Results Briefing for the Third Quarter Ended September 30

Golf Digest Online Inc.

GDO

PLAY YOUR LIFE

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CHAPTER

01

Executive Summary

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Maintained strong performance in the third quarter

GDO

Carrying on from the first half of FY2021, golf demand remained robust. In continuation from the first half of the fiscal year, the GDO Group also posted record high net sales and profits at all levels on a cumulative basis in the third quarter by using its comprehensive strengths to steadily capture that demand.

Posted record-high income

Net Sales	EBITDA	Operating Profit
268 million USD	23.4 million USD	11.1 million USD
YOY +20.5%	YOY +87.1%	YOY +505.9%

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Initiatives Aimed at Future Growth

❖ Proactive investment in growth fields

- Brought franchise centers under direct management ahead of original schedule on the back of expansion in golf demand in the U.S. and the strong performance of U.S. GOLFTEC.
- Expanded the number of regions with Toptracer Range to advance new installations at domestic golf driving ranges.

❖ Implementation of marketing measures

- Actively implemented marketing measures with a view to achieving further growth in FY2021 and from FY2022

❖ Selection of Prime Market and strengthening of corporate governance system

- Selected and applied to Prime Market with the renewed TSE markets.
- Strengthened initiatives for implementing thorough compliance and risk management and appointed a Chief Compliance Officer in order to further enhance its effectiveness.

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CHAPTER

02

Third Quarter Financial Results

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Measures to capture golf demand were successful. Despite implementing upfront investments aimed at future growth, the GDO Group posted record high net sales and profits at all levels

Million USD	YTD/2019	YTD/2020	YTD/2021	(YOY)	
Net sales	**234.6**	**223.1**	**268.8**	45.7	(+20.5%)
(Domestic)	183.2	177.1	189.2	12.1	(+6.8%)
(Overseas)	51.4	46.0	79.6	33.6	(+73.0%)
Gross profit	**92.1**	**84.0**	**113.6**	29.6	(+35.2%)
SG&A	**87.6**	**82.2**	**102.5**	20.3	(+24.7%)
EBITDA	**14.5**	**12.5**	**23.4**	10.9	(+87.1%)
(Domestic)	12.1	14.0	15.3	1.3	(+9.1%)
(Overseas)	2.4	-1.5	8.2	9.6	(－%)
Operating profit	**4.5**	**1.8**	**11.1**	9.3	(+505.9%)
(Domestic)	8.6	10.4	11.3	0.9	(+8.7%)
(Overseas)	-4.1	-8.5	-0.2	8.4	(－%)
Ordinary profit	**4.4**	**2.5**	**11.2**	8.8	(+354.7%)
Net income	**1.9**	**-1.3**	**7.3**	8.6	(－%)

The translation of Japanese yen amounts into U.S.

- FY2019 ¥109.12 = $1USD
- FY2020 ¥107.56 = $1USD
- FY2021 Forecast ¥108.58 = $1USD

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GDO

Implemented 3.0 billion yen in IT investment, capital investment, and other investments on a cumulative basis in the third quarter.

Overseas Business
New Businesses

Overseas Business: 2.17 billion yen
- Added 24 U.S. GOLFTEC corporate centers (including 16 acquired franchise centers)
- Implemented investment, including on software development

New Businesses: 0.24 billion yen
- Implemented investment, including on installations of Toptracer Range

Domestic Business

Domestic Business: 0.6 billion yen
- Expanded system infrastructure that supports the foundation of GDO's businesses
- Implemented investment for strengthening services

Shareholder Returns

Paid an interim dividend of 4.0 yen for FY2021

Planning to pay a year-end dividend of 5.5 yen

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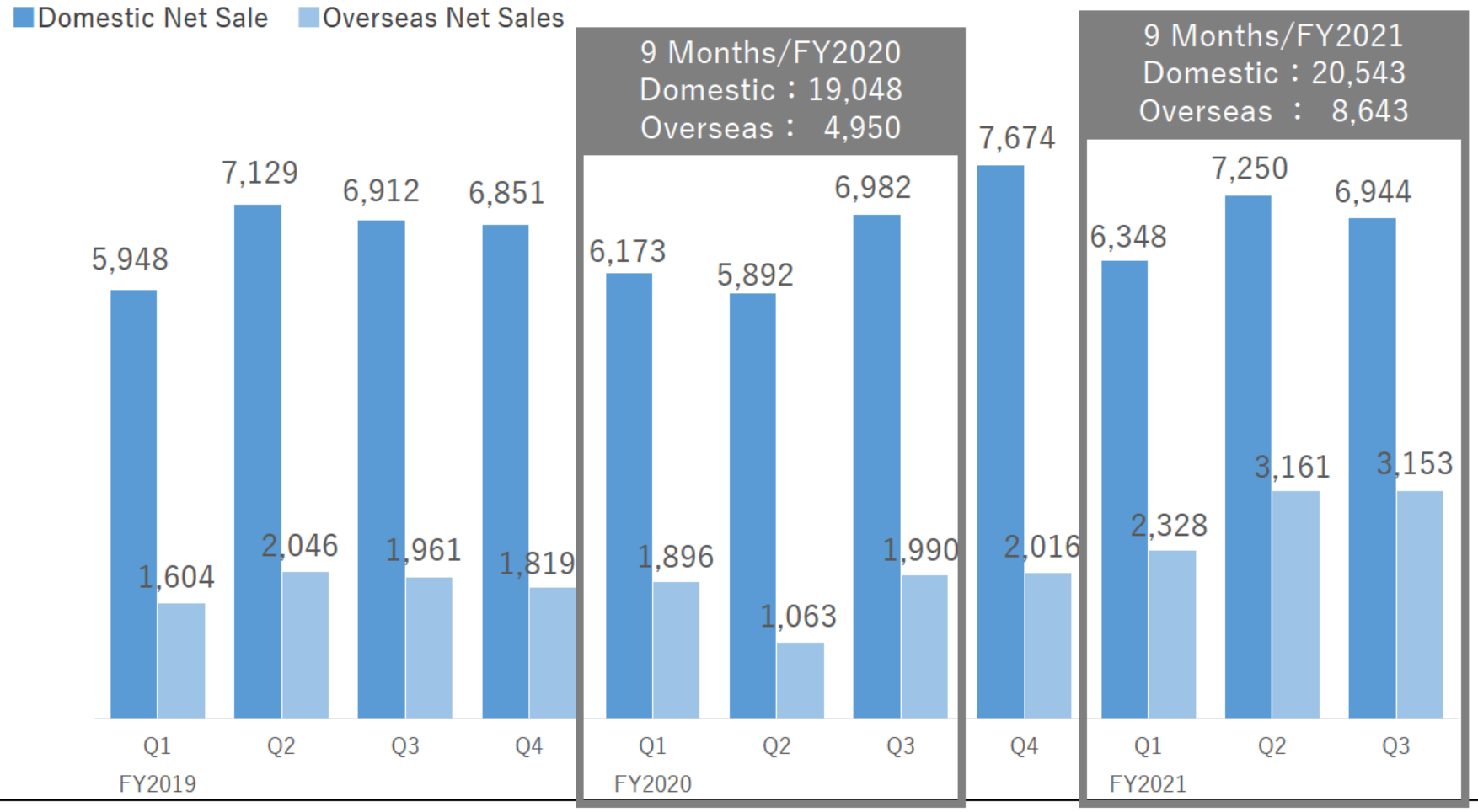
2. Third Quarter Financial Results　Net Sales

GDO

In particular, the Golf Improvement Business in the overseas segment was a strong driver of growth.

Net Sales by Segment

(million yen)



9 Months/FY2020 Comparison

Domestic Net Sales

+1,495（+7.8%）

Overseas Net Sales

+3,693（+74.6%）

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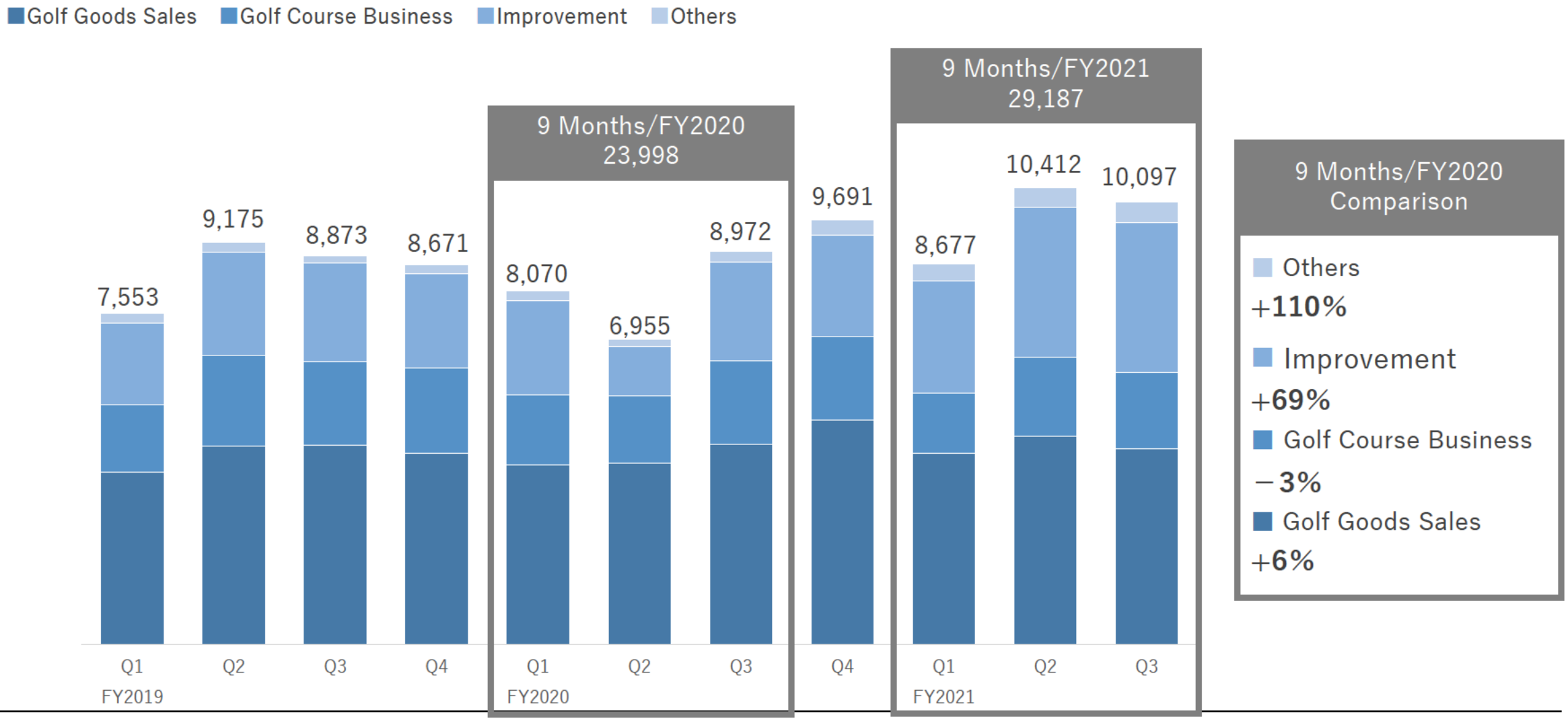
2. Third Quarter Financial Results　Net Sales

GDO

Net Sales by Service

(million yen)



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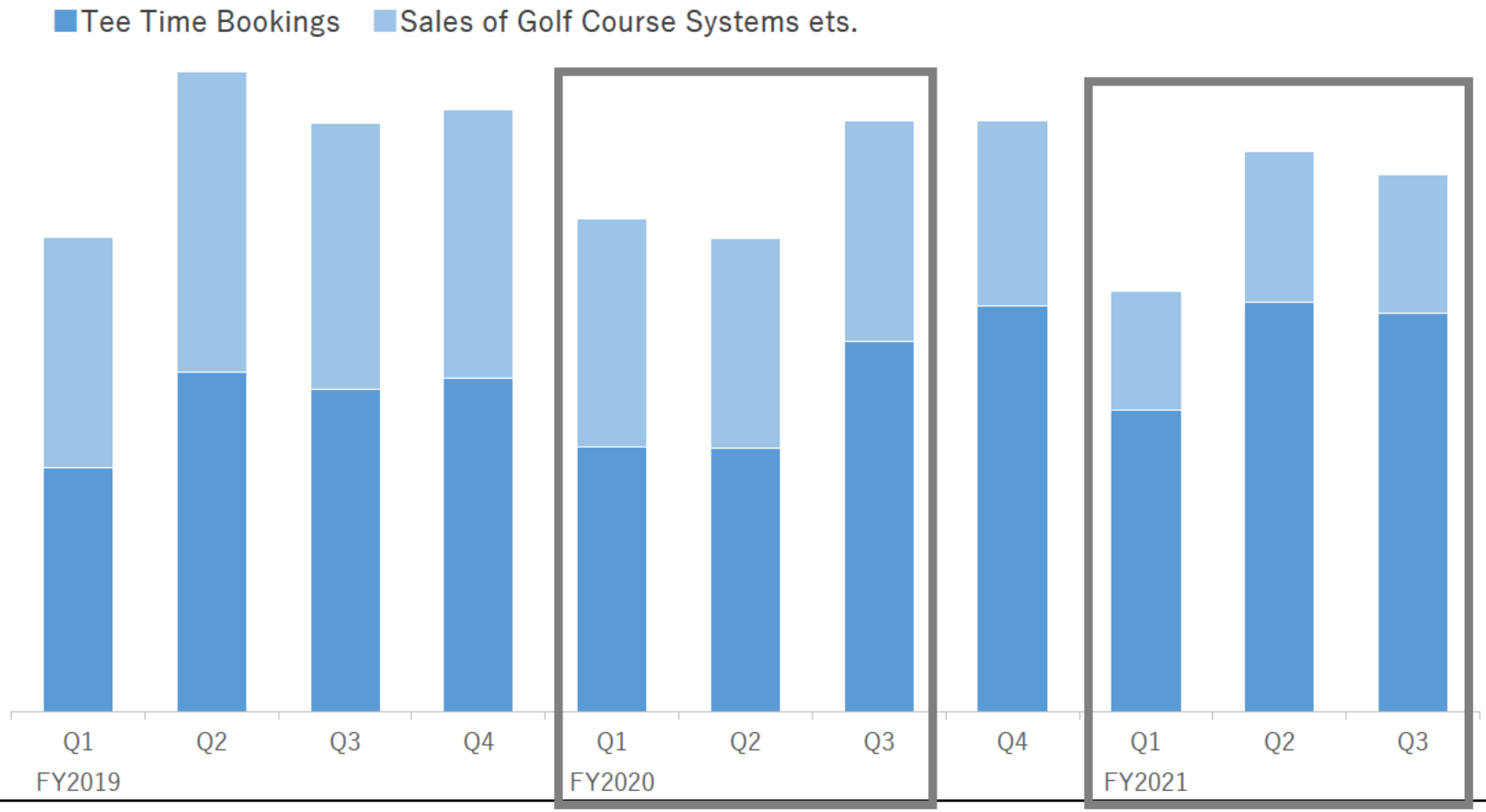
2. Third Quarter Financial Results　Domestic Segment　Golf Course Business

GDO

Increased the number of new customers by expanding reservation slots fine-tuned to demand and carried out a variety of marketing measures. Favorable weather every month except August also contributed to the customer number increase.

Net Sales　(million yen)



9 Months/FY2020 Comparison	
Sales of Tee Time Bookings	+24%

Medium-Term Goal　**Focus on tee time bookings**

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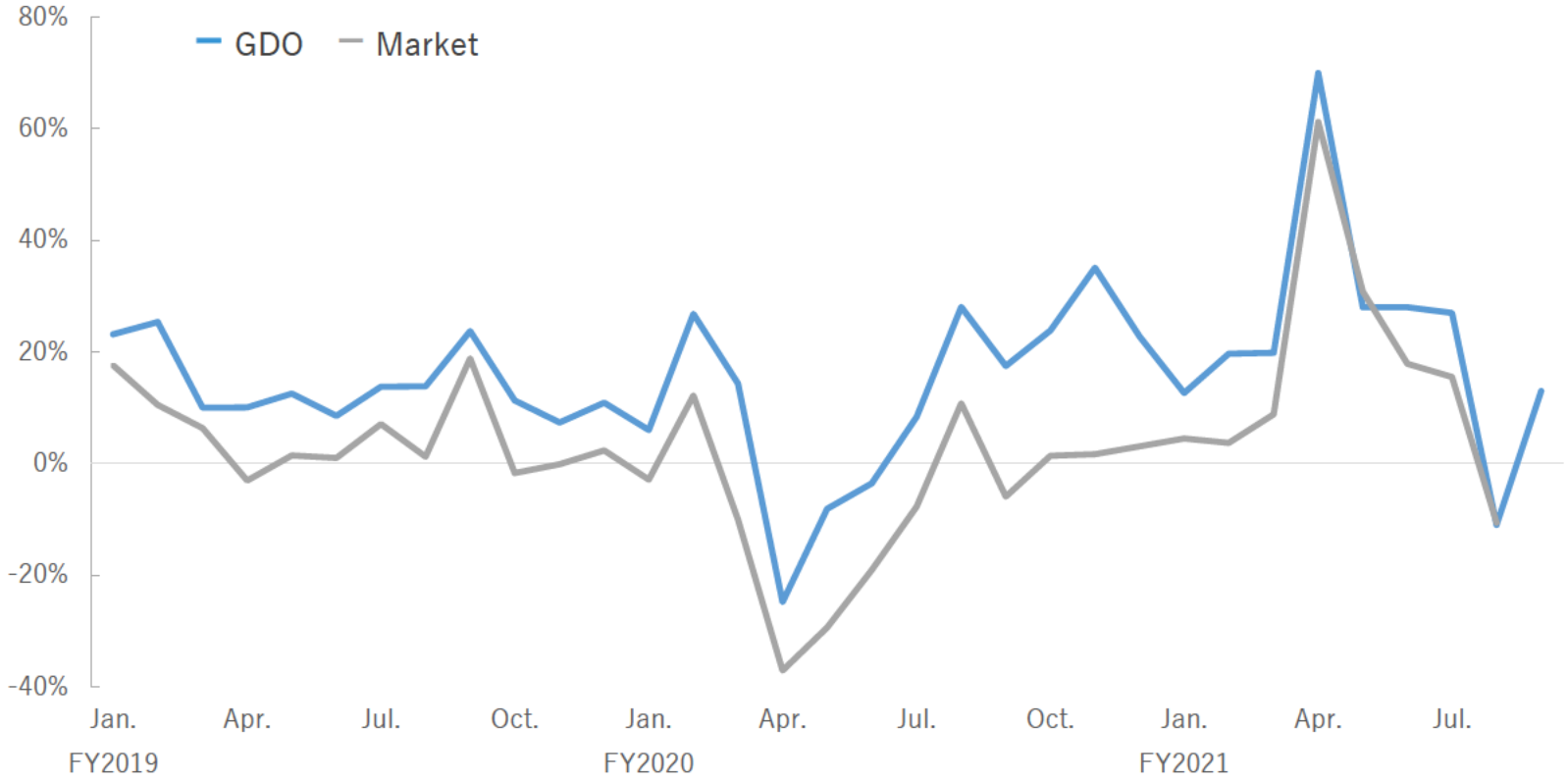
Change in Golfers Booked on GDO (YOY)

Initiatives drawing on the trend for last-minute reservations were successful. Except the impact of unfavorable weather conditions centered on western Japan in August, Tee Time Bookings maintained double-digit growth in customer numbers in other months.



Prepared by the GDO Group based on the Ministry of Economy, Trade and Industry's Survey of Selected Service Industries (Golf Courses)

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Medium-Term Goal　Focus on tee time bookings

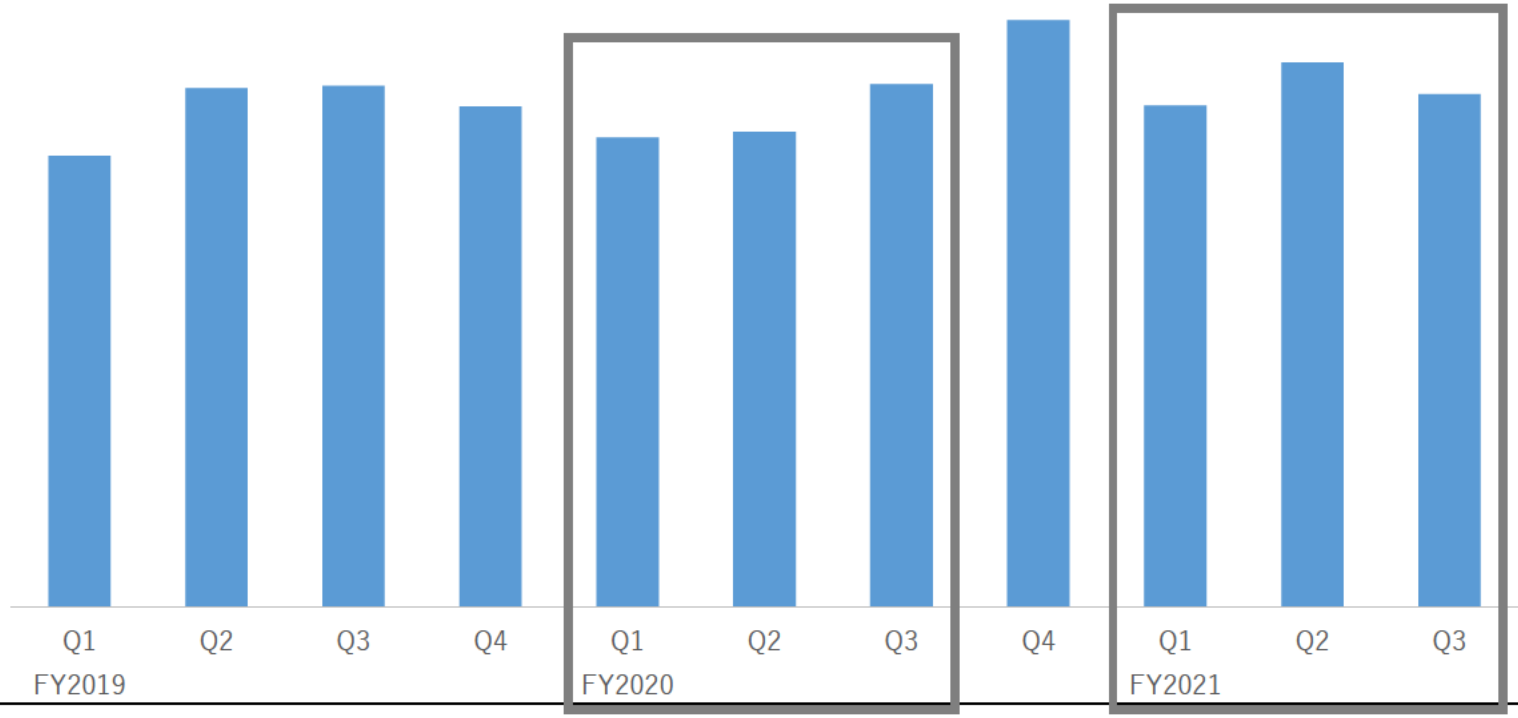
2. Third Quarter Financial Results　Domestic Segment　Golf Goods Sales Business

GDO

Net sales grew thanks to the success of the app strategy, sales promotion measures, and other factors. In particular, stable growth in golf wear, which has a relatively high profit margin, drove sales and gross profit.

Net Sales

Gross Profit Margin　Improved 3.0 points compared with FY2019



9 Months/FY2020 Comparison
+6%

Medium-Term Goal　Simultaneously achieve expansion of customer numbers and improvement of gross profit margin

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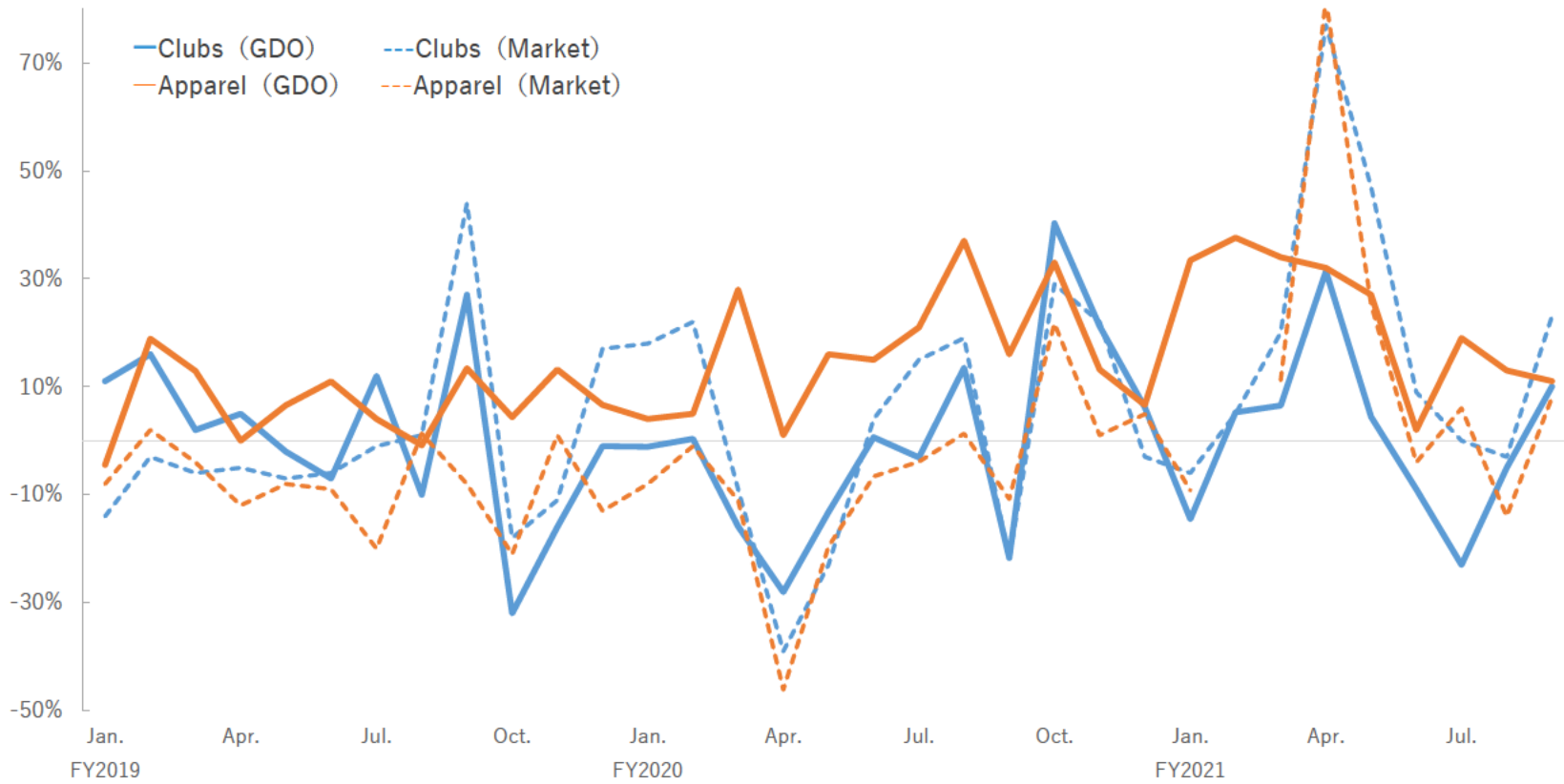
GDO

Changes in order (YOY)

Golf wear sales were particularly strong thanks to robust golf demand.

Sales of golf clubs were temporarily affected by a decline in production due to the impact of COVID-19.



Prepared by the GDO Group based on the year-on-year comparison of the market size that is estimated according to sales at the brick-and-mortar stores of major golf equipment dealers throughout Japan, as calculated by GfK Lifestyle Tracking Japan KK.

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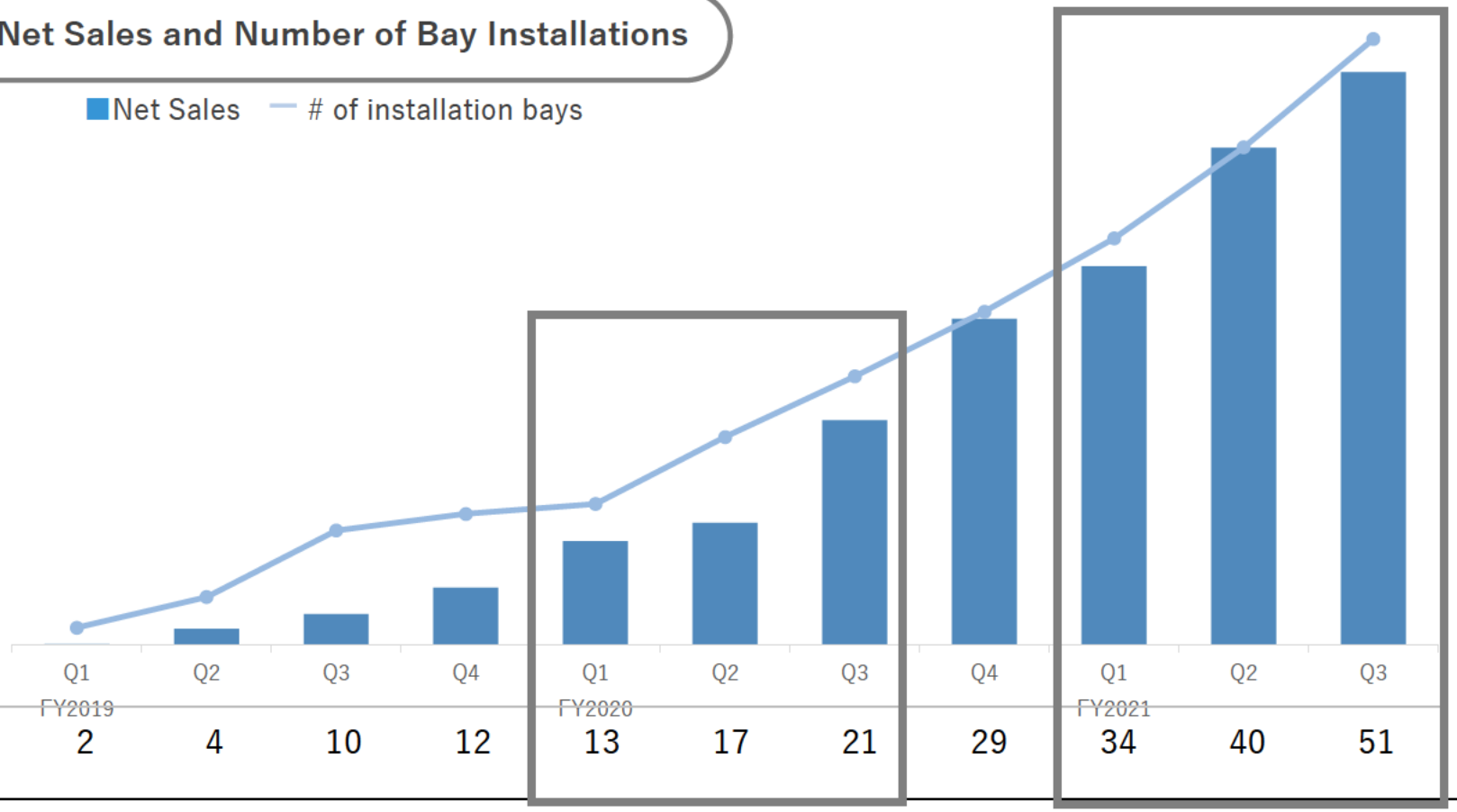
Medium-Term Goal Simultaneously achieve expansion of customer numbers and improvement of gross profit margin

2. Third Quarter Financial Results　Domestic Segment　Toptracer Range Business

GDO

Toptracer Range installations partially lagging behind the original plan due to the voluntary suspension from the impact of COVID-19, but it was expanded to new regions, Koshinetsu and Hokuriku. In addition to expanding into Kyushu for the first time in the fourth quarter, Toptracer Range installations are already planned at eight facilities.

Net Sales and Number of Bay Installations



# of installation facilities	Q1 FY2019	Q2	Q3	Q4	Q1 FY2020	Q2	Q3	Q4	Q1 FY2021	Q2	Q3
	2	4	10	12	13	17	21	29	34	40	51

9 Months/FY2020 Comparison
Net Sales +221%

Medium-Term Goal　**Swift expand installations to create added value for golfers and golf driving ranges**

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2. Third Quarter Financial Results　Domestic Segment　Toptracer Range Business

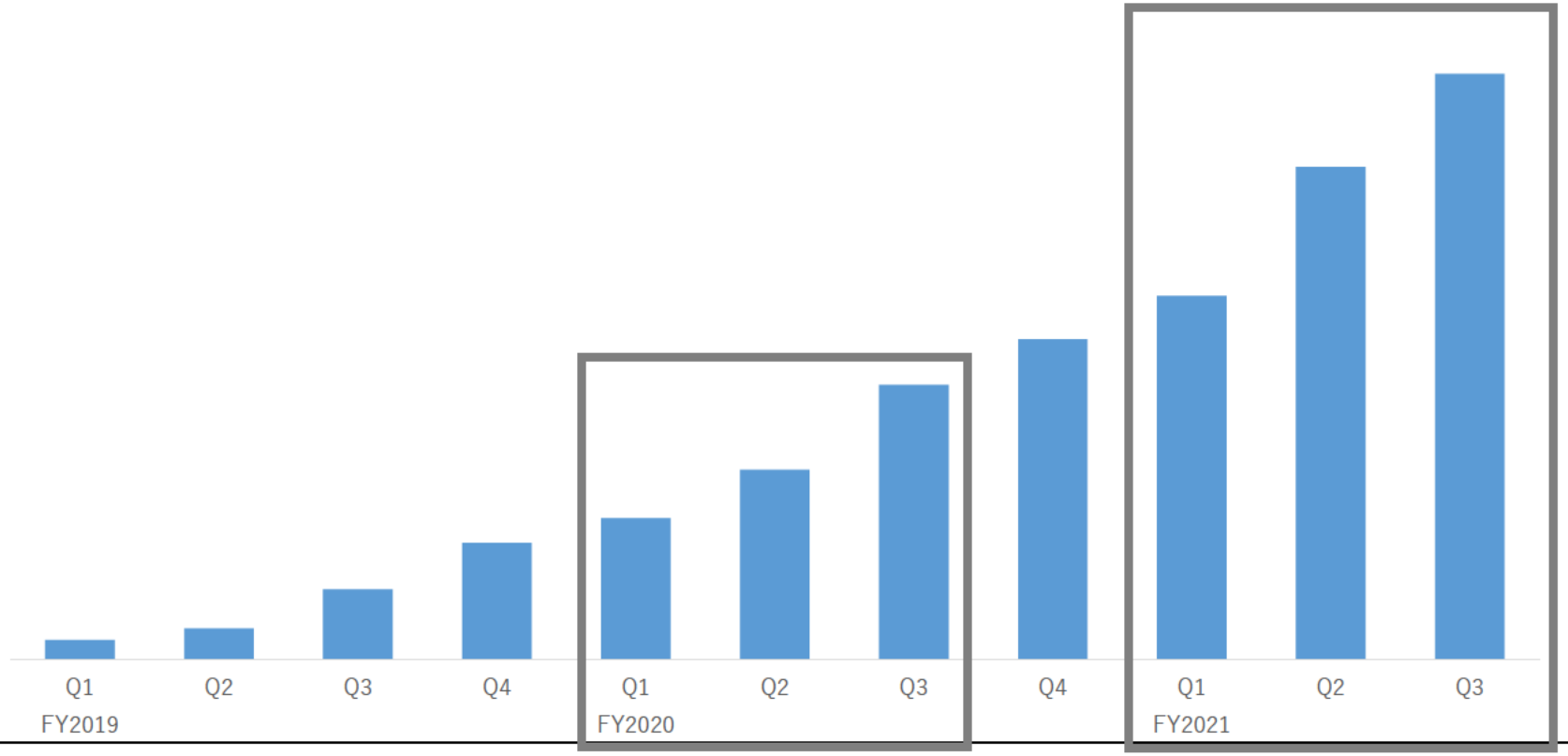
GDO

Quarterly change in the number of TTR users

- Increased user numbers at facilities where Toptracer Range has already been installed through the implementation of events and other efforts to capture rising demand
- April: Downloads of the Toptracer Range app (free) exceeded 100,000

  August: Number of Toptracer Range users exceeded five million on a cumulative basis

  October: Installations in the Kyushu region for the first time



9 Months/FY2020 Comparison
+139%

Medium-Term Goal　Swift expand installations to create added value for golfers and golf driving ranges

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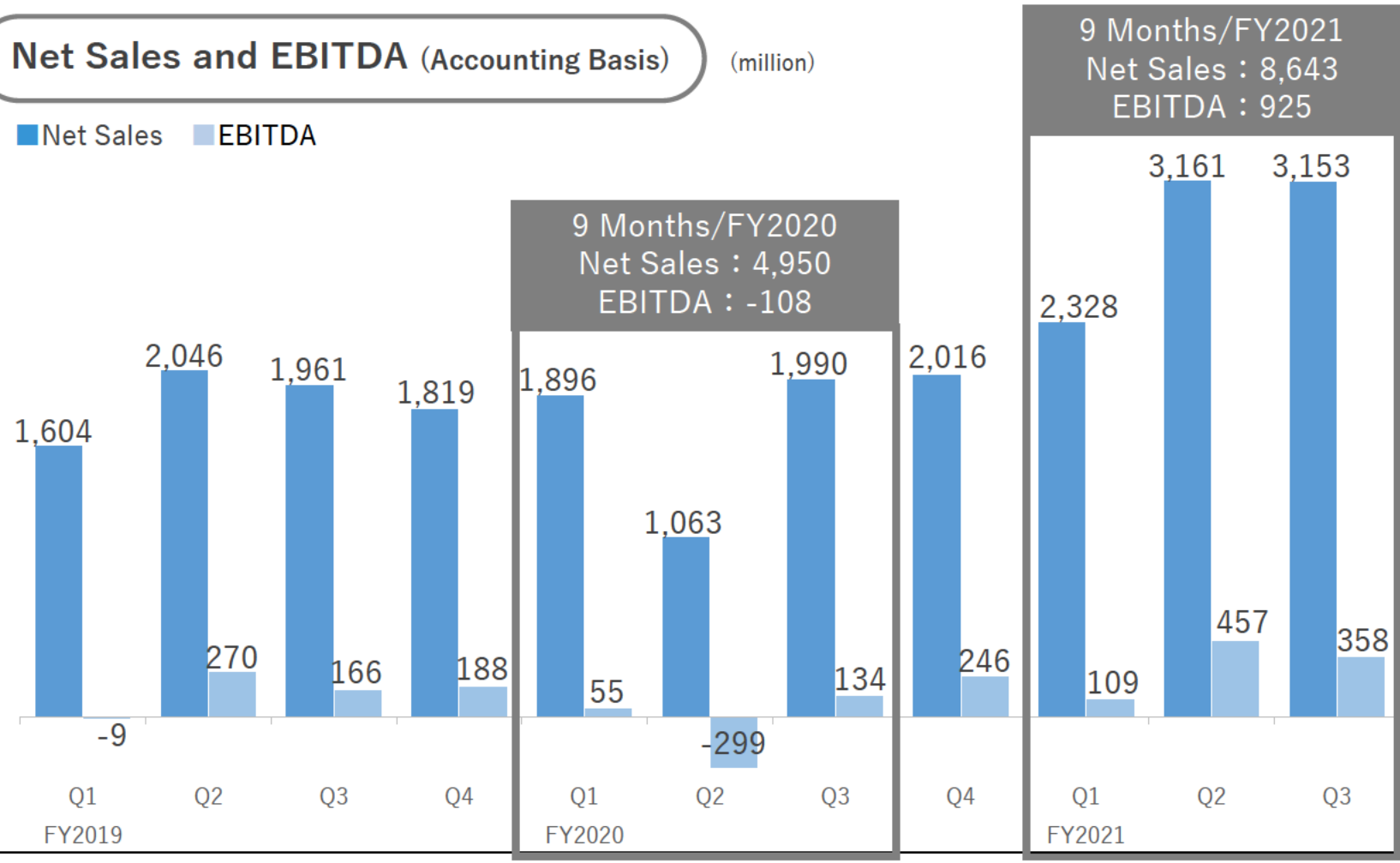
Both corporate and franchise centers performed strongly, reflecting the steady capture of accelerating golf demand in the U.S. Lessons and club fittings saw particular growth.

Net Sales and EBITDA (Accounting Basis) (million)



9 Months/FY2020 Comparison

Net Sales
+3,693 (+75%)

EBITDA
+1,033 (—%)

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Medium-Term Goal Continue leading the U.S. golf improvement industry

Number of Centers

Brought franchise centers acquisition ahead of schedule from the second quarter on the back of buoyant golf demand.
Plan to open five new centers in the fourth quarter and expect to have a total of 220 centers by the end of FY2021.

	Corporate	FC	Total
Q3 FY2019	113	95	208
Q3 FY2020	113	94	207
End of December FY2020	116	91	207
- New Openings	(+8)	(0)	(+8)
- Acquire FC Centers	(+16)	(-16)	(0)
- Withdraw	(0)	(0)	(0)
Q3 FY2021	140	75	215

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Medium-Term Goal Continue leading the U.S. golf improvement industry

2. Third Quarter Financial Results Overseas Segment Golf Improvement Business (U.S. GOLFTEC)

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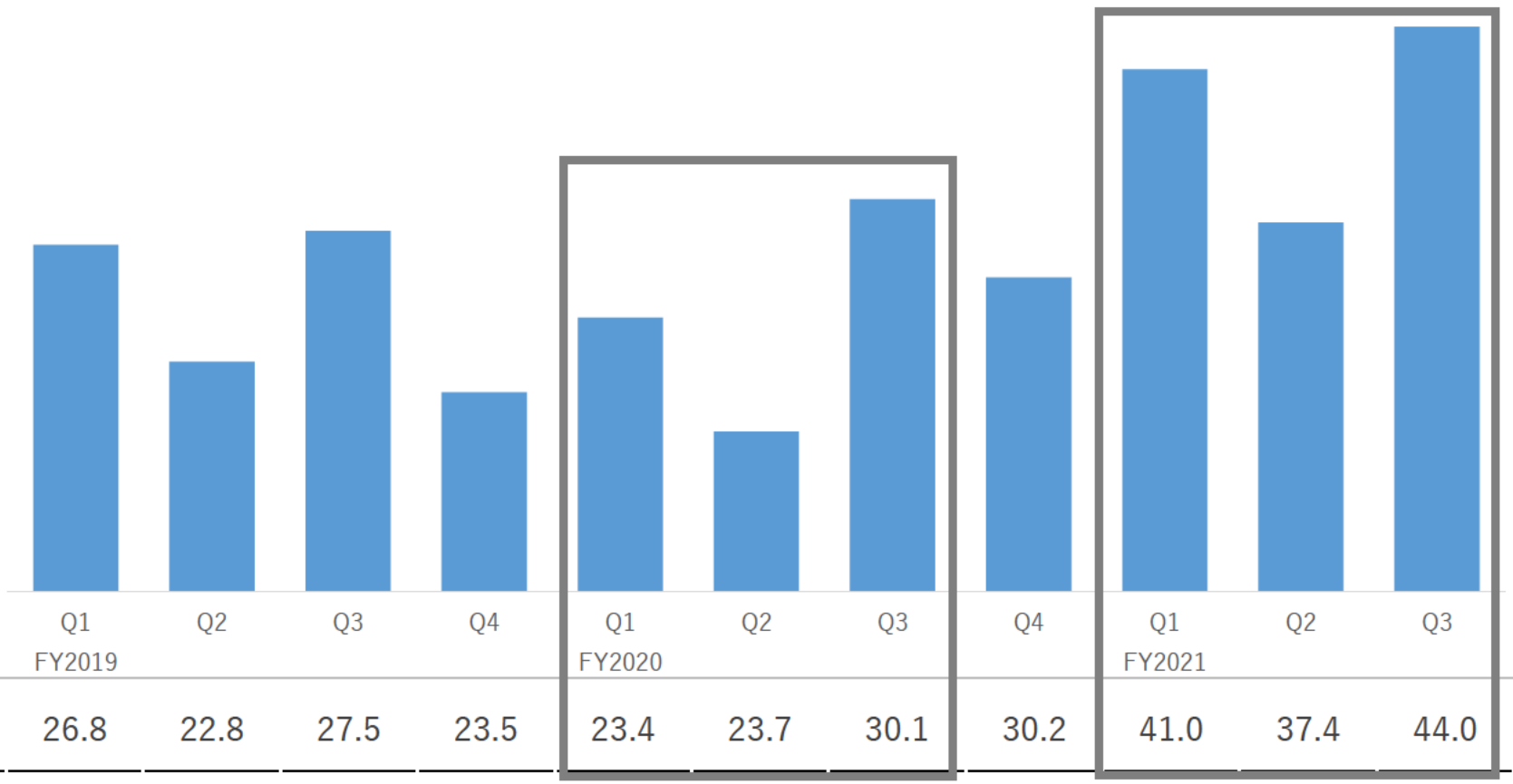
Cash Sales of corporate Centers

Corporate centers usually implement large-scale sales promotions in March and August every year. Unearned revenue by U.S. GOLFTEC as at the end of September stood at 44.0 million USD (up 13.8 million USD compared with end of FY2020).



	Q1 FY2019	Q2	Q3	Q4	Q1 FY2020	Q2	Q3	Q4	Q1 FY2021	Q2	Q3
Unearned revenue by U.S. GOLTEC (million USD)	26.8	22.8	27.5	23.5	23.4	23.7	30.1	30.2	41.0	37.4	44.0

9 Months/FY2020 Comparison
+76%

Medium-Term Goal Continue leading the U.S. golf improvement industry

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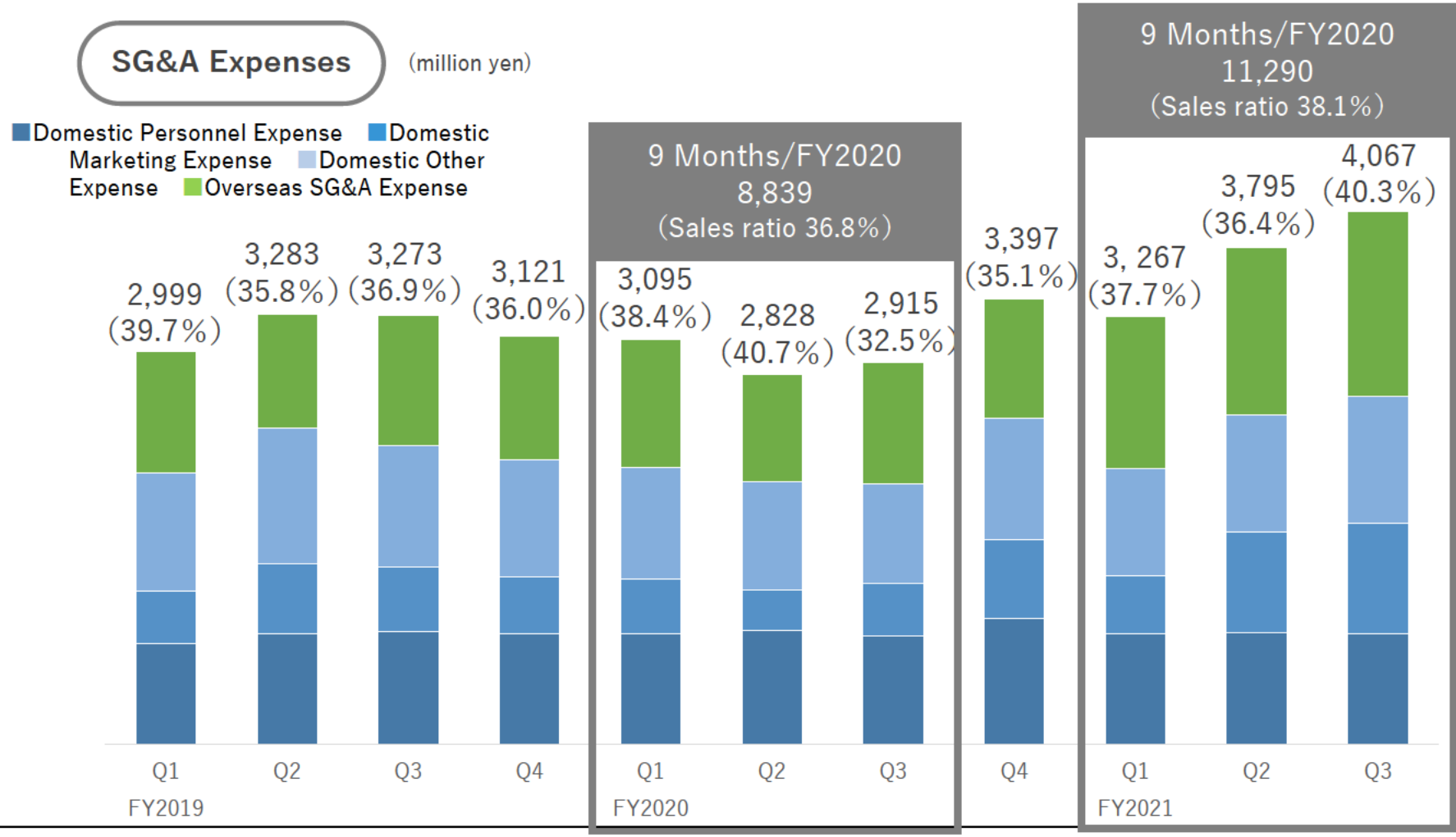
2. Third Quarter Financial Results Selling, General and Administrative (SG&A) Expenses

GDO

Used SG&A expenses in a concentrated manner on domestic marketing expenses to capture the expansion in golf demand. U.S. GOLFTEC franchise centers acquisition led to an increase in SG&A expenses.



9 Months/FY2020 Comparison

- Overseas SG&A Expense **+41%**
- Domestic Other Expense **+10%**
- Domestic Marketing Expense **+82%**
- Domestic Personnel Expense **+0.3%**

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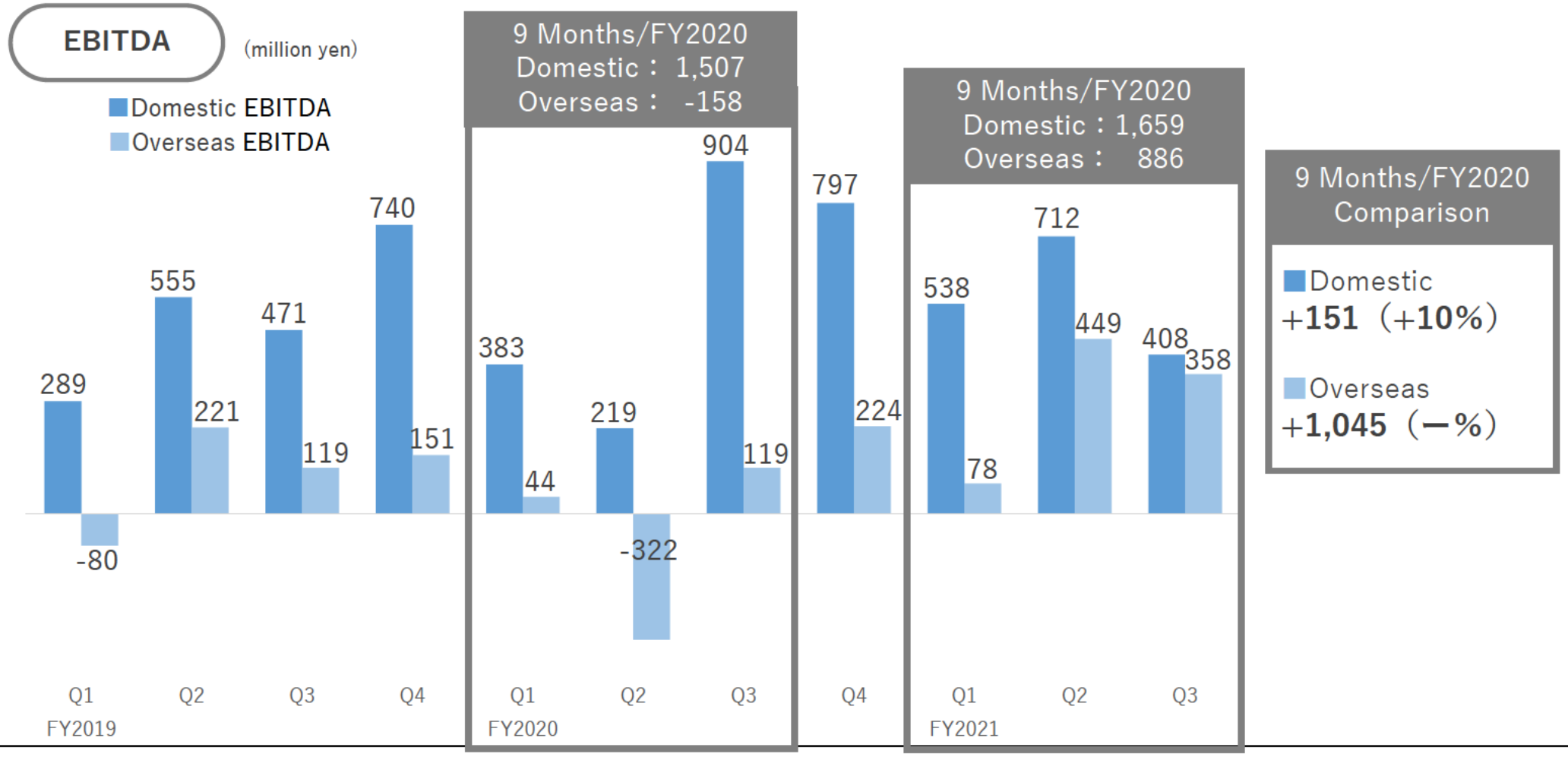
2. Third Quarter Financial Results EBITDA / Operating Profit

EBITDA and operating profit grew significantly, reflecting sales growth and an improved gross profit margin resulting from business selection and concentration, despite implementing investments for FY2022 onward using SG&A expenses.



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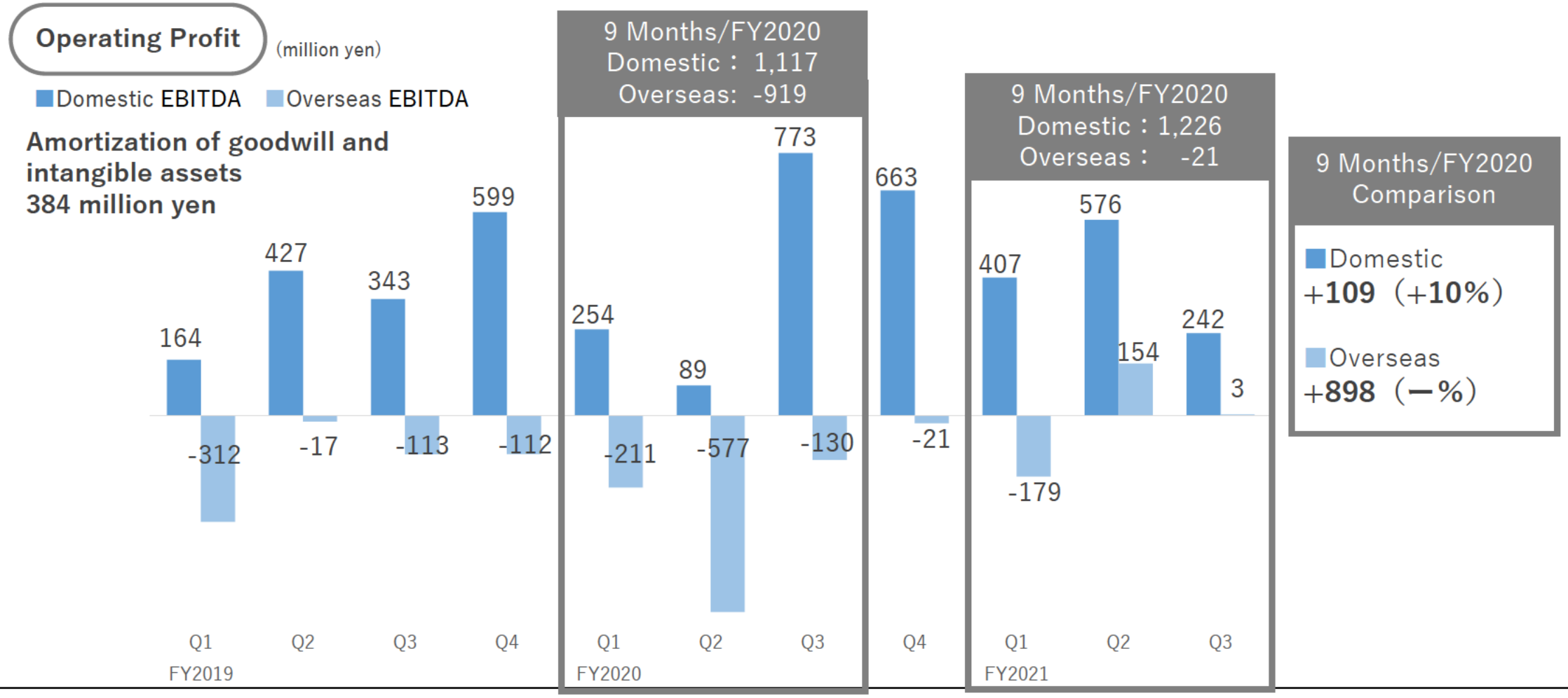
2. Third Quarter Financial Results EBITDA / Operating Profit

GDO

As its sales grow, U.S. GOLFTEC is gradually absorbing goodwill amortization and intangible assets and transitioning to profitable operations. However, it is expected that the acceleration of center openings will lead initial deficits of a certain scale at new centers.



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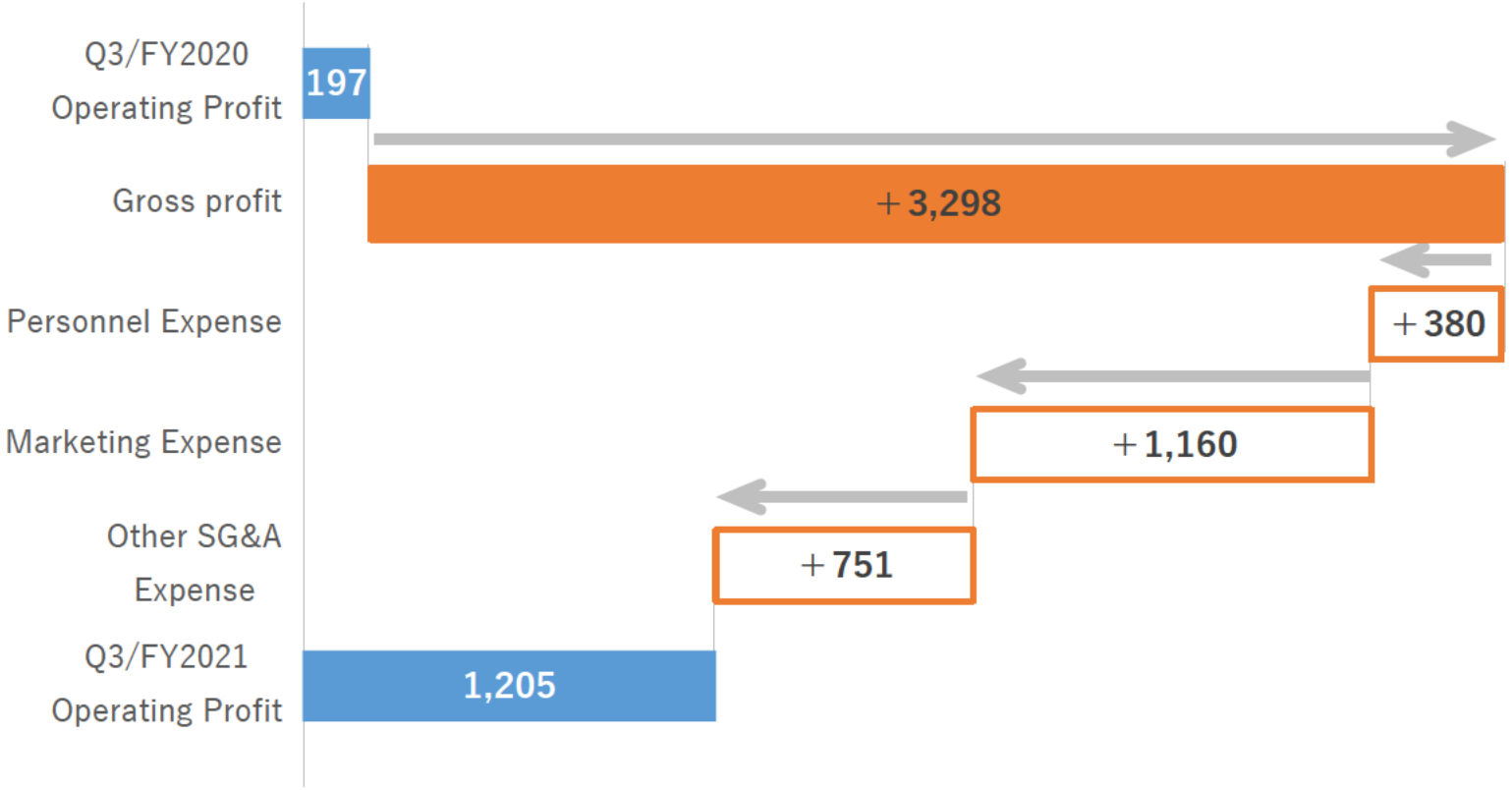
2. Third Quarter Financial Results Operating Profit Analysis

GDO

Operating Profit Analysis

(million yen)



Domestic +1,276
Overseas +2,022

Personnel expenses were up due to the expansion of U.S. GOLFTEC business

Marketing expenses rose following investments to meet the expansion in demand and for securing future growth

Other SG&A expenses increased as a result of a rise in rent expenses related to the increase in the number of centers under the direct management of U.S. GOLFTEC.

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2. Third Quarter Financial Results B/S Overview

GDO

U.S. GOLFTEC recognized additional goodwill due to the acquisition of franchise centers while Unearned revenue were up as a result of its strong performance. Total assets increased 15.3 million USD.

(million USD)	End of Dec.2020	(Composition ratio)	2021. Q3	(YOY)	(Composition ratio)
Cash deposits	27.8		21.2	- 6.5	
Accounts receivable	25.5		24.7	- 0.8	
Merchandise	28.0		31.2	+ 3.2	
Other current assets	11.9		13.8	+ 2.0	
Current Assets	93.1	54%	90.9	- 2.2	48%
Tangible assets	27.8		32.2	+ 4.4	
Intangible asset	43.5		57.9	+ 14.3	
(Goodwill)	24.8		36.5	+ 11.6	
Investments and other asset	9.3		8.1	- 1.2	
Non-Current Assets	80.7	46%	98.2	+ 17.5	52%
Total Assets	173.8	100%	189.1	+ 15.3	100%

	End of Dec.2020	(Composition ratio)	2021. Q3	(YOY)	(Composition ratio)
Accounts payable	20.2		25.6	5.4	
Interest-bearing liabilities	20.7		16.3	-4.4	
Unearned revenue	28.5		42.4	13.9	
Other Current liabilities	37.7		34.1	-3.5	
Current Liabilities	107.0	62%	118.5	11.5	63%
Interest-bearing liabilities	—		—	—	
Other Non-Current liabilities	5.4		7.1	1.7	
Non-Current Liabilities	5.4	3%	7.1	1.7	4%
Total Liabilities	112.4	65%	125.6	13.2	66%
Total Equity	61.4	35%	63.6	2.2	34%
Total Liabilities & Equity	173.8	100%	189.1	15.3	100%

The translation of Japanese yen amounts into U.S.
・FY2020 ¥103.52 = $1USD ・Q3 FY2021 ¥111.95 = $1USD

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CHAPTER

03

Third Quarter Initiatives

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3. Third Quarter Initiatives　Establishment of the PLAY YOUR LIFE Brand Concept

GDO

Expanded content for beginner golfers

Provided full support for beginner golfers on their first round

Website for beginner golfers

URL：<https://www.golfdigest.co.jp/beginner/>

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GDO

Introduced advanced technology: OptiMotion

OptiMotion realizes lessons based on data in a wireless and sensor-less environment, a first for the industry. Also suitable for the new normal era.

(U.S. Subsidiaries)

GOLFTEC

(Domestic Subsidiaries)

GOLFTEC by GDO

- Developed by U.S. GOLFTEC, OptiMotion is equipped with high-speed, HD cameras that measure the golf swing in 3D and leverages a proprietary artificial intelligence model to collect 4,000 data points in every swing.
- In use at over 200 U.S. GOLFTEC centers worldwide.
- Began use in Japan at 12 centers in October.

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GDO

Implemented participatory events integrating the online and offline worlds

Held the 9 SHOT CHALLENGE, a global tournament using Toptracer Range

Compete against golfers across the globe via Toptracer Range
Proposing new ways to enjoy golf

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Initiatives combining golf and technology

LIQUID eKYC

Introduced an online identity verification system for purchasing golf clubs from customers on the GDO Golf Shop website. The introduction of this system has reduced the number of days it takes to make a purchase.

LIQUID eKYC is an online identity verification system provided by Liquid, Inc. eKYC stands for “electronic Know Your Customer”

Easy Web Matching

あなたに“マッチ”するドライバーをご提案

An online proposal service club to solve golfers’ worries based on a dedicated database.

Easy Web Matching service URL:
https://shop.golfdigest.co.jp/newshop/f/contentsid_easywebmatching

Launch of joint demonstration of payment method using finger vein authentication

GDO, Mitsubishi HC Capital, and Hitachi have started joint demonstrations at GDO Chiagasaki Golf Links in order to contribute to smooth check-in and work style reforms for golf course staff.

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Actively promoted ESG initiatives

Pursuit of workstyles that acknowledge diversity

（Work Fast Ver.3.0）

- Changed the system to allow employees to select and register their workplace from among remote working, office working, and a mixture of remote and office options.
- Abolished the core time system for working hours and changed to a flexible time system running from 5:00 to 22:00. This change facilitates discontinuous workstyles.

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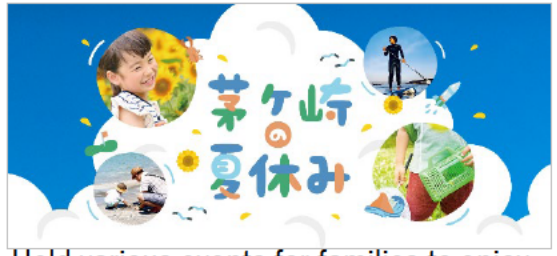
Actively promoted ESG initiatives

Started Operation of GDO Chigasaki Golf Links (formerly Chigasaki Golf Club).

- Used the course as a place to make the PLAY YOUR LIFE concept a reality.
- GDO Chigasaki Golf Links aims to be the most casual and flexible golf course in Japan that is both open to the local community—such as through the holding of various events— and diverse, while protecting vast greenery that serves as a wide-area evacuation site.

Held a commemorative graduation event for local elementary school students who could not go on a school trip

Held a yoga event



Held various events for families to enjoy

Used as a field for dogs

Concluded a Cooperation Agreement on City Promotion with Chigaski City

Work on enhancing the appeal of the city, with GDO Chigasaki Golf Links—which is designated as a wide-area evacuation site in Chigasaki City—serving as a hub.

- Communicate the appeal of Chigasaki City through one of Japan's largest comprehensive golf portal websites.

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Actively promoted ESG initiatives

Continuous Efforts for Reuse Business (RE Commerce*)

- Embarked on a business for second-hand golf equipment in 2003 and launched directly managed stores in 2007.

*What is RE Commerce?
A general term for product rental, used product purchase, and resale services.

Going Paperless (Online Operations)

- Since 2006, GDO has refrained from storing documents, which has led to a significant reduction in the amount of paper it uses. GDO continues to pursue this policy today.
- Introduced an electronic signature system for contract documents
- Introduced an online system for settling expenses

Participation in TABLE FOR TWO

- Began participation in 2016. In this initiative, GDO donates a set amount to TABLE FOR TWO for every birdie when golfers record their score using the GDO Score Management app.
- To date, GDO has donated enough money to create more than 300 vegetable gardens.

CHAPTER

04

Reference Materials

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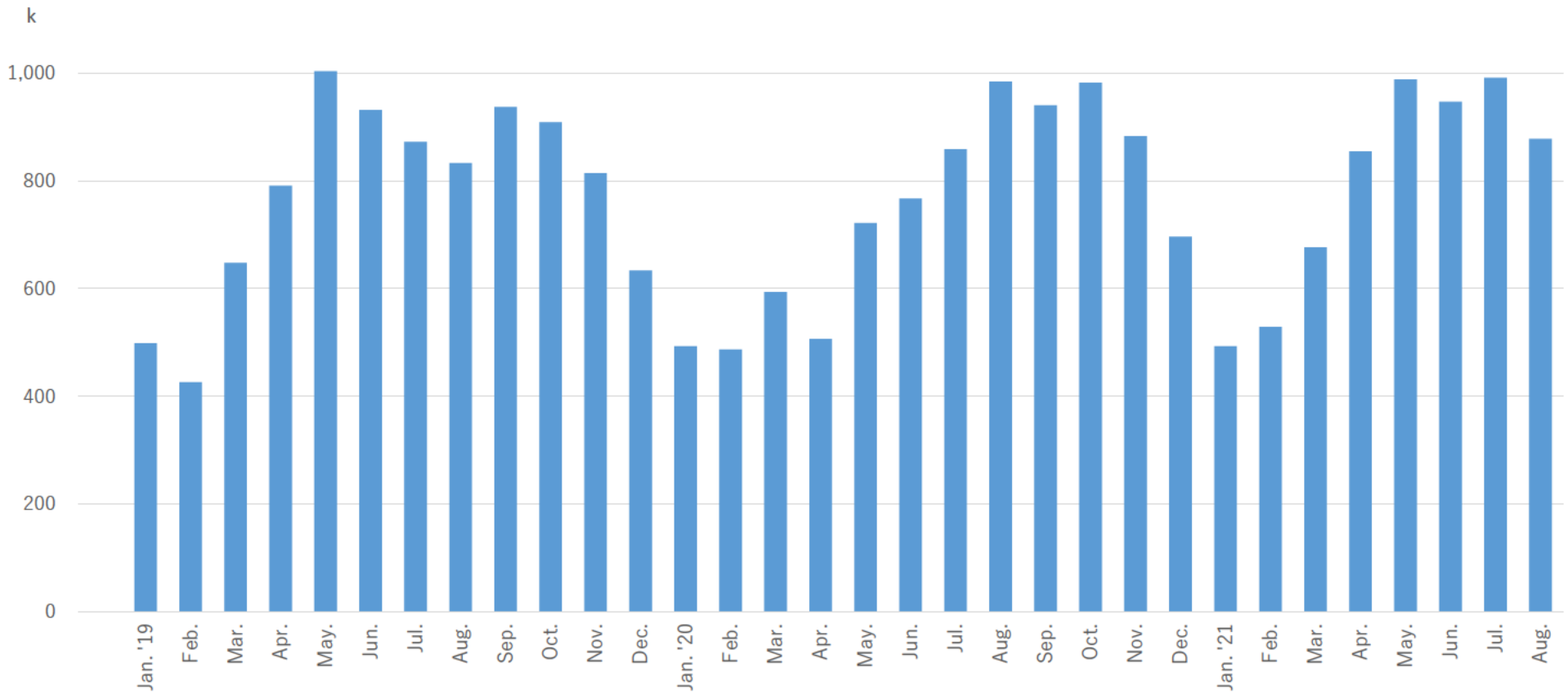
GDO

Monthly Golf Course User Numbers in Eight Prefectures



January–August 2019
Average monthly user numbers
750,000 users

January–August 2020
Average monthly user numbers
676,000 users

January–August 2021
Average monthly user numbers
794,000 users

Prepared by the GDO Group based on the Ministry of Economy, Trade and Industry's Survey of Selected Service Industries (Golf Courses)

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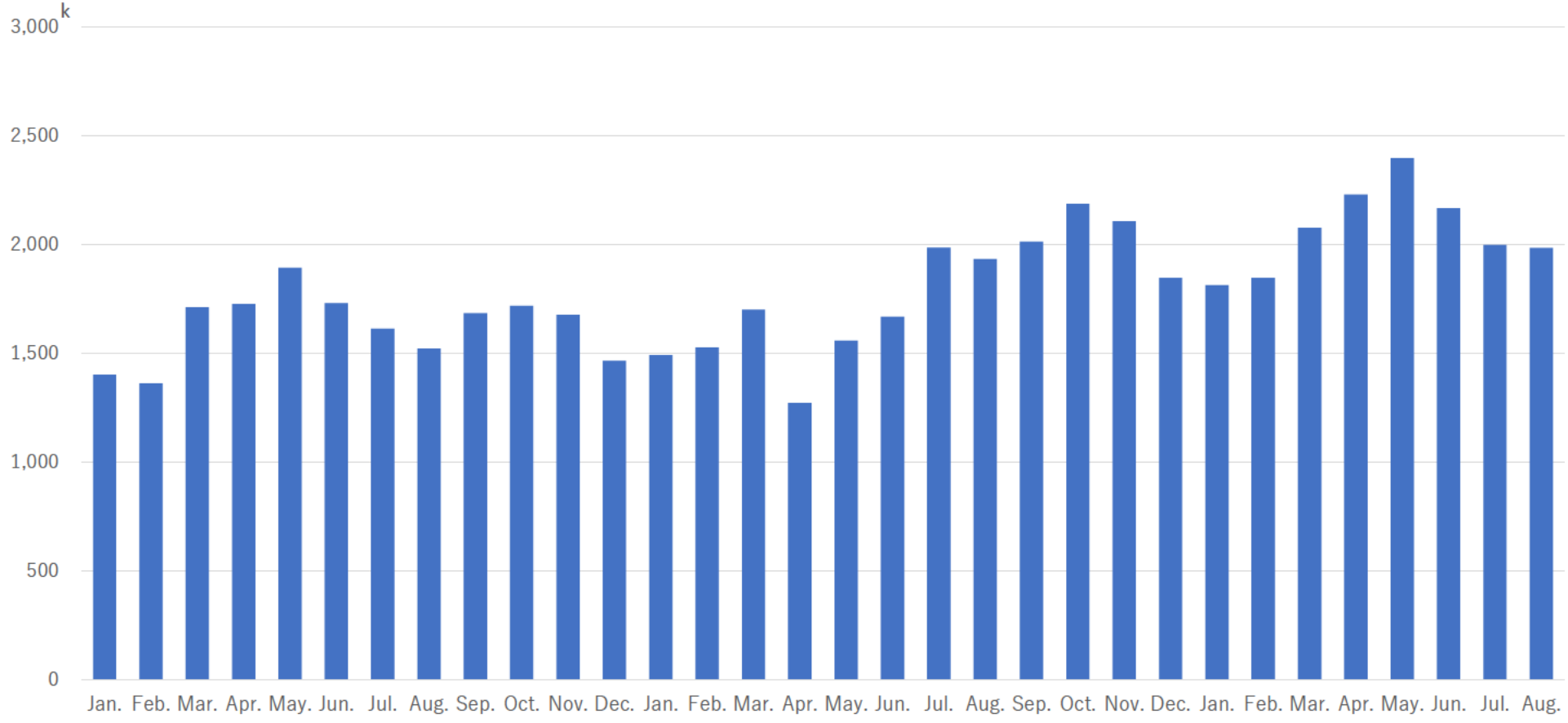
GDO

Monthly Golf Driving Range User Numbers in Eight Prefectures



January–August 2019
Average monthly user numbers
1,619,000 users

January–August 2020
Average monthly user numbers
1,641,000 users

January–August 2021
Average monthly user numbers
2,063,000 users

Prepared by the GDO Group based on the Ministry of Economy, Trade and Industry's Survey of Selected Service Industries (Golf Courses)

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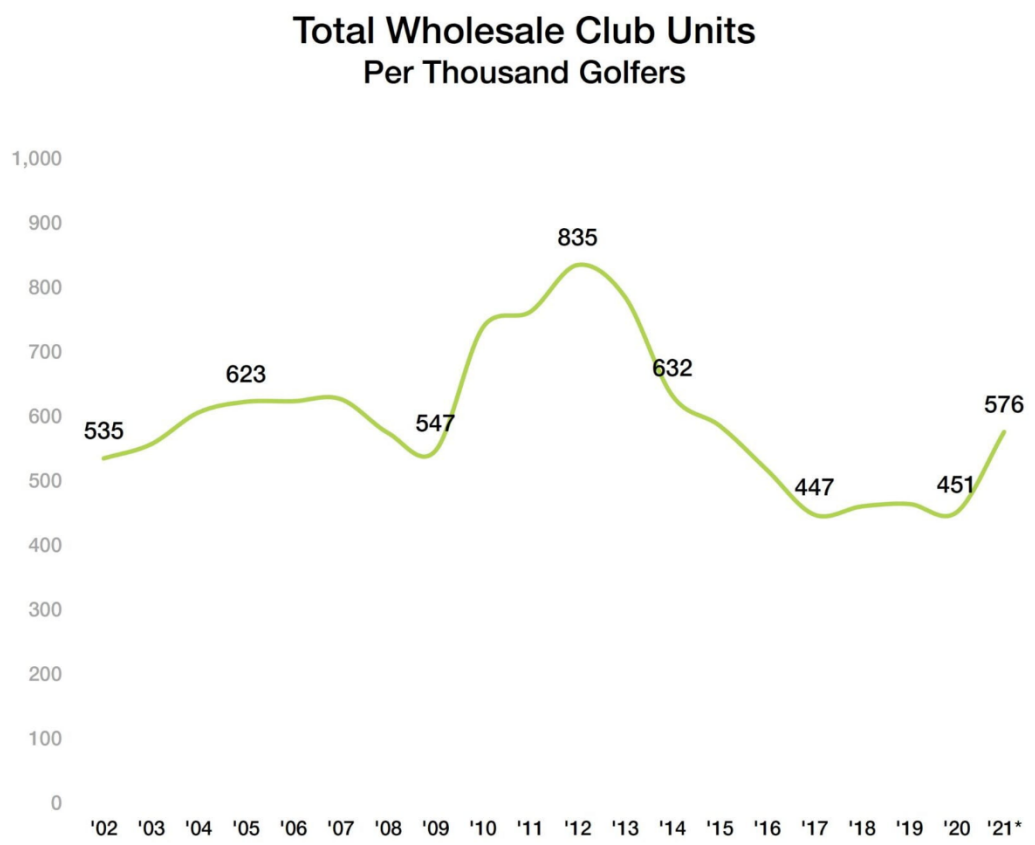
GDO

Total Wholesale Club Units per Thousand Golfers

Demand for golf equipment continues to increase

- Due to robust golf demand, golf equipment sales were up 41% YoY in the January-September 2021
- Increased in 15 months during the last 16 months



* 12-month rolling (thru August)

Source: National Golf Foundation (golf participation data and data provided by golf equipment manufacturers)

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Source: A Publication of the National Golf Foundation.

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PLAY YOUR LIFE

GDO

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