(40.7)	(43.8)
Europe	**135,861**	**1.0**	285,766	1.9	(52.5)	(57.6)
Other regions	**1,079,222**	**8.2**	1,858,853	12.5	(41.9)	(44.4)
Total	**13,194,832**	**100.0**	14,927,415	100.0	(11.6)	(12.4)

Note:

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

Revenue from Japan grew by 5.6% from JPY3,951.6 million for the six months ended 30 September 2022 to JPY4,172.8 million for the six months ended 30 September 2023, 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 Korea recorded a decline of 7.0% from JPY4,237.6 million for the six months ended 30 September 2022 to JPY3,942.8 million for the six months ended 30 September 2023, reflecting the Group's decision to optimize its distribution network prior to its new products launch in the first quarter of 2024. On a constant currency basis, revenue from Korea decreased by 7.4% during the same period.

Revenue from China (including Hong Kong and Macau) decreased by 12.4% from JPY4,028.4 million for the six months ended 30 September 2022 to JPY3,529.1 million for the six months ended 30 September 2023 as the overall economy and retail market experienced significant slowdowns. On a constant currency basis, revenue from China (including Hong Kong and Macau) decreased by 12.8% during the same period.

Revenue from North America decreased by 40.7% from JPY565.1 million for the six months ended 30 September 2022 to JPY335.0 million for the six months ended 30 September 2023, mainly due to continued negative impacts from last year's adjustment in distribution network. On a constant currency basis, revenue from North America decreased by 43.8% during the same period.

Revenue from Europe decreased by 52.5% from JPY285.8 million for the six months ended 30 September 2022 to JPY135.9 million for the six months ended 30 September 2023. On a constant currency basis, revenue from Europe decreased by 57.6% 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 decreased by 41.9% from JPY1,858.9 million for the six months ended 30 September 2022 to JPY1,079.2 million for the six months ended 30 September 2023, mainly due to unfavourable local currency depreciation against U.S. dollar and weakened purchasing interest and power. On a constant currency basis, revenue from other regions decreased by 44.4% during the same period.

Revenue from the Group's home markets, namely Japan, Korea and China (including Hong Kong and Macau) accounted for 88.3% of the Group's total revenue for the six months ended 30 September 2023.

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	
	2023		2022		on as reported basis	on constant currency basis[1]
	JPY	*%*	*JPY*	*%*	*%*	*%*
	(In thousands, except for percentages)					
Self-operated stores	**5,170,582**	**39.2**	4,566,903	30.6	13.2	12.4
Third-party retailers and wholesalers	**8,024,250**	**60.8**	10,360,512	69.4	(22.5)	(23.3)
Total	**13,194,832**	**100.0**	14,927,415	100.0	(11.6)	(12.4)

Note:

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

Revenue from self-operated stores increased by 13.2% from JPY4,566.9 million for the six months ended 30 September 2022 to JPY5,170.6 million for the six months ended 30 September 2023. On a constant currency basis, revenue from self-operated stores increased by 12.4% during the same period. Such increase was mainly due to a robust retail sales recovery in Japan and China of 30.7% and 23.6%, respectively.

Revenue from sales to third-party retailers and wholesalers decreased by 22.5% from JPY10,360.5 million for the six months ended 30 September 2022 to JPY8,024.3 million for the six months ended 30 September 2023. On a constant currency basis, revenue from third-party retailers and wholesalers decreased by 23.3% during the same period. Such decrease was primarily due to (i) sales decrease in China owing to challenges the industry was facing as well as channel shifting of the Group's apparel business; and (ii) sales decrease in Europe following last year's distribution model change.

Cost of Sales

Cost of sales decreased by 10.5% from JPY7,061.1 million for the six months ended 30 September 2022 to JPY6,317.9 million for the same period in 2023. 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			
	2023		2022	
	JPY	*%*	*JPY*	*%*
	(In thousands, except for percentages)			
Raw materials	**2,893,516**	**45.8**	3,699,092	52.4
Employee benefits	**701,287**	**11.1**	541,474	7.7
Manufacturing overhead[1]	**359,482**	**5.7**	299,101	4.2
Finished goods purchased from suppliers	**2,363,568**	**37.4**	2,521,434	35.7
Total	**6,317,853**	**100.0**	7,061,101	100.0

Note:

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

Gross Profit and Gross Profit Margin

Gross profit decreased by 12.6% from JPY7,866.3 million for the six months ended 30 September 2022 to JPY6,877.0 million for the same period in 2023. Gross profit margin decreased from 52.7% for the six months ended 30 September 2022 to 52.1% for the same period in 2023.

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			
	2023		2022	
	JPY	*%*	*JPY*	*%*
	(In thousands, except for percentages)			
Golf clubs	**5,935,944**	**59.3**	6,845,942	59.8
Golf balls	**318,691**	**29.0**	358,323	31.9
Apparels	**356,200**	**28.2**	373,624	30.2
Accessories and other related[1]	**266,144**	**32.4**	288,425	25.6
Total	**6,876,979**	**52.1**	7,866,314	52.7

Note:

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

Gross profit for golf clubs decreased by 13.3% from JPY6,845.9 million for the six months ended 30 September 2022 to JPY5,935.9 million for the same period in 2023. Gross profit margin for golf clubs decreased from 59.8% for the six months ended 30 September 2022 to 59.3% for the same period in 2023, primarily due to increase in inventory provisions.

Gross profit for golf balls decreased by 11.1% from JPY358.3 million for the six months ended 30 September 2022 to JPY318.7 million for the same period in 2023. Gross profit margin for golf balls decreased from 31.9% for the six months ended 30 September 2022 to 29.0% for the same period in 2023, primarily due to raw material price increase and unfavourable exchange rate against U.S. dollar.

Gross profit for apparels decreased by 4.7% from JPY373.6 million for the six months ended 30 September 2022 to JPY356.2 million for the same period in 2023. Gross profit margin for apparels decreased from 30.2% for the six months ended 30 September 2022 to 28.2% for the same period in 2023, primarily due to alignment in inventory provision policies among different markets which resulted in an increase in the provision.

Gross profit for accessories and other related products decreased by 7.7% from JPY288.4 million for the six months ended 30 September 2022 to JPY266.1 million for the same period in 2023. Gross profit margin for accessories and other related products increased from 25.6% for the six months ended 30 September 2022 to 32.4% for the same period in 2023, primarily due to improved product mix and reduction in sales contribution from low gross margin products.

Other Income and Gains

Other income and gains increased from JPY1,696.7 million for the six months ended 30 September 2022 to JPY2,019.4 million for the same period in 2023, primarily due to positive foreign exchange revaluation results.

Selling and Distribution Expenses

Selling and distribution expenses decreased from JPY4,874.3 million for the six months ended 30 September 2022 to JPY4,486.0 million for the same period in 2023. Selling and distribution expenses as a percentage of revenue increased from 32.7% for the six months ended 30 September 2022 to 34.0% for the same period in 2023. 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			
	2023		2022	
	JPY	***%***	*JPY*	*%*
	(In thousands, except for percentages)			
Employee benefits	**1,516,812**	**33.8**	1,686,798	34.6
Advertising and promotion expenses	**886,078**	**19.8**	1,146,855	23.5
Depreciation of right-of-use assets	**584,352**	**13.0**	490,714	10.1
Rental and other related fees	**263,942**	**5.9**	266,723	5.5
Others(1)	**1,234,791**	**27.5**	1,283,237	26.3
Total	**4,485,975**	**100.0**	4,874,327	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 JPY685.5 million for the six months ended 30 September 2022 and JPY680.4 million for the same period in 2023.

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

We had provision for impairment losses on financial assets of JPY74.0 million for the six months ended 30 September 2022 and reversal of impairment losses on financial assets of JPY70.9 million for the same period in 2023, due to reversal of bad debt provision in line with IFRS rules.

Other Expenses, Net

Other expenses decreased by 52.6% from JPY155.5 million for the six months ended 30 September 2022 to JPY73.7 million for the same period in 2023, primarily due to reduction in leasehold improvements write-offs.

Finance Costs

Finance costs increased by 84.9% from JPY52.5 million for the six months ended 30 September 2022 to JPY97.1 million for the same period in 2023, primarily due to increased borrowing costs.

Finance Income

Finance income decreased by 24.1% from JPY7.5 million for the six months ended 30 September 2022 to JPY5.7 million for the same period in 2023, primarily due to lower average bank deposit balance.

Profit Before Tax

As a result of the foregoing, profit before tax for the six months ended 30 September 2023 was JPY3,635.8 million.

Income Tax Expense

Income tax expense decreased by 52.2% from JPY641.2 million for the six months ended 30 September 2022 to JPY306.3 million for the same period in 2023. The Group's effective tax rate decreased from 17.2% for the six months ended 30 September 2022 to 8.4% for the same period in 2023.

Net Profit

As a result of the foregoing, net profit for the six months ended 30 September 2023 was JPY3,329.5 million. Net profit margin for the six months ended 30 September 2023 was 25.2%.

Non-IFRS Financial Measures

In addition to the IFRS measures in its consolidated financial statements, the Group also uses the non-IFRS financial measures of 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	
	2023	2022
	(In JPY thousands)	
Profit before tax	**3,635,760**	3,728,600
Adjustment for:		
Other income and gains	**(2,019,415)**	(1,696,655)
Other expenses	**73,662**	155,530
Operating profit	**1,690,007**	2,187,475

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	
	2023	2022
	(In JPY thousands)	
Net profit	**3,329,503**	3,087,382
Adjustment for:		
Other income and gains	**(2,019,415)**	(1,696,655)
Other expenses	**73,662**	155,530
Impact on tax	**265,190**	42,599
Net operating profit	**1,648,940**	1,588,856

Working Capital Management

	For the twelve months ended	
	30 September 2023	31 March 2023
Inventories turnover days[(1)]	**320**	299
Trade and bills receivables turnover days[(2)]	**49**	54
Trade and bills payables turnover days[(3)]	**48**	47

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 increased by 21 days from 299 days for the twelve months ended 31 March 2023 to 320 days for the twelve months ended 30 September 2023, primarily due to lower sales in the past 12 months although overall inventory level is decreasing.

Trade and bills receivables turnovers days decreased by five days from 54 days for the twelve months ended 31 March 2023 to 49 days for the twelve months ended 30 September 2023, primarily due to strengthened collection in all markets.

Trade and bills payables turnover days remained relatively stable at 47 days for the twelve months ended 31 March 2023 and 48 days for the twelve months ended 30 September 2023.

Inventories

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

	As at 30 September 2023	As at 31 March 2023
	(In JPY thousands)	
Raw materials	**2,758,875**	3,244,147
Work in progress	**1,134,280**	1,547,032
Finished goods	**10,559,390**	10,634,117
Less: provision	**(3,255,810)**	(3,127,965)
Total	**11,196,735**	12,297,331

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

	As at 30 September 2023	As at 31 March 2023
	(In JPY thousands)	
Within 1 year	**3,611,079**	4,426,064
1 year to 2 years	**3,884,623**	3,862,539
2 to 3 years	**1,970,818**	2,344,487
3 to 4 years	**1,730,215**	1,664,241
Total	**11,196,735**	12,297,331

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 2023, 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 2023, the Group had JPY16,660.0 million in cash and cash equivalents, which were primarily held in Renminbi, Japanese yen and U.S. dollar. 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 2023.

Indebtedness

As at 30 September 2023, the Group's interest-bearing bank borrowings amounted to JPY6,540.0 million, mainly of which were denominated in Japanese yen and carry interest at variable rates. All of such borrowings were unsecured and most of them were payable within one year. The effective interest rate for the balance of the Group's interest-bearing bank borrowings as at 30 September 2023 ranged from 0.62% 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 2023, the Group's gearing ratio was 31.5% (as at 31 March 2023, the Group's gearing ratio was 36.3%).

Capital Expenditures

The Group's capital expenditures for the six months ended 30 September 2023 amounted to JPY251.3 million, which was used primarily to purchase plant machinery and equipment, office equipment and leasehold improvement. In the six months ended 30 September 2023, the Group financed its capital expenditures primarily with cash generated from operations.

Contingent Liabilities

As at 30 September 2023, 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

The pledged deposits of the Group increased by 11.6% from JPY5.17 million as at 31 March 2023 to JPY5.77 million as at 30 September 2023, mainly due to change in exchange rate.

Material Acquisitions or Disposals and Future Plans for Major Investment

During the six months ended 30 September 2023, 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 2023	Percentage of unused balance as at 30 September 2023	Percentage of amount used during the six months ended 30 September 2023	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 2023, 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 2023 (the "**2023/2024 Interim Dividend**"), representing approximately 27.3% of the Group's distributable profits for the six months ended 30 September 2023.

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 : JPY140.52. 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 2023

	Notes	FOR THE SIX MONTHS ENDED 30 SEPTEMBER	
		2023	2022
		(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Revenue	*4*	**13,194,832**	14,927,415
Cost of sales		**(6,317,853)**	(7,061,101)
Gross profit		**6,876,979**	7,866,314
Other income and gains	*4*	**2,019,415**	1,696,655
Selling and distribution expenses		**(4,485,975)**	(4,874,327)
Administrative expenses		**(680,425)**	(685,478)
Reversal of/(provision for) impairment losses on financial assets		**70,853**	(74,003)
Other expenses, net		**(73,662)**	(155,530)
Finance costs	*5*	**(97,102)**	(52,506)
Finance income		**5,677**	7,475
PROFIT BEFORE TAX	*6*	**3,635,760**	3,728,600
Income tax expense	*7*	**(306,257)**	(641,218)
PROFIT FOR THE PERIOD		**3,329,503**	3,087,382
Attributable to:			
Owners of the parent	*8*	**3,329,450**	3,087,342
Non-controlling interests		**53**	40
		3,329,503	3,087,382
PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted			
– For profit for the period (JPY)		**5.50**	5.10

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Note	FOR THE SIX MONTHS ENDED 30 SEPTEMBER	
		2023	2022
		(Unaudited) (JPY'000)	*(Unaudited) (JPY'000)*
PROFIT FOR THE PERIOD		**3,329,503**	3,087,382
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(625,962)**	(893,032)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(625,962)**	(893,032)
Other comprehensive income that will not be reclassified to profit in subsequent periods:			
Defined benefit plans:			
Remeasurement gains/(losses)	*17*	**151,743**	(53,419)
Income tax effect		**(45,308)**	17,498
		106,435	(35,921)
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**5,148**	827
Income tax effect		**(1,536)**	(253)
		3,612	574
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**110,047**	(35,347)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(515,915)**	(928,379)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,813,588**	2,159,003
Attributable to:			
Owners of the parent		**2,813,535**	2,158,963
Non-controlling interests		**53**	40
		2,813,588	2,159,003

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 September 2023

	Notes	**30 September 2023**	31 March 2023
		(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**1,707,407**	1,749,959
Right-of-use assets		**2,023,673**	1,812,846
Freehold land	*11*	**1,940,789**	1,940,789
Intangible assets		**96,282**	128,376
Finance lease receivables		**222,973**	245,878
Other non-current assets		**890,992**	925,474
Deferred tax assets		**1,438,070**	1,405,220
Total non-current assets		**8,320,186**	8,208,542
CURRENT ASSETS			
Inventories	*12*	**11,196,735**	12,297,331
Trade and bills receivables	*13*	**3,863,109**	3,513,495
Prepayments, deposits and other receivables		**1,635,088**	2,133,498
Due from a related party	*20(c)*	**78,670**	32,446
Finance lease receivables		**103,999**	92,102
Pledged deposits	*14*	**5,770**	5,169
Cash and cash equivalents	*14*	**16,659,964**	14,084,777
Total current assets		**33,543,335**	32,158,818
CURRENT LIABILITIES			
Trade and bills payables	*15*	**956,035**	1,302,164
Other payables and accruals		**3,544,408**	2,735,039
Interest-bearing bank borrowings	*16*	**5,940,000**	6,690,000
Lease liabilities		**1,132,663**	1,110,858
Income tax payable		**259,537**	296,466
Total current liabilities		**11,832,643**	12,134,527
NET CURRENT ASSETS		**21,710,692**	20,024,291
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,030,878**	28,232,833

	Notes	30 September 2023	31 March 2023
		(Unaudited)	*(Audited)*
		(JPY'000)	*(JPY'000)*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*16*	**600,000**	600,000
Net employee defined benefit liabilities	*17*	**145,845**	349,300
Lease liabilities		**1,122,815**	1,042,379
Deferred tax liabilities		**119,916**	112,123
Other non-current liabilities		**106,250**	98,103
Total non-current liabilities		**2,094,826**	2,201,905
Net assets		**27,936,052**	26,030,928
EQUITY			
Equity attributable to owners of the parent			
Share capital	*18*	**153**	153
Reserves		**27,981,372**	26,076,301
		27,981,525	26,076,454
Non-controlling interests		**(45,473)**	(45,526)
Total equity		**27,936,052**	26,030,928

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Notes	FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023 (Unaudited) (JPY'000)	2022 (Unaudited) (JPY'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,635,760**	3,728,600
Adjustments for:			
Provision for impairment of property, plant and equipment	*6*	**42,291**	20,772
Write-down of inventories to net realizable value	*6*	**702,101**	770,562
(Reversal of)/provision for impairment of trade receivables	*6*	**(88,918)**	74,003
Impairment of other receivables	*6*	**18,065**	–
Net losses on disposal of items of property, plant and equipment	*6*	**21,300**	97,888
Net loss on disposal of right-of-use assets	*6*	**3,892**	4,237
COVID-19-related rent concessions from lessors	*6*	**–**	(8,360)
Depreciation of property, plant and equipment	*6*	**354,646**	320,376
Depreciation of right-of-use assets	*6*	**584,352**	499,074
Amortisation of intangible assets	*6*	**30,438**	43,143
Defined benefit plan expenses	*17*	**29,278**	32,933
Foreign exchange gains		**(1,692,428)**	(1,731,020)
Finance costs	*5*	**97,102**	52,506
Finance income		**(5,677)**	(7,475)
		3,732,202	3,897,239
Decrease/(increase) in inventories		**398,495**	(2,237,646)
(Increase)/decrease in trade and bills receivables		**(260,696)**	1,564,923
Decrease in prepayments, deposits and other receivables		**353,937**	1,055
Increase in pledged deposits		**(601)**	(852)
(Increase)/decrease in an amount due from a related party		**(46,224)**	15,703
Decrease/(increase) in other non-current assets		**34,281**	(81,393)
(Decrease)/increase in trade and bills payables		**(346,129)**	299,134
(Decrease)/increase in other payables and accruals		**(215,602)**	177,258
Increase/(decrease) in other non-current liabilities		**8,147**	(7,556)
Payment of the defined benefit obligation	*17*	**(80,990)**	(57,965)
Cash generated from operations		**3,576,820**	3,569,900
Interest received		**5,677**	7,475
Interest paid		**(97,102)**	(52,506)
Income tax paid		**(234,099)**	(247,650)
Net cash flows generated from operating activities		**3,251,296**	3,277,219

	Notes	FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023	2022
		(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and intangible assets		**(251,320)**	(277,688)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**2,872**	–
Decrease in finance lease receivables		**51,525**	48,769
Net cash flows used in investing activities		**(196,923)**	(228,919)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		**36,540,000**	39,920,000
Repayment of bank borrowings		**(37,290,000)**	(40,630,000)
Principal portion of lease payments		**(699,364)**	(557,049)
Net cash flows used in financing activities		**(1,449,364)**	(1,267,049)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,605,009**	1,781,251
Cash and cash equivalents at beginning of period		**14,084,777**	14,454,554
Effect of foreign exchange rate changes, net		**970,178**	802,256
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*14*	**16,659,964**	17,038,061
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	*14*	**16,659,964**	17,038,061

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

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 2023 has been prepared in accordance with 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 2023.

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 applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2023, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 April 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 April 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of these amendments to IAS12 did not have significant impact to the Group.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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	
	2023	2022
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Japan	**4,172,787**	3,951,625
Korea	**3,942,808**	4,237,634
China (including Hong Kong and Macau)	**3,529,130**	4,028,409
Rest of the world	**1,079,222**	1,858,853
North America	**335,024**	565,128
Europe	**135,861**	285,766
	13,194,832	14,927,415

Information about major customers

For the six months ended 30 September 2023, revenue of approximately JPY3,512,852,000 was derived from sales to a single customer (six months ended 30 September 2022: JPY3,100,164,000).

4. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 September	
	2023	2022
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Revenue		
Sale of goods	**13,103,514**	14,848,912
Rendering of services	**91,318**	78,503
	13,194,832	14,927,415
Other income and gains		
Foreign exchange gains, net	**1,912,301**	1,624,510
Government grants	**39,636**	29,323
Rental income	**1,130**	1,024
Others	**66,348**	41,798
	2,019,415	1,696,655

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 2023 and 2022, respectively are as follows:

	For the six months ended 30 September	
	2023	2022
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Types of goods or services		
Sale of golf related products	**13,103,514**	14,848,912
Rendering of services relating to golf related products	**91,318**	78,503
Total revenue from contracts with customers	**13,194,832**	14,927,415
Timing of revenue recognition		
Goods transferred at a point in time	**13,103,514**	14,848,912
Services transferred over time	**91,318**	78,503
Total revenue from contracts with customers	**13,194,832**	14,927,415

The disaggregation of the Group's revenue based on the geographical region for the six months ended 30 September 2023 is included in note 3.

5. FINANCE COSTS

	For the six months ended 30 September	
	2023	2022
	(Unaudited)	*(Unaudited)*
	(JPY'000)	*(JPY'000)*
Interest on bank borrowings	**78,048**	40,055
Interest on lease liabilities	**19,054**	12,451
	97,102	52,506

6. PROFIT BEFORE TAX

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

		For the six months ended 30 September	
	Notes	**2023**	2022
		(Unaudited)	*(Unaudited)*
		(JPY'000)	*(JPY'000)*
Cost of inventories sold		**6,273,022**	7,017,994
Cost of service provided		**44,831**	43,107
COVID-19-related rent concessions from lessors		**–**	(8,360)
Depreciation of property, plant and equipment	*10*	**354,646**	320,376
Depreciation of right-of-use assets		**584,352**	499,074
Amortisation of intangible assets		**30,438**	43,143
Research and development costs		**110,637**	102,184
Provision for impairment of property, plant and equipment		**42,291**	20,772
(Reversal of)/provision for impairment of trade receivables		**(88,918)**	74,003
Impairment of other receivables		**18,065**	–
Lease payments not included in the measurement of lease liabilities		**123,362**	113,392
Employee benefit expense:			
Wages and salaries		**1,696,139**	1,818,706
Pension and social security costs		**172,245**	167,178
Defined benefit plan expenses	*17*	**29,278**	32,933
Employee benefits		**190,822**	199,728
Other benefits		**142,463**	177,055
		2,230,947	2,395,600
Foreign exchange gains, net		**(1,912,301)**	(1,624,510)
Write-down of inventories to net realisable value		**702,101**	770,562
Net losses on disposal of items of property, plant and equipment		**21,300**	97,888
Net loss on disposal of right-of-use assets		**3,892**	4,237

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 2023 (six months ended 30 September 2022: 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 2023 (six months ended 30 September 2022: 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 2023, 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 2022: 21%), as well as state tax at 8.84% (six months ended 30 September 2022: 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 2022: 20% and 20%), respectively.

During the six months ended 30 September 2023, the Company's subsidiary incorporated and operating in Switzerland was subject to federal corporation income tax at a rate of 8.5% (six months ended 30 September 2022: 8.5%), as well as cantonal and communal taxes at rates ranging 2% to 5% (six months ended 30 September 2022: 2% to 5%).

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

	For the six months ended 30 September	
	2023	2022
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Current income tax – Hong Kong	**297,552**	662,556
Current income tax – Mainland China	**26,026**	187,495
Deferred tax	**(17,321)**	(208,833)
	306,257	641,218

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 2023 and 2022 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	
	2023	2022
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**3,329,450**	3,087,342

	Number of shares For the six months ended 30 September	
	2023	2022
	('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	
	2023	2022
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Final declared – JPY1.50 per ordinary share (2022: JPY2.00)	**908,464**	1,211,285

On 15 September 2023, the Company's shareholders approved the 2023 proposed final dividend with a total amount of JPY908,463,750 (six months ended 30 September 2022: JPY1,211,285,000).

On 24 November 2023, the board of directors declared the payment of an interim dividend of JPY1.5 (six months ended 30 September 2022: JPY1.50) per ordinary share totaling approximately JPY908,463,750 for the six months ended 30 September 2023 (six months ended 30 September 2022: JPY908,463,750).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquired items of property, plant and equipment with a cost of JPY367,720,000 (six months ended 30 September 2022: JPY254,343,000). Depreciation for items of property, plant and equipment was JPY 354,646,000 during the period (six months ended 30 September 2022: JPY320,376,000). Assets with a net book value of JPY21,300,000 were disposed of by the Group during the six months ended 30 September 2023 (six months ended 30 September 2022: JPY97,888,000), resulting in a net loss on disposal of JPY21,300,000 (six months ended 30 September 2022: JPY97,888,000).

As at September 30, 2023, the carrying amount of certain cash-generating units ("**CGUs**") exceeds their recoverable amount, therefore, an impairment loss of JPY42,291,000 (six months ended 30 September 2022: JPY20,772,000) for leasehold improvement within the CGU, was recognized in "Other expenses" in the consolidated statements of profit or loss during the six months ended 30 September 2023.

11. FREEHOLD LAND

The carrying amounts of the Group's freehold land is JPY1,940,789,000 as at 30 September 2023 and 31 March 2023. 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 2023	31 March 2023
	(Unaudited) (JPY'000)	*(Audited) (JPY'000)*
Raw materials	**2,758,875**	3,244,147
Work in progress	**1,134,280**	1,547,032
Finished goods	**10,559,390**	10,634,117
	14,452,545	15,425,296
Provision for inventories	**(3,255,810)**	(3,127,965)
	11,196,735	12,297,331

13. TRADE AND BILLS RECEIVABLES

	30 September 2023	31 March 2023
	(Unaudited) (JPY'000)	*(Audited) (JPY'000)*
Trade receivables	**3,544,701**	3,620,586
Bills receivable	**431,706**	97,593
	3,976,407	3,718,179
Impairment of trade receivables	**(113,298)**	(204,684)
	3,863,109	3,513,495

The Group's trading terms with its customers are mainly on credit. The credit period is ranging from 30 to 90 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 2023	31 March 2023
	(Unaudited)	*(Audited)*
	(JPY'000)	*(JPY'000)*
Within 1 month	**3,063,291**	2,751,126
Over 1 and within 3 months	**149,218**	291,022
Over 3 and within 12 months	**195,983**	349,646
Over 1 year	**22,911**	24,108
	3,431,403	3,415,902

14. CASH AND CASH EQUIVALENTS

	30 September 2023	31 March 2023
	(Unaudited)	*(Audited)*
	(JPY'000)	*(JPY'000)*
Cash and bank balances	**16,659,964**	14,084,777
Time deposits	**5,770**	5,169
	16,665,734	14,089,946
Less: pledged deposits for letters of guarantee	**(5,770)**	(5,169)
Cash and cash equivalents	**16,659,964**	14,084,777

15. TRADE AND BILLS PAYABLES

	30 September 2023	31 March 2023
	(Unaudited)	*(Audited)*
	(JPY'000)	*(JPY'000)*
Trade payables	**954,628**	1,302,164
Bills payable	**1,407**	–
	956,035	1,302,164

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 2023	31 March 2023
	(Unaudited)	*(Audited)*
	(JPY'000)	*(JPY'000)*
Within 3 months	**936,455**	1,287,287
Over 3 months	**19,580**	14,877
	956,035	1,302,164

16. INTEREST-BEARING BANK BORROWINGS

	30 September 2023	31 March 2023
	(Unaudited)	*(Audited)*
	(JPY'000)	*(JPY'000)*
Current		
Bank loans – unsecured	**5,940,000**	6,690,000
Non-Current		
Bank loans – unsecured	**600,000**	600,000
	6,540,000	7,290,000
Analysed into:		
Bank loans repayable:		
Within one year	**5,940,000**	6,690,000
In the second year	**63,540**	21,180
In the third to fifth years, inclusive	**317,700**	275,340
Beyond five years	**218,760**	303,480
	6,540,000	7,290,000

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

	30 September 2023	31 March 2023
	(Unaudited)	*(Audited)*
Effective interest rates	**0.62%-3.08%**	0.17%-3.08%

As at 30 September 2023 and 31 March 2023, 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 2023	31 March 2023
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Retirement benefit plans	**145,845**	349,300

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 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	
	2023	2022
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Current service cost	**28,350**	31,199
Interest cost	**928**	1,734
Net benefit expenses	**29,278**	32,933
Recognised in cost of sales	**10,160**	10,536
Recognised in selling and distribution costs	**12,944**	11,066
Recognised in administrative expenses	**6,174**	11,331
	29,278	32,933

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 2023 in the defined benefit obligation and fair value of plan assets:

	1 April 2023 *(JPY'000)*	**Service cost** *(JPY'000)*	**Net interest** *(JPY'000)*	**Sub-total included in profit or loss** *(JPY'000)*	**Benefits paid** *(JPY'000)*	**Return on plan assets** *(JPY'000)*	**Experience adjustments** *(JPY'000)*	**Actuarial changes arising from changes in financial assumptions** *(JPY'000)*	**Sub-total included in other comprehensive income** *(JPY'000)*	**30 September 2023** *(JPY'000)*
Defined benefit obligation	**2,237,991**	**28,350**	**6,569**	**34,919**	**(143,237)**	**–**	**2,244**	**(14,005)**	**(11,761)**	**2,117,912**
Fair value of plan assets	**(1,888,691)**	**–**	**(5,641)**	**(5,641)**	**62,247**	**(139,982)**	**–**	**–**	**(139,982)**	**(1,972,067)**
Benefit liability	**349,300**	**28,350**	**928**	**29,278**	**(80,990)**	**(139,982)**	**2,244**	**(14,005)**	**(151,743)**	**145,845**

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

	1 April 2022 *(JPY'000)*	Service cost *(JPY'000)*	Net interest *(JPY'000)*	Sub-total included in profit or loss *(JPY'000)*	Benefits paid *(JPY'000)*	Return on plan assets *(JPY'000)*	Experience adjustments *(JPY'000)*	Actuarial changes arising from changes in financial assumptions *(JPY'000)*	Sub-total included in other comprehensive income *(JPY'000)*	30 September 2022 *(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

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

	30 September 2023	31 March 2023
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Stocks	**1,010,364**	946,708
Bonds	**757,730**	735,584
General account of life insurance companies	**147,134**	146,920
Others	**56,839**	59,479
	1,972,067	1,888,691

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

	30 September 2023	31 March 2023
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Method of allocating projected retirement benefits	**Projected Unit Credit Method**	Projected unit credit method
Discount rate	**0.58%**	0.58%
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 2023	31 March 2023
Assumption	*Change in assumption*	***(Unaudited)*** ***(JPY'000)***	*(Audited)* *(JPY'000)*
Discount rate	Increase by 0.5%	**(72,933)**	(72,655)
	Decrease by 0.5%	**72,933**	72,655

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 2023 is 4.8 years (31 March 2023: 5.4 years).

The actuarial valuation showed that the market value of plan assets was JPY1,972,067,000 as at 30 September 2023 (31 March 2023: JPY1,888,691,000), and represented 93% (31 March 2023: 84%) of the defined benefit obligation that had accrued to qualifying employees. The deficiency of JPY145,845,000 as at 30 September 2023 (31 March 2023: JPY349,300,000) is expected to be cleared over the remaining service period.

18. SHARE CAPITAL

	30 September 2023	31 March 2023
	(Unaudited)	*(Audited)*
Issued capital in USD (As at 30 September 2023 and as at 31 March 2023: 20,000,000,000 authorised shares of USD0.0000025 each, 605,642,500 ordinary shares in issue)	**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 2023: Nil).

20. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Related party	**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 party during the period:

	For the six months ended 30 September	
	2023	2022
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Rental expense charged by a related party Shanghai POVOS Enterprise (Group) Co., Ltd.	**17,970**	17,193

(c) Balances with related party

	30 September 2023	31 March 2023
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Due from a related party Shanghai POVOS Enterprise (Group) Co., Ltd.	**78,670**	32,446

(d) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2023	2022
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Short-term employee benefits	**66,978**	93,711
Pension scheme contributions	**4,193**	6,769
Total compensation paid to key management personnel	**71,171**	100,480

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 2023	31 March 2023
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Trade receivables	**3,431,403**	3,513,495
Pledged deposits	**5,770**	5,169
Cash and cash equivalents	**16,659,964**	14,084,777
Financial assets included in prepayments, deposits and other receivables	**122,091**	118,347
Finance lease receivables	**326,972**	337,980
Other non-current assets	**750,285**	701,697
	21,296,485	18,761,465

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

	30 September 2023	31 March 2023
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Trade and bills receivables	**431,706**	97,593

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

	30 September 2023	31 March 2023
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Equity instruments at fair value through other comprehensive income	**16,343**	16,544

Financial liabilities – at amortised cost

	30 September 2023	31 March 2023
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Trade and bills payables	**956,035**	1,302,164
Interest-bearing bank borrowings	**6,540,000**	7,290,000
Financial liabilities included in other payables and accruals	**2,172,435**	965,448
Financial liabilities included in other non-current liabilities	**9,117**	8,179
	9,677,587	9,565,791

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 2023	31 March 2023	**30 September 2023**	31 March 2023
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*	***(Unaudited)*** ***(JPY'000)***	*(Audited)* *(JPY'000)*
Interest-bearing bank borrowings	**600,000**	600,000	**561,910**	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 2023

	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	**16,243**	**–**	**100**	**16,343**
Bills receivable	**–**	**431,706**	**–**	**431,706**
	16,243	**431,706**	**100**	**448,049**

As at 31 March 2023

	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	16,444	–	100	16,544
Bills receivable	–	97,593	–	97,593
	16,444	97,593	100	114,137

The Group did not have any financial liability measured at fair value as at 30 September 2023 (31 March 2023: Nil).

During the six months ended 30 September 2023, 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 2022: Nil).

23. EVENT AFTER THE REPORTING PERIOD

On 24 November 2023, the board of directors declared the payment of an interim dividend of JPY1.5 per ordinary share totaling approximately JPY908,463,750 for the six months ended 30 September 2023.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2023, 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 2023/2024 Interim Dividend of JPY1.5 per share for the six months ended 30 September 2023, amounting to approximately a total of JPY908.5 million, representing approximately 27.3% of the Group's distributable profits for the six months ended 30 September 2023. The interim dividend for the six months ended 30 September 2022 amounted to JPY908.5 million (JPY1.5 per share).

The 2023/2024 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 2023/2024 Interim Dividend will be paid on Thursday, 28 December 2023 to the shareholders of the Company whose names appear on the register of members of the Company as at Thursday, 14 December 2023.

The distribution of the 2023/2024 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 Thursday, 14 December 2023. 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 Wednesday, 13 December 2023 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 Part 2 of 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**"). Throughout the six months ended 30 September 2023, 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 2023.

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 2023. 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 2023 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 2023. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and consequently no assurance has been expressed by Ernst & Young on this announcement.

PUBLICATION OF 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 of the Board

Hong Kong, 24 November 2023

As at the date of this announcement, the executive directors of the Company are Mr. Liu Jianguo, Mr. Ito Yasuki, Mr. Zuo Jun and Mr. Liu Hongli; 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.