Consolidated Financial Results for the Six Months Ended June 30, 2022[Japanese GAAP]

August 10, 2022

Company name:	Golf Digest Online Inc.	
Stock exchange listing:	Tokyo	
Code number:	3319	
URL:	https://www.golfdigest.co.jp	
Representative:	Nobuya Ishizaka	President and CEO
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Scheduled date of filing quarterly securities report:	August 12, 2022
Scheduled date of commencing dividend payments:	September 01, 2022
Availability of supplementary briefing material on quarterly financial results:	Yes
Schedule of quarterly financial results briefing session:	Yes

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended June 30, 2022 (January 01, 2022 to June 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2022	21,352	11.9	850	(11.2)	862	(10.5)	1,398	121.3
June 30, 2021	19,090	27.0	958	-	963	-	632	-

(Note) Comprehensive income: Six months ended June 30, 2022: ¥ 1,837 million [145.7%]
Six months ended June 30, 2021: ¥ 747 million [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2022	76.61	76.60
June 30, 2021	34.60	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
June 30, 2022	24,459	9,067	37.0	497.33
December 31, 2021	21,851	7,411	33.9	405.17

(Reference) Equity: As of June 30, 2022: ¥ 9,053 million
As of December 31, 2021: ¥ 7,403 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2021	-	4.00	-	5.50	9.50
Fiscal year ending December 31, 2022	-	4.00			
Fiscal year ending December 31, 2022 (Forecast)			-	5.50	9.50

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending December 31, 2022 :

Commemorative dividend - yen

Special dividend - yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2022(January 01, 2022 to December 31, 2022)

(% indicates changes from the 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	43,900	10.9	2,100	23.0	2,100	22.4	1,900	83.4	103.98

(Note) Revision to the financial results forecast announced most recently: No

Since the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29), etc. are applying from the beginning of the fiscal year ending December 31, 2022, the above forecasts reflect the amounts after the application of the accounting standard, etc. However in the calculation for each of percentages, the accounting standard, etc. do not apply to the amounts in the same period of the previous year. Assuming that the accounting standard, etc. applied from the beginning of the fiscal year ending December 31, 2021, the rate of changes for Net sales to the previous year are as follows:

Net Sales: 16.4%

The application of the accounting standard is insignificant on Operating profit, Ordinary profit, and Profit attributable to owners of parent.

* Notes:

(1) Changes in significant subsidiaries during the six months ended June 30, 2022
(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2022: 18,274,000 shares

December 31, 2021: 18,274,000 shares

2) Total number of treasury shares at the end of the period:

June 30, 2022: 70,390 shares

December 31, 2021: 390 shares

3) Average number of shares during the period:

Six months ended June 30, 2022:	18,260,037	shares
Six months ended June 30, 2021:	18,273,676	shares

* Consolidated financial results (Japanese GAAP) are not subject to audit.

* Summaries for relevant use of forecasts and other specific affairs

The forward-looking statements described in this document including results forecasts, 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 “1.Qualitative Information on Second Quarter Consolidated Results (3) Overview of Consolidated Earnings Forecast on page 2 of the attached document.

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1. Qualitative Information on Second Quarter Consolidated Results

(1) Overview of Operating Results

During the first six months under review (January 1, 2022 to June 30, 2022), consumption activity was gradually normalizing owing to the easing of movement restrictions designed to block a resurgence of the COVID-19 coronavirus. However, economic uncertainty increased, chiefly due to the rapid depreciation of the yen and disruption in global supply chains as well as increasing concern over global inflation against the backdrop of the Russia-Ukraine war.

In the environment surrounding the Internet, markets such as those for e-commerce and 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. In the golf market, the demands of golfers were changing day by day, including the permeation of a play style adapted to the new lifestyle required given the influence of COVID-19.

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. The GDO Group also worked on business operation under the basic policy in its mid-term strategic plan "LEAD THE WAY" announced in February 2021.

As a result, the Group recorded net sales of 21,352 million yen (up 11.9% year on year), operating profit of 850 million yen (down 11.2% year on year), and ordinary profit of 862 million yen (down 10.5% year on year) during the first six months under review (January 1, 2022 to June 30, 2022). In addition, the Group posted extraordinary income of 810 million yen (compared to 19 million yen in the same period of the previous year) including a gain on the forgiveness of debt recorded by the U.S.-based subsidiary (For details, please see Notice Regarding Posting of Extraordinary Income (gain on forgiveness of debt recorded by the U.S.-based subsidiary) published on February 15, 2022). Consequently, profit attributable to owners of parent stood at 1,398 million yen (up 121.3% year on year).

From the beginning of the first quarter of the fiscal year under review, the Revenue Recognition Accounting Standard (ASBJ Statement No. 29.), etc. began to be adopted. For details, please see 2. Quarterly Consolidated Financial Statements (4) Notes to the Consolidated Financial Statements (Changes in accounting policies).

The results in each main segment are as follows.

Domestic segment

During the first six months under review, the domestic segment recorded net sales of 13,009 million yen (down 4.3% year on year). This reflected the effect of the application of the Revenue Recognition Accounting Standard starting from the beginning of the fiscal year under review. The segment was adversely affected by snowfall in February and COVID-19 infections, but recovered from April. Segment income decreased 23.9% year on year, to 748 million yen, chiefly reflecting the strengthening of marketing measures for future growth from June in the previous year and the implementation of the measures as planned in the fiscal year under review.

Overseas segment

During the first six months under review, the overseas segment posted net sales of 8,343 million yen (up 52.0% year on year), reflecting successful efforts to tap into strong golf-related demand, including the active opening of corporate centers from the previous fiscal year. Segment income came to 102 million yen (compared to a segment loss of 24 million yen in the same period of the previous year), reflecting expenses exceeding revenue at new corporate centers.

(2) Overview of Financial Position

i. Assets, Liabilities and Net Assets

Looking at the financial position at the end of the second quarter of the fiscal year under review, total assets stood at 24,459 million yen, up 2,608 million yen from the end of the previous fiscal year. Liabilities totaled 15,392 million yen at the end of the second quarter, increasing 952 million yen from the end of the previous fiscal year. Total net assets as of the same date increased 1,656 million yen from the end of the previous fiscal year, to 9,067 million yen.

In terms of the balances of accounts for main items, merchandise, property, plant and equipment, and accounts payable - trade increased by 912 million yen, 1,378 million yen and 794 million yen, respectively, while short-term borrowings decreased 260 million yen. Retained earnings increased by 1,290 million yen.

ii. Cash flows

Cash and cash equivalents (hereinafter “cash”) as of June 30, 2022 grew 585 million yen from the same date of the previous fiscal year, to 2,318 million yen.

Cash flow conditions in the first six months under review and the main associated factors are as follows.

(Cash Flows from Operating Activities)

Cash flows from operating activities during the first six months under review resulted in cash inflow of 1,020 million yen (cash inflow of 2,611 million yen in the same period of the previous year). This was mainly due to income before income taxes of 1,634 million yen and depreciation of 887 million yen, in excess of cash outflow mainly consisting of an increase in inventories of 872 million yen.

(Cash Flows from Investing Activities)

Cash flows from investing activities during the first six months under review resulted in a cash outflow of 1,922 million yen (cash outflow of 2,181 million yen in the same period of the previous year). This was primarily due to purchase of property, plant and equipment of 1,300 million yen and payments for contingent consideration for acquisition of business of 245 million yen.

(Cash Flows from Financing Activities)

Cash flows from financing activities during the first six months under review resulted in cash inflow of 217 million yen (cash outflow of 348 million yen in the same period of the previous year). This was mainly due to a net increase in short-term borrowings of 403 million yen, which exceeded dividends paid of 100 million yen.

(3) Overview of Consolidated Earning Forecast

Consolidated results forecasts for the fiscal year ending December 31, 2022 remain unchanged from the consolidated results forecasts revised on February 15, 2022.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of December 31,2021	As of June 30,2022
Assets		
Current assets		
Cash and deposits	2,904,770	2,318,823
Accounts receivable - trade	2,689,067	3,086,651
Merchandise	3,219,906	4,132,607
Work in process	601	745
Supplies	72,934	177,565
Other	1,671,120	1,601,510
Allowance for doubtful accounts	(15,871)	(16,281)
Total current assets	10,542,529	11,301,622
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,378,001	5,738,513
Tools, furniture and fixtures	2,033,243	2,668,077
Other	179,392	351,674
Accumulated depreciation	(2,775,756)	(3,565,253)
Total property, plant and equipment	3,814,880	5,193,012
Intangible assets		
Goodwill	4,059,538	4,507,674
Other	2,431,668	2,548,770
Total intangible assets	6,491,206	7,056,445
Investments and other assets		
Other	1,009,821	915,804
Allowance for doubtful accounts	(6,925)	(6,925)
Total investments and other assets	1,002,895	908,878
Total non-current assets	11,308,982	13,158,336
Total assets	21,851,512	24,459,958
Liabilities		
Current liabilities		
Accounts payable - trade	2,244,851	3,039,253
Short-term borrowings	2,025,715	1,765,680
Income taxes payable	258,382	236,366
Deferred revenue	4,751,412	-
Contract liabilities	-	5,216,384
Provision for bonuses	140,000	6,000
Provision for point card certificates	322,183	21,283
Provision for shareholder benefit program	29,782	26,690
Provision for loss on litigation	69,012	-
Other	3,780,084	3,864,882
Total current liabilities	13,621,424	14,176,541
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	109,002	115,008
Provision for share awards for directors (and other officers)	-	4,372
Asset retirement obligations	286,779	293,136
Other	422,934	803,237
Total non-current liabilities	818,715	1,215,753
Total liabilities	14,440,140	15,392,294

(Thousand yen)

	As of December 31,2021	As of June 30,2022
Net assets		
Shareholders' equity		
Share capital	1,458,953	1,458,953
Capital surplus	2,447,104	2,447,104
Retained earnings	3,466,545	4,756,898
Treasury shares	(422)	(80,250)
Total shareholders' equity	7,372,180	8,582,706
Accumulated other comprehensive income		
Foreign currency translation adjustment	31,654	470,449
Total accumulated other comprehensive income	31,654	470,449
Share acquisition rights	7,536	14,507
Total net assets	7,411,371	9,067,664
Total liabilities and net assets	21,851,512	24,459,958

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Thousand yen)

	For the six months ended June 30,2021	For the six months ended June 30,2022
Net sales	19,090,035	21,352,914
Cost of sales	11,069,081	13,711,159
Gross profit	8,020,953	7,641,755
Selling, general and administrative expenses	7,062,135	6,790,778
Operating profit	958,818	850,976
Non-operating income		
Interest income	28	34
Rental income from real estate	7,384	6,702
Subsidy income	-	8,551
Other	5,023	3,104
Total non-operating income	12,436	18,393
Non-operating expenses		
Interest expenses	7,017	5,347
Foreign exchange losses	-	1,880
Other	1,005	67
Total non-operating expenses	8,023	7,295
Ordinary profit	963,231	862,074
Extraordinary income		
Gain on sale of non-current assets	-	340
Gain on differences between the asset retirement obligation balance and the actual retirement costs	19,114	110
Gain on forgiveness of debts	-	809,786
Other	-	322
Total extraordinary income	19,114	810,559
Extraordinary losses		
Loss on retirement of non-current assets	26,754	35,808
Other	-	1,959
Total extraordinary losses	26,754	37,767
Profit before income taxes	955,590	1,634,866
Income taxes - current	279,876	203,537
Income taxes - deferred	43,489	32,483
Total income taxes	323,365	236,021
Profit	632,225	1,398,845
Profit attributable to owners of parent	632,225	1,398,845

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Thousand yen)

	For the six months ended June 30,2021	For the six months ended June 30,2022
Profit	632,225	1,398,845
Other comprehensive income		
Foreign currency translation adjustment	115,653	438,795
Total other comprehensive income	115,653	438,795
Comprehensive income	747,878	1,837,640
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	747,878	1,837,640

Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended June 30,2021	For the six months ended June 30,2022
Cash flows from operating activities		
Profit before income taxes	955,590	1,634,866
Depreciation	639,133	887,798
Amortization of goodwill	186,276	285,295
Increase (decrease) in allowance for doubtful accounts	4,190	(1,287)
Increase (decrease) in provision for bonuses	(69,072)	(134,000)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	7,530	6,006
Increase (decrease) in provision for point card certificates	28,122	(730)
Increase (decrease) in provision for shareholder benefit program	(9,460)	(3,092)
Increase (decrease) in provision for loss on litigation	-	(73,884)
Increase (decrease) in provision for share awards for directors (and other officers)	-	4,372
Interest and dividend income	(28)	(34)
Interest expenses	7,017	5,347
Gain on forgiveness of debt	-	(809,786)
Loss on retirement of non-current assets	26,754	35,808
Decrease (increase) in trade receivables	(48,447)	(314,181)
Decrease (increase) in inventories	(71,271)	(872,374)
Increase (decrease) in trade payables	449,409	662,217
Increase (decrease) in deferred revenue	609,457	-
Increase (decrease) in contract liabilities	-	(561,026)
Decrease (increase) in other assets	(148,747)	228,183
Increase (decrease) in other liabilities	525,512	128,264
Other, net	(30,768)	142,255
Subtotal	3,061,199	1,250,017
Interest and dividends received	419	34
Interest paid	(4,443)	(3,996)
Income taxes paid	(446,116)	(225,212)
Net cash provided by (used in) operating activities	2,611,059	1,020,842
Cash flows from investing activities		
Purchase of property, plant and equipment	(607,205)	(1,300,049)
Purchase of intangible assets	(377,756)	(433,190)
Payments for acquisition of businesses	(1,196,965)	-
Payment for settlement of conditional acquisition consideration	-	(245,081)
Payments of leasehold deposits	(11,832)	(30,754)
Proceeds from refund of leasehold deposits	13,835	100,091
Other, net	(1,313)	(13,032)
Net cash provided by (used in) investing activities	(2,181,236)	(1,922,018)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	85,708	403,899
Repayments of long-term borrowings	(333,400)	-
Repayments of lease obligations	(503)	(389)
Purchase of treasury shares	(56)	(79,827)
Dividends paid	(100,399)	(100,335)
Dividends paid to non-controlling interests	-	(6,196)
Net cash provided by (used in) financing activities	(348,651)	217,149
Effect of exchange rate change on cash and cash equivalents	44,061	98,078

(Thousand yen)

	For the six months ended June 30,2021	For the six months ended June 30,2022
Net increase (decrease) in cash and cash equivalents	125,233	(585,947)
Cash and cash equivalents at beginning of period	2,873,076	2,904,770
Cash and cash equivalents at end of period	2,998,309	2,318,823

(4) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

None

(Changes in accounting policies)

(Application of Revenue Recognition Accounting Standard, etc.)

The Group began applying the Revenue Recognition Accounting Standard (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter. Under this standard, the Group recognizes the amount of revenue as that which it expects to be entitled to in exchange for promised goods or services to the customer, and the recognition is made at the time of the transfer of the control of the said goods or services to the customer.

Major changes attributable to the application of the Revenue Recognition Accounting Standard and related measures are as follows.

(1) Sales with return rights

Regarding golf clubs and golf-related goods sold by the Group, the Group repurchases items and accepts returns under certain conditions The Group has changed its previous method of processing repurchases as the purchase of used items when repurchasing and canceling net sales and the cost of sales when receiving returns. Now, the Group will deduct the expected amounts of returns from revenues according to rules on variable consideration, as sales with return rights, and post this amount as refund liabilities, while recognizing assets pertaining to rights to collect products to be returned.

(2) Principal/agent

For transactions in which the role of the Group in the sale of goods or provision of services to customers is that of an agent, the Group has changed its previous method of recognizing the total amount of consideration received from customers as revenue to the method of recognizing revenue at the net amount after deducting the amount paid to third parties from the total consideration.

(3) Revenue recognition related to the Group's point system

In conjunction with the point system operated by the Group, it has changed the past method of posting expenses that it bears in association with the future use of points as provisions. Now, if such points offer important rights to customers, the Group will identify provided points as obligation that it should fulfill, and defer the posting of revenue until goods or various types of services are provided through the use of points.

(4) Consideration to be paid to customers

The Group has changed the previous method of posting expenses pertaining to coupons that customers may use to purchase goods and various types of services that the Group provides. Now, these expenses are treated as consideration to be paid to customers and therefore reduced from net sales.

The Revenue Recognition Accounting Standard is applied according to the provisional measures stipulated in the proviso in Paragraph 84 of the standard. With respect to the application of a new accounting policy, it is applied to the balance of retained surplus at the beginning of the first quarter of the fiscal year under review. This balance of retained surplus is obtained through calculation using the cumulative amount of the impact from retrospective application of the new accounting policy to periods prior to the beginning of the first quarter, either by adding it to or deducting it from the retained surplus.

However, applying the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the Group does not retroactively apply the new accounting policy to the contracts almost all of whose revenue was recognized in compliance with the conventional method before the beginning of the first quarter of the fiscal year under review. In addition, the Group accounts for all contract changes made prior to the beginning of the first quarter of the fiscal year under review by applying the method prescribed in (1) of Paragraph 86 of the Revenue Recognition Accounting Standard based on the contract terms, after reflecting all contract changes, and added or subtracted their cumulative effect to or from retained earnings at the beginning of the first quarter of the fiscal year under review.

As a result, net sales for the six months of the fiscal year under review decreased by 1,126,584 thousand yen, and cost of sales by 634,439 thousand yen. Operating profit, ordinary profit and profit before income taxes declined by 38,123 thousand yen each. In addition, the beginning balance of retained earnings decreased 1,790 thousand yen.

As a result of the application of the Revenue Recognition Accounting Standard, the Group has decided to present part of the advances received and the provision for point card certificates, which was presented in current liabilities on the consolidated balance sheet for the previous fiscal year, by including them in contract liabilities starting from the first quarter of the fiscal year under review. The Group has also decided to present part of the increase (decrease) in advances received and the increase (decrease) in provision for point card certificates, which were presented in cash flows from operating activities on the consolidated statements of cash flow for the first six months of the previous fiscal year, by including them in increase (decrease) in contract liabilities from the first six months of the fiscal year under review.

In accordance with the transitional measures stipulated in paragraph 89-2 of the standard, the reported amounts for the previous fiscal year and for the first six months thereof have not been reclassified to conform with the current classifications.

(Application of Accounting Standard for Fair Value Measurement, etc.)

We started to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard") at the beginning of the first quarter of the fiscal year under review. Accordingly, we have decided to continue to apply the new accounting policies specified in the Fair Value Measurement Accounting Standard and related measures according to the provisional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of the Fair Value Measurement Accounting Standard and others mentioned above have no impact on quarterly consolidated financial statements.

(Additional information)

(Stock compensation plan "Board Benefit Trust (BBT)")

By a resolution adopted at the 23rd Ordinary General Meeting of Shareholders held on March 28, 2022, GDO has introduced a stock compensation for the Directors (excluding Outside Directors) and the Executive Director ("Directors Etc.") of GDO.

1. Outline of the transactions

The Plan is a performance-linked stock compensation plan, under which shares of the Company are acquired through a trust established under the Plan (“the Trust”) using funds provided by the Company and the Company shares and cash equivalent to the market value of the Company shares (hereinafter collectively “Shares of the Company, Etc.”) are provided to the Directors through the Trust according to the Officer Stock Compensation Rules established by the Company. In principle, the Directors, Etc. will be eligible to receive Shares of the Company, Etc. when they retire as Directors, Etc.

2. Treasury shares remaining in the trust

The Company's shares remaining in the trust are recorded at the book value (excluding all incidental expenses) in the section of net assets as treasury stock in the trust. The book value and number of these treasury shares were 79,827 thousand yen and 70,000 shares as of June 30, 2022.

(Segment Information, etc.)

(Segment information)

1. Information on net sales and amount of profit or loss by each reported segment

Previous consolidated cumulative second quarter (From January 1, 2021 to June. 30 2021)

(Thousands of yen)

	Reported segment			Adjustment (Note) 1	Amount booked in the consolidated financial statements (Note) 2
	Domestic	Overseas	Total		
Net sales					
Net sales to external customers	13,599,691	5,490,343	19,090,035	—	19,090,035
Internal sales or transferred amount between segments	—	38,116	38,116	(38,116)	—
Total	13,599,691	5,528,460	19,128,151	(38,116)	19,090,035
Segment profit or loss	983,750	(24,932)	958,818	—	958,818

Note:

1. Adjustments to segment sales are eliminations between segments

2. Segment profit or loss (-) are consistent with operating profit in the consolidated Statements of Income.

Consolidated cumulative second quarter (From January 1, 2022 to June. 30, 2022)

(Thousands of yen)

	Reported segment			Adjustment (Note) 1	Amount booked in the consolidated financial statements (Note) 2
	Domestic	Overseas	Total		
Net sales					
Net sales to external customers	13,009,240	8,343,674	21,352,914	—	21,352,914
Internal sales or transferred amount between segments	—	18,907	18,907	(18,907)	—
Total	13,009,240	8,362,581	21,371,822	(18,907)	21,352,914
Segment profit or loss	748,820	102,155	850,976	—	850,976

Note:

1. Adjustments to segment sales are eliminations between segments

2. Segment profit is consistent with operating profit in the consolidated statements of income.

2. Matters Concerning Changes in Reportable Segment and Others

As stated in (Changes in accounting policies), the Company began applying the Revenue Recognition Accounting Standard, etc., and changed the method of accounting in connection with revenue recognition from the first quarter of the fiscal year under review. Accordingly, the Company changed the method of calculating profits and losses for its business segments.

As a result of said change, the sales of the Domestic segment for the consolidated cumulative second quarter decreased by 1,126,584 thousand yen and segment income decreased by 38,123 thousand yen compared with the previous method.

(Significant Subsequent Events)

(Asset Purchase by Consolidated Subsidiary)

The Company resolved at its Board of Directors meeting on August 10, 2022 that GOLFTEC ST LLC* will enter into an asset purchase agreement with SkyTrak LLC (headquartered in North Carolina, USA), SportTrak LLC (also headquartered in North Carolina, USA) and SkyHawke Technologies, LLC (headquartered in Mississippi, USA) (collectively, the three companies, the "SkyTrak Group").

Note: GOLFTEC ST LLC is a company newly incorporated by US GOLFTEC for the purpose of making the asset purchase.

1. Outline of asset purchase

(1) Reasons for the asset purchase

The Company has decided that acquiring the “SkyTrak” related assets from the SkyTrak Group will greatly contribute to additional market share growth and profit growth of the the Company via US GOLFTEC in the US.

(2) Name and business of the counterparty companies

Name	SkyTrak LLC SportTrak LLC SkyHawke Technologies, LLC
Business activities	The SkyTrak Group designs, develops, and distributes “SkyTrak,” launch monitors, which holds the No. 1 market share for commercial grade launch monitors.. Enabling high-precision launch data at an affordable price, “SkyTrak” provides golfers of all skill levels accurate, real-time feedback making it a complete practice, play and entertainment system. A great solution for consumers, teachers, club fitters and PGA Professionals, SkyTrak delivers quality ball flight simulations that reflect a golfer’s actual performance. With over 45,000 members using “SkyTrak,” the SkyTrak Group has a firmly established revenue model based on member subscription.

(3) Date of business combination

August 31, 2022

(4) Legal form of business combination

Acquisition of business for cash consideration

(5) Breakdown by type of acquisition cost and consideration for business acquisition

Acquisition price	Cash	about 65 million USD (8.77 billion yen)
Acquisition cost		about 65 million USD (8.77 billion yen)

(6) Details and amounts of major acquisition-related expenses

Advisory fees and other fees about 170 million yen

(7) Amount of goodwill arising from the business transfer, reason for goodwill, amortization method and period

The calculation is underway at present.

(8) Amount of assets acquired through the business combination and its major breakdown

The calculation is underway at present.

(Borrowing of significant funds)

The Company resolved at a meeting of its Board of Directors held on August 10, 2022 to raise funds through a syndicated loan as follows for the purpose of procuring funds necessary to pay for the acquisition of assets and related costs and to maintain and improve the future growth and capital efficiency of the Company and its group.

(1) Amount of borrowings (tentative)	About 156 hundred million yen (inclusive of 32 million USD in USD-denominated borrowings) (See Note 2)
(2) Agreement execution date (tentative)	August 24, 2022
(3) Initial loan drawdown date (tentative)	August 29, 2022
(4) Repayment date (tentative)	Last day of July 2027
(5) Borrowing interest	Standard interest plus spread
(6) Repayment method	Balloon repayment
(7) Security	Unsecured and unguaranteed
(8) Arranger and agent	Mizuho Bank, Ltd.
(9) Co-arranger	Sumitomo Mitsui Banking Corporation

Note 1: Converted at an exchange rate of 1 USD = 135 yen.

Note 2: Part of the borrowed funds are scheduled to be borrowed through a term loan with a commitment period.