

Consolidated Financial Results for the Second Quarter Ended June 30, 2020 (Japanese GAAP)

August 12, 2020

Listed company name: Golf Digest Online Inc.

Stock code: 3319 (URL: <https://www.golfdigest.co.jp>)

Shares listed: Tokyo Stock Exchange

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Scheduled filing date of quarterly report: August 13, 2020

Scheduled commencement date of dividend payments: —

Preparation of 2Q earnings presentation materials: Yes

Holding of 2Q earnings announcement: None

(Amounts less than one million yen have been omitted.)

1. Results of the First Half ended June 30, 2020 (From January 1, 2020 to June 30, 2020)

(1) Consolidated results of operations:

(Percentage changes relative to previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2020	15,026	-10.2	-445	—	-439	—	-610	—
Six months ended June 30, 2019	16,728	40.3	262	-18.3	256	-16.8	80	-41.4

Note: Comprehensive income Three months ended June 30, 2020: -651 million yen (—%)

Three months ended June 30, 2019: -4million yen (—%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Mar. 30, 2020	-33.40	—
Six months ended Mar. 30, 2019	4.40	—

(2) Consolidated financial position:

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2020	18,386	5,563	30.3	304.45
As of Dec. 31, 2019	19,564	6,315	32.3	345.61

Reference: Shareholders' equity As of June 30, 2020: 5,563 million yen

As of Dec. 31, 2019: 6,315 million yen

2. Dividend payments

	Dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Dec. 31, 2019	—	4.00	—	5.50	9.50
Year ending Dec. 31, 2020	—	0.00	—	—	—
Year ending Dec. 31, 2020 (Forecast)	—	—	—	—	—

Note: Revisions to dividend forecast in the current quarter: None

The interim and year-end dividend forecasts for the fiscal year ending December 2020 have not yet been determined.

3. Consolidated Financial forecast for the year ending December 31, 2020 (From January 1, 2020 to December 31, 2020)

(Percentage changes relative to previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	—	—	—	—	—	—	—	—	—

Note: Revisions to forecast results of operations in the current quarter: None

Forecast for the second quarter consolidated cumulative period has not been made. The impact of the global spread of COVID-19 is extremely difficult to calculate at this time, so we will revise the earnings forecast announced on February 12, 2020 to undetermined temporarily. We will promptly announce the performance forecast when it becomes possible.

* Notes

(1) Changes in significant subsidiaries during the period: None

(2) Application of specific accounting methods in the preparation of quarterly financial statements: None

(3) Changes in accounting policies, change in accounting estimates and restatements

(i) Changes in accounting policies pursuant to revision in accounting standards, etc.: None

(ii) Changes in accounting policies other than those in “(i)” above: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatement: None

(4) Number of issued shares (common stock)

	(Unit: shares)			
1) Number of issued shares at end of period (including treasury stock)	June 30, 2020:	18,274,000	Dec. 31, 2019:	18,274,000
2) Number of shares of treasury stock at end of period	June 30, 2020:	250	Dec. 31, 2019:	250
3) Average number of shares during period (Quarterly aggregate)	June 30, 2020:	18,273,750	June 30, 2019:	18,273,750

* The quarterly consolidated financial results are exempt from the quarterly review by auditor.

* Summaries for relevant use of forecasts and other specific affairs

The forward-looking statements described in this document including results forecast, etc., are based on information currently available to Golf Digest Online Inc. and certain assumptions that are deemed to be reasonable as of the date of the release of this document. Golf Digest Online Inc. makes no warranty as to the achievability of the forecasts. For the basis of presumption of the results forecast, please refer to “Explanation of forward-looking information such as consolidated earnings forecast” in the attached document (Japanese only).

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1 . Qualitative Information on Second Quarter Consolidated Results

(1) Overview of Operating Results

Looking at the economic environment in the first six months under review (January 1, 2020 to June 30, 2020), the world economy slowed, affected by persistent U.S.-China trade friction and the spread of the novel coronavirus disease (“COVID-19”). Under these circumstances, the outlook for the global economy became increasingly uncertain.

In the environment surrounding the Internet, markets such as those for e-commerce and various Internet-related services continued to expand. Meanwhile, digital technologies, notable examples of which are those for IoT and AI, continued to evolve, advancing digitization in numerous fields. Similarly, golfers’ demands and preferences also continued to change constantly in the golf market.

In this environment, the Golf Digest Online Group (the “GDO Group”) offered greater playing comfort and pleasure to golfers as a group of IT service providers specializing in golf, with overwhelming information content and the capacity to provide specialized golf services as its strengths. However, given the negative effects produced by COVID-19 in the period from mid-March, net sales for the GDO Group amounted to 15,026 million yen (down 10.2% year on year) in the six months under review (January 1, 2020 to June 30, 2020). In the same period, the Group posted an operating loss of 445 million yen (compared to an operating profit of 262 million yen posted in the first six months of the previous fiscal year), an ordinary loss of 439 million yen (compared to an ordinary profit of 256 million yen posted in the first six months of the previous fiscal year), and a loss attributable to owners of parent of 610 million yen (compared to a profit attributable to owners of parent of 80 million yen posted in the first six months of the previous fiscal year).

Results by major segment are as follows.

Domestic segment

The domestic segment posted net sales of 12,065 million yen in the first six months under review (down 7.7% year on year). Segment profit was 343 million yen (down 41.9% year on year).

Overseas segment

The overseas segment recorded net sales of 2,960 million yen in the first six months under review (down 18.9% year on year). The segment loss stood at 789 million yen (compared to segment loss of 329 million yen posted in the first six months of the previous fiscal year).

(2) Overview of Financial Position

i . Assets, Liabilities and Net Assets

Total assets as of June 30, 2020 decreased 1,187 million yen from the end of the previous fiscal year, to 18,376 million yen. Liabilities totaled 12,813 million yen as of the same date, declining 435 million yen from the end of the previous fiscal year. Net assets as of the same date decreased 752 million yen from the end of the previous fiscal year, to 5,563 million yen.

Looking at the balances of accounts for main items, cash and deposits increased by 330 million yen, and short-term loans payable expanded by 1,107 million yen. Meanwhile, accounts payable – trade, merchandise and long-term loans payable decreased by 1,240 million yen, 858 million yen and 333 million yen, respectively. Retained earnings shrank by 710 million yen.

ii . Cash Flows

Cash and cash equivalents (“cash”) as of June 30, 2020 grew 330 million yen from the same date of the previous fiscal year, to 2,327 million yen. Cash flows in the first six months under review and the major factors behind them are as follows.

(Cash Flows from Operating Activities)

Cash flows from operating activities resulted in a cash inflow of 277 million yen in the first six months under review (compared to a cash inflow of 1,030 million yen posted in the same period of the previous fiscal year). This was mainly due to a cash increase, primarily attributable to depreciation of 599 million yen and a decrease of 845 million yen in inventories, in excess of a cash decrease due to factors, including a decline of 1,235 million yen in notes and accounts payable – trade.

(Cash Flows from Investing Activities)

Cash flows from investing activities resulted in a cash outflow of 629 million yen in the first six months under review (compared to a cash outflow of 829 million yen posted in the same period of the previous fiscal year). The cash outflow mainly consisted of 333 million yen used for the purchase of property, plant and equipment and 228 million yen disbursed for the purchase of intangible assets.

(Cash Flows from Financing Activities)

Cash flows from financing activities resulted in a cash inflow of 688 million yen in the first six months under review (compared to a cash outflow of 457 million yen posted in the same period of the previous fiscal year). This was mainly due to a net increase of 1,122 million yen in short-term loans payable, which more than offset 333 million yen used to repay long-term loans payable.

(3) Overview of Consolidated Earning Forecast

Regarding the GDO Group's consolidated business forecast, as the "Notice Concerning Revision of Consolidated Business Forecast and Dividend Forecast for the Fiscal Year Ending December 2020" announced on May 13, 2020 due to various environmental changes caused by the global expansion of COVID-19. It is difficult to calculate the business forecast. Therefore, we will continue to make an undecided decision, and will announce it as soon as it is possible to calculate the consolidated earnings forecast.

2 . Condensed Consolidated Financial Statement and Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2019	As of June 30, 2020
Assets		
Current assets		
Cash and deposit	1,996,536	2,327,177
Accounts receivable-trade	2,638,113	2,433,488
Merchandise	4,692,342	3,834,143
Work in process	1,509	333
Supplies	151,319	161,394
Other	1,241,294	1,006,396
Allowance for doubtful accounts	-9,609	-10,395
Total current assets	10,711,505	9,752,540
Non-current assets		
Property, plant and equipment		
Buildings	2,801,278	3,038,810
Others	1,636,469	1,671,513
Accumulated Depreciation	-1,791,283	-2,008,726
Total Property, plant and equipment	2,646,464	2,701,597
Intangible assets		
Goodwill	3,010,992	2,845,090
Others	2,279,134	2,174,828
Total intangible assets	5,290,126	5,019,919
Investment and other assets		
Other	923,207	909,916
Allowance for doubtful accounts	-6,789	-7,000
Total investments and other assets	916,417	902,916
Total non-current assets	8,853,008	8,624,433
Total assets	19,564,513	18,376,973
Liabilities		
Current liabilities		
Account payable-trade	2,714,606	1,473,620
Short term loans payable	3,446,190	4,554,009
Current portion of long-term loans payable	666,800	666,800
Income taxes payable	294,996	194,410
Deferred revenue	2,542,269	2,601,444
Provision for bonuses	7,097	7,879
Provision for point card certificates	230,952	220,196
Provision for shareholder benefit program	26,786	23,036
Other	2,083,872	2,183,373
Total current liabilities	12,013,572	11,924,771
Non-current liabilities		
Long term loans payable	666,947	333,000
Provision for directors' retirement benefits	108,000	94,758
Assets retirement obligations	251,533	269,741
Other	208,902	191,214
Total non-current liabilities	1,235,384	888,714
Total liabilities	13,248,957	12,813,485

(Thousands of yen)

	As of December 31, 2019	As of June 30, 2020
Net assets		
Shareholders' equity		
Capital stock	1,458,953	1,458,953
Capital surplus	2,447,104	2,447,104
Retained earnings	2,443,351	1,732,438
Treasury stock	-245	-245
Total shareholders' equity	6,349,164	5,638,251
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-2,020	-2,277
Foreign currency translation adjustment	-31,587	-72,486
Total accumulated other comprehensive income	-33,607	-74,764
Total net assets	6,315,556	5,563,487
Total liabilities and net assets	19,564,513	18,376,973

(2) Consolidated Statements of Income and Comprehensive income

Quarterly consolidated statement of income

consolidated cumulative second quarter

(Thousands of yen)

	First Half ended June 30,2019 (From January 1, 2019 to June 30, 2019)	First Half ended June 30,2020 (From January 1, 2020 to June 30, 2020)
Net sales	16,728,648	15,026,024
Cost of sales	10,183,473	9,548,281
Gross profit	6,545,174	5,477,743
Selling, general and administrative expenses	6,282,953	5,923,415
Operating profit (Loss)	262,220	445,672
Non-operating income		
Interest income	45	5
Real estate rent	6,247	7,221
Surrender value of insurance policies	—	6,152
Other	2,730	9,766
Total non-operating income	9,023	23,146
Non-operating expenses		
Interest expenses	13,721	16,188
Other	657	903
Total non-operating expenses	14,378	17,091
Ordinary profit (Loss)	256,865	-439,617
Extraordinary losses		
Loss on retirement of non-current assets	10,267	2,461
Total extraordinary losses	10,267	2,461
Income before income taxes (Loss)	246,598	-442,079
Income taxes -current	153,081	169,683
Income taxes –deferred	13,175	-1,356
Total income taxes	166,256	168,327
Net income (Loss)	80,341	-610,407
Profit attributable to owners of parents (Loss)	80,341	-610,407

Quarterly Consolidated Statement of Comprehensive Income
Consolidated cumulative second quarter

(Thousands of yen)

	First Half ended June 30, 2019 (From January 1, 2019 to June 30, 2019)	First Half ended June 30, 2020 (From January 1, 2020 to June 30, 2020)
Net income	80,341	-610,407
Other comprehensive income		
Valuation difference on available-for-sale securities	-164	-257
Foreign currency translation adjustment	-84,803	-40,899
Total other comprehensive income	-84,967	-41,156
Comprehensive income	-4,626	-651,563
Comprehensive income attributable to		
Comprehensive income attributable to owners of parents	-4,626	-651,563

(3) Consolidated Statements of Cash Flow

(Thousands of yen)

	First Half ended June 30,2020 (From January 1, 2019 to June 30, 2019)	First Half ended June30,2020 (From January 1, 2020 to June 30, 2020)
Cash flows from operating activities		
Income before income taxes	246,598	-442,079
Depreciation	554,234	599,553
Amortization of goodwill	169,967	171,342
Increase (decrease) in allowance for doubtful accounts	1,862	1,124
Increase (decrease) in provision for bonus	-53,456	781
Increase (decrease) in provision for directors' retirement bonus	7,252	-13,242
Increase (decrease) in provision for point card certificates	844	-10,755
Increase (decrease) in provision for shareholder benefit program	7,879	-3,749
Interest and dividend income	-395	-237
Interest expenses	13,721	16,188
Loss on retirement of noncurrent assets	10,267	2,461
Decrease (increase) in notes and accounts receivable - trade	-117,917	200,180
Decrease (increase) in inventories	118,692	845,865
Increase (decrease) in notes and accounts payable - trade	-234,390	-1,235,585
Decrease (increase) in other assets	-1,122	245,240
Increase (decrease) in other liabilities	641,748	177,462
Decrease (increase) in other investments	-2,898	—
Other	-47,350	8,014
Subtotal	1,315,537	562,565
Interest and dividend income received	395	237
Interest expenses paid	-13,055	-19,083
Income taxes paid	-272,398	-266,517
Net cash provided by (used in) operating activities	1,030,478	277,201
Cash flows from investing activities		
Purchase of property, plant and equipment	-465,069	-333,821
Purchase of intangible assets	-226,181	-228,023
Payment for transfer of business	-108,045	-64,368
Payments for lease deposits	-30,616	-3,256
Other	-10	179
Net cash provided by (used in) investing activities	-829,921	-629,291
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-20,717	1,122,253
Repayments of long-term loans payable	-334,327	-333,941
Repayments of lease obligations	-1,458	-1,102
Cash dividends paid	-100,605	-99,038
Net cash provided by (used in) financing activities	-457,108	688,170
Effect of exchange rate change on cash and cash equivalents	-4,358	-5,438
Net increase (decrease) in cash and cash equivalents	-260,910	330,641
Cash and cash equivalents at beginning of year	1,700,950	1,996,536
Cash and cash equivalents at end of year	1,440,039	2,327,177

(4) Notes to Condensed Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

None

(Segment Information etc.)

【 Segment Information 】

Previous consolidated cumulative second quarter (From January 1, 2019 to June 30, 2019)

1 . The information about the amounts of the net sales, segment income or loss.

(Thousands of yen)

	Reported Segments			Adjustment amounts * 1	consolidated profit and loss statement * 2
	Domestic	Oversease	Total		
Net sales					
Sales to external customers	13,077,765	3,650,883	16,728,648	—	16,728,648
Intra-segment sales or transfers	—	47,115	47,115	-47,115	—
Total	13,077,765	3,697,998	16,775,763	-47,115	16,728,648
segment income or loss (-)	591,859	-329,638	262,220	—	262,220

* 1 . Adjustment of segment sales is elimination of intersegment transactions.

* 2 . Segment income or loss (-) are consistent with operating income in the consolidated profit and loss statement.

Consolidated cumulative second quarter (From January 1, 2020 to June 30, 2020)

1 . The information about the amounts of the net sales, segment income or loss.

(Thousands of yen)

	Reported Segments			Adjustment amounts * 1	consolidated profit and loss statement * 2
	Domestic	Oversease	Total		
Net sales					
Sales to external customers	12,065,951	2,960,072	15,026,024	—	15,026,024
Intra-segment sales or transfers	—	6,971	6,971	-6,971	—
Total	12,065,951	2,967,043	15,032,995	-6,971	15,026,024
segment income or loss (-)	343,690	△789,363	-445,672	—	-445,672

* 1 . Adjustment of segment sales is elimination of intersegment transactions.

* 2 . Segment income or loss (-) are consistent with operating income in the consolidated profit and loss statement.