August 10, 2015

Securities Code: 2131

# Accordia Golf Co., Ltd.
# Supplementary Materials on FY 3/2016 First Quarter

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# 1. FY 3/2016 First Quarter Results

# FY 3/2016 First Quarter Overview

**1. First Quarter Results (entries based on YoY)**

- Golf course bookings continued to be strong. The number of rounds played at all operating golf courses totaled 2,320,000, up 90,000 from the same period last year, due to mild weather in all areas except Kyushu and parts of western Japan and the Company's strong earnings base, with its convenient golf course locations and the provision of individual play.
- **Operating Revenues**
  The 44 owned golf courses saw an increase in revenue due to the increased number of rounds played. Existing driving ranges maintained strong revenue. Due to the negative impact on revenue of the Asset-light Strategy, which was implemented across 90 golf courses in July 2014 (hereinafter referred to as "the impact of the Asset-light Strategy"), consolidated revenue declined 12,545 million yen, to 13,318 million yen.
- **Operating Profit**
  While some COGS items for owned golf courses remained outstanding due to a change in the fiscal term, COGS decreased due to the Asset-light Strategy, causing the ratio of COGS to operating revenues to fall 4.6% year on year. Within SG&A expenses, remuneration decreased year on year. Although the Company posted consigned management revenues, which have a high gross profit margin, profit decreased 1,898 million yen, to 2,603 million yen (operating margin: 19.5%), due to the impact of the Asset-light Strategy.
- **Recurring Profit**
  Both non-operating revenues and non-operating expenses remained at similar levels as the same period last year.
- **Net Income**
  The Company posted a 350 million yen gain on the transfer of the rights of its solar power generation business as extraordinary income. Part of the plan for the transfer of the rights to the solar power generation business, scheduled for the April 2015 closing, was delayed until July, leading to a shortfall of around 200 million yen compared to the quarterly budget (the closing has already been made, and the gain will be posted in the second quarter).
- **Status of Balance Sheets**
  Net assets were 46,261 million yen (the shareholders' equity ratio was 28.8%).

**2. Results Forecasts for the First Half and Full Year**

- Given the state of golf course bookings in August and September, business is progressing as planned relative to the plans for the second quarter and the full fiscal year.

# FY 3/2016 First Quarter Performance Summary

(Yen millions)

| | FY 3/2015 1Q | FY 3/2016 1Q (Result) | (Plan) | (YoY) | (% of FY forecast achieved) |
|---|---|---|---|---|---|
| Operating Revenues | 25,863 | 13,318 | 12,900 | - 48.5% | 27.9% |
| EBITDA | 6,551 | 3,635 | 3,500 | - 44.5% | 31.6% |
| Operating Profit | 4,501 | 2,603 | 2,300 | - 42.2% | 35.2% |
| Recurring Profit | 4,142 | 2,801 | 2,500 | - 32.4% | 40.6% |
| Extraordinary Income | 104 | 383 | - | + 268.3% | - |
| Extraordinary Losses | 9 | 52 | - | + 477.8% | - |
| Net Income before Tax Adjustments | 4,237 | 3,133 | - | - 26.1% | - |
| Net income | 2,848 | 1,641 | 2,000 | - 42.4% | 40.0% |
| EBITDA Margin | 25.3% | 27.3% | 27.1% | + 2.0 pt | - |
| Operated (Contracted) Golf Courses | 136 (3) | 138 (94) | - | - | - |
| Operated (Contracted) Driving Ranges | 26 (5) | 25 (5) | - | - | - |
| Number of Rounds Played(10,000 rounds) | 223 | 232 | 227 | +9 | - |

# Recent Business Conditions

**1. Business conditions of the first quarter (Apr. – Jun. 2015)**

In April, while there were some missed opportunities due to unfavorable weather around the country at the start of the month, the number of rounds played increased in the latter half of the month.

In May, all areas except Kyushu and parts of western Japan enjoyed mild weather, and efforts were made to attract visitors on weekdays as well as during Golden Week.

In June, bookings were strong, and business was strong in all areas except Kyushu and parts of western Japan, especially in the Kanto area, which is a strong income base.

**2. Business conditions at all golf courses**

| | Operated golf courses (135 courses) | | Held golf courses (44 courses) | | |
|---|---|---|---|---|---|
| | # of rounds played (YoY) | Expected # of rounds played as of end of previous month (YoY) | # of rounds played (YoY) | Expected # of rounds played as of end of previous month (YoY) | Operating Revenue (YoY) |
| April 2015 | + 0.6% | + 10.9% | + 4.4% | + 20.9% | + 6.6% |
| May | + 5.1% | + 3.8% | + 8.2% | + 7.6% | + 9.2% |
| June | + 6.7% | + 4.9% | + 11.3% | + 9.9% | + 9.7% |
| July (Est.) | - 2.0% (As of August 1) | + 5.5% | + 1.9% (As of August 1) | + 9.8% | + 1.3% (As of August 1) |
| August (Est.) | - | + 7.3% (As of August 4) | - | + 12.3% (As of August 4) | - |

# Breakdown of Operating Revenues

(Yen millions)

| | FY 3/2015 1Q | FY 3/2016 1Q | (YoY) |
|---|---|---|---|
| Operating Revenues | 25,863 | 13,318 | - 48.5% |
| Golf Course Operations | 17,194 | 8,034 | - 53.3% |
| Restaurants | 5,625 | 2,383 | - 57.6% |
| Golf Equipment Sales | 1,175 | 1,270 | + 8.1% |
| Other | 1,868 | 1,630 | - 12.7% |
| **(Breakdown of Golf Course Operations)** | | | |
| Golf Course Revenues | 15,098 | 5,502 | - 63.6% |
| Consigned Management Revenues | 10 | 1,619 | + 16,090.0% |
| Membership Revenues | 2,086 | 912 | - 56.3% |
| **(Breakdown of Membership Revenues)** | | | |
| Annual Membership Dues | 1,562 | 475 | - 69.6% |
| Registration Fees | 129 | 48 | - 62.8% |
| Initial Membership Fees | 395 | 388 | - 1.8% |
| **(Breakdown of Others)** | | | |
| Driving Ranges | 1,272 | 1,298 | + 2.0% |
| Other | 596 | 332 | - 44.3% |

## Factors for Change

**<Impact of the Asset-light Strategy >**

● Impact from the 90 courses owned by AGT (Golf Course Revenues of 10,274 million yen, Membership Revenues 1,218 million yen, Restaurants 3,614 million yen ）

● Consigned management revenues of 1,609 million yen

**<Golf Course Operations>**

● Impact from the sale of a golf course (36H) in the previous fiscal year (revenues of 339 million yen)

● Number of rounds played at operated golf courses: 2.32 million (up 4.0% year on year)

● Revenue per customer: 9,610 yen (Unchanged year on year)

**<Golf Equipment Sales>**

● While expensive products such as golf clubs were sluggish, consumables were strong due to an increase in the number of rounds played.

**<Membership Revenues>**

● Initial membership fees (golf membership sales and supplementary enrolment) for recently acquired golf courses were stronger than expected.

**<Driving Ranges>**

● With strong demand for rounds of golf, the advantages of existing facilities in terms of practice environment and location helped to attract customers and increase revenue.

# Breakdown of Operating Expenses

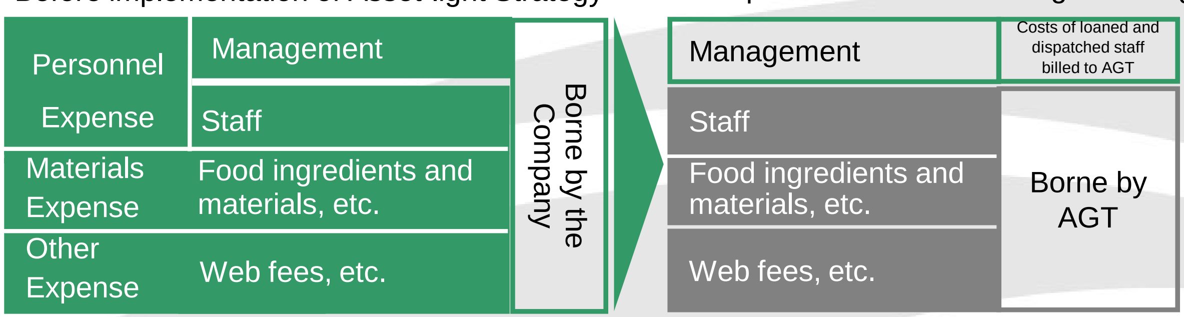
(Yen millions)

| | FY 3/2015 1Q | FY 3/2016 1Q | (YoY) |
|---|---|---|---|
| Operating Expenses | 21,362 | 10,715 | - 49.8% |
| COGS | 20,148 | 9,761 | - 51.6% |
| Personnel Expense | 6,995 | 3,364 | - 51.9% |
| Materials Expense | 3,239 | 1,934 | - 40.3% |
| Other Expense | 9,914 | 4,461 | - 55.0% |
| SG&A Expenses | 1,214 | 953 | - 21.5% |
| Personnel Expense | 313 | 413 | + 31.9% |
| Other Expense | 901 | 540 | - 40.1% |

## Effect of Asset-light Strategy (90 courses owned by AGT)

Before implementation of Asset-light Strategy

After implementation of Asset-light Strategy




## Factors for Change

**<COGS>**

COGS for all golf courses declined significantly due to the impact of the Asset-light Strategy. The factors for change regarding owned golf courses were as follows.

●**Personnel Expense**

The number was within the range of the standard personnel expenses set for each golf course based on operating revenues. The effect of managing personnel expenses as variable expenses is becoming apparent.

●**Materials Expense**

Increased food sales at restaurants due to increased visitors and a rise in food material costs had an impact.

●**Other Expense**

Utilities expenses (mainly fuel oil A) and vehicle expenses (gasoline) declined. Web fees of customers remained at last year's level thanks to enhancements to the Company's own booking website.

**<SG&A Expenses>**

●**Personnel Expense**

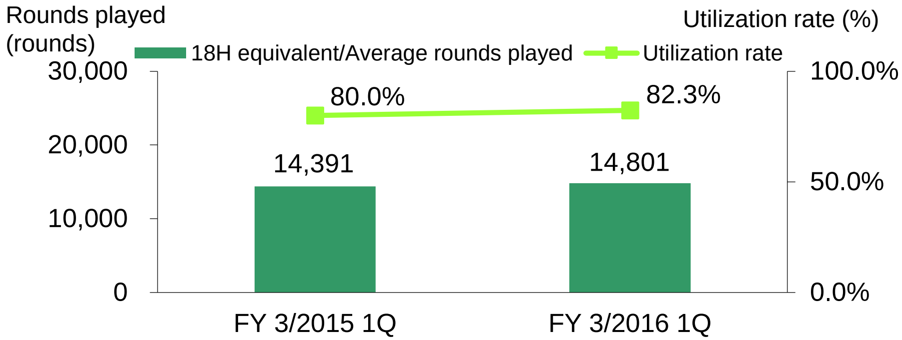
The personnel expense of golf course managers from the head office, who are in charge of operating and managing AGT's golf courses, were changed from COGS to be included in SG&A expenses.

●**Other Expense**

A large reduction in expenses due to the implementation of the Asset-light Strategy.

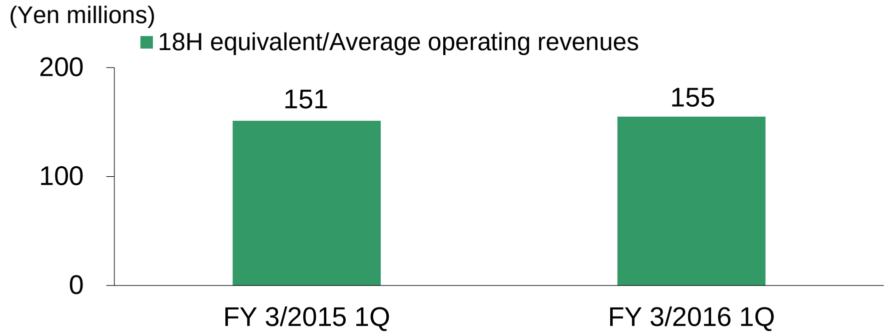
# Earnings at the 135 Operated Golf Courses

## Rounds Played / Utilization Rate



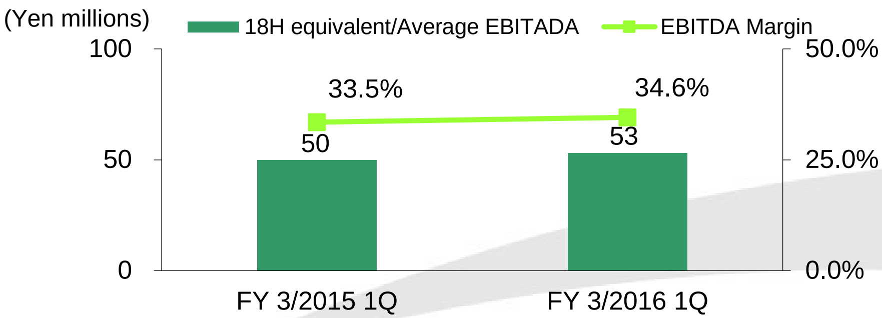

(Note) Utilization Rate = Rounds per 18 holes/business days x 200 (visitors)

## Operating Revenues

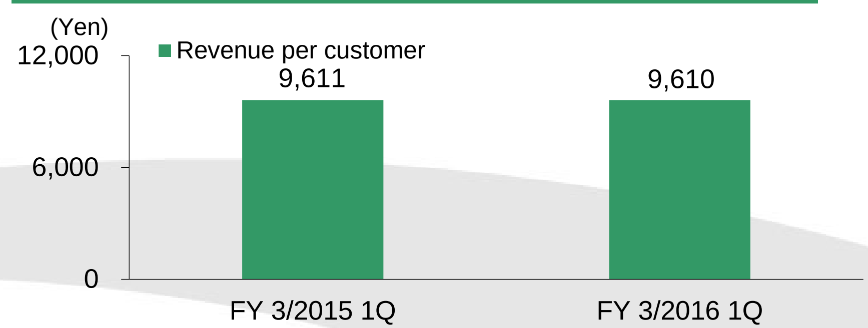



(Note) Calculated revenues from golf course operation + Restaurant sales + Saleof golf equipment based on 18 holes

## EBITDA (Before allocation of headquarter overhead)



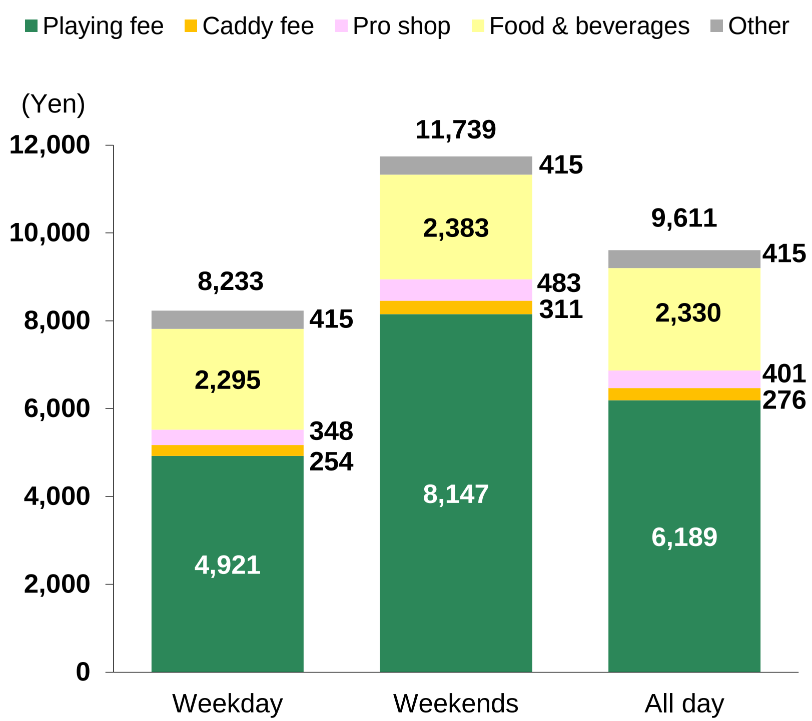

## Revenue per Customer

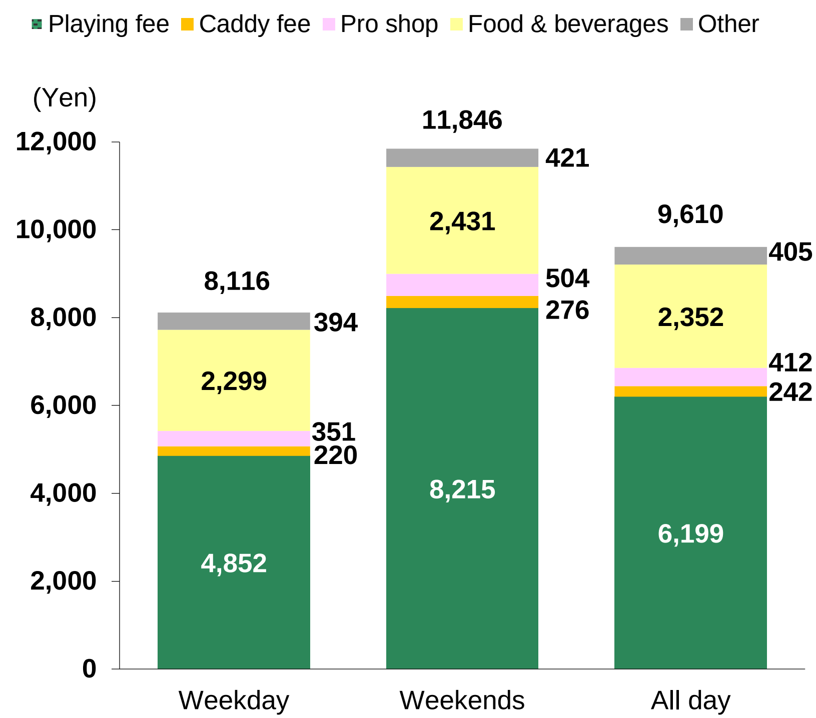



(Note) Revenue per customer = Golf course revenues+ Restaurant sales (excluding sales outside the Group) + Sales of golf equipment / Rounds played

(Note) 135 golf courses that are held or in relation to which operating consignment agreements (including Golf Course Management Agreements) have been concluded (including closed golf courses)

# Breakdown of Revenue per Customer at the 135 Operated Golf Courses




- While seeking to balance pricing and utilization, for weekdays we implemented utilization-oriented measures to attract customers, such as acquiring early reservations.
- A slight decrease is expected for weekdays, as there is scope to increase demand on weekdays.
  Meanwhile, for weekends, which enjoy a high utilization rate, a detailed pricing system that meets a variety of needs led to a rise in playing fees.
- Play without caddies: 93.5% (an increase of 1.0 percentage points year on year)
- While pro shops saw a decline in sales of expensive products, food & beverage sales increased due to competition-related demand.
- Revenue per customer (all day) is estimated at 9,668 yen for 135 golf courses in the first quarter.

(Note) Revenue by customer is calculated from revenue from different fee structures in accordance with customers' attributes, playing styles, tee times, and whether it is a busy day or a slack day.
The above figures are calculated by dividing the sum of course revenues, sales at restaurants and sales of golf equipment by the number of rounds played at subject golf courses.

# Status of Balance Sheets

(Yen millions)

| | FY 3/2015 | FY 3/2016 1Q | (YoY) | Factors for Change |
|---|---|---|---|---|
| Current Assets | 17,177 | 21,500 | +4,323 | Increase in cash and deposits |
| Non-current Assets | 140,597 | 139,338 | -1,259 | |
| Property, Plant and Equipment | 96,287 | 96,710 | +423 | Capital investment in existing facilities |
| (of which, Golf Courses) | 42,716 | 42,731 | +15 | |
| (of which, Land) | 28,534 | 28,518 | -16 | |
| Intangible Assets | 11,638 | 11,238 | -400 | |
| (of which, Consolidation Goodwill) | 8,930 | 8,617 | -313 | Amortization of Goodwill |
| Investments and Other Assets | 32,672 | 31,389 | -1,283 | Owning 28.9% of AGT units |
| Total Assets | 157,775 | 160,839 | +3,064 | |
| Current Liabilities | 30,765 | 37,008 | +6,243 | |
| Short-term Loans Payable | 500 | 5,040 | +4,540 | Utilization of short-term loan facilities |
| Current Portion of Long-term Loans Payable | 12,410 | 14,410 | +2,000 | Amount scheduled for repayment this fiscal year |
| Non-current Liabilities | 79,847 | 77,569 | -2,278 | |
| Long-term Loans Payable | 53,132 | 50,920 | -2,212 | |
| (of which, Deposits for Admission) | 9,522 | 9,434 | -88 | |
| Total Liabilities | 110,612 | 114,578 | +3,966 | |
| Net Assets (Shareholders' Equity) | 47,162 | 46,261 | -901 | |
| Total Liabilities and Net Assets | 157,775 | 160,839 | +3064 | |

# Status of Liabilities

(Yen millions)

| | FY 3/2015 | FY 3/2016 1Q | Change | Summary |
|---|---|---|---|---|
| Short-Term Borrowings | 500 | 5,040 | +4,540 | |
| Short-Term Portion of Long-Term Borrowings | 12,410 | 14,410 | +2,000 | The 8,000 million yen allocated for withholding tax payments was repaid in July 2014 using refunds |
| CP | 4,998 | 4,997 | -1 | Adjustment of cash position |
| Long-Term Borrowings | 53,132 | 50,920 | -2,212 | 20,000 million yen of loans with acquisition rights |
| Lease Obligations | 8,755 | 8,622 | -133 | Sale and leaseback of driving range facilities |
| Interest Bearing Debt | 79,795 | 83,989 | +4,194 | D/E ratio is 1.8 (net interest-bearing debt/net assets) |
| Net Interest-Bearing Debt | 67,555 | 68,491 | +936 | Interest-bearing debt less cash and deposits and lease obligations |
| Membership Deposits | 9,522 | 9,434 | -88 | |

- Extended 80% of net interest-bearing debt to long-term liability as a result of refinancing in FY3/2015 in the interests of stability and spreading out repayments.
- Planning to procure funds using corporate bonds to diversify fund procurement and improve financial position.
- Loan with stock acquisition rights  Exercise price:1,361 yen per share,  Number of rights issued: 141,843, Exercise period: From August 1, 2014 to November 30, 2017

**Major financial covenants [Syndicate loan in 2014]**

Subject: Syndicated loan due August 2019 and others

- Shareholders' equity ratio: 20% or higher
- Leverage ratio: 6.0 times (rating of BBB)
- Maintain a rating of BBB- or higher for long-term preferred liabilities

Rating
Long-term preferred liabilities: BBB (JCR)
Forecast (negative)
Commercial paper: J-2 (JCR)

Short-term loan facilities: Total 7,700 million yen
(As of June 30, 2015)

# Status of Cash Flows

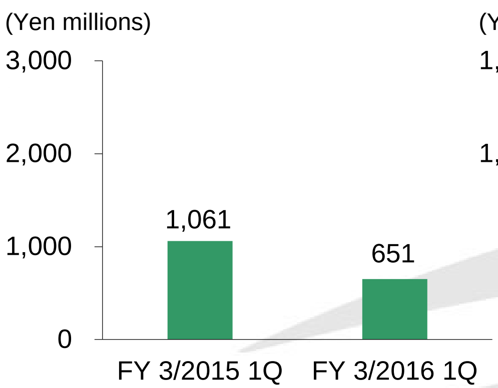
(Yen millions)

| | FY 3/2015 1Q | FY 3/2016 1Q | (YoY) |
|---|---|---|---|
| Operating Activities | 1,614 | 328 | - 79.7% |
| Investing Activities | -1,211 | 1,174 | + 196.9% |
| Financing Activities | 1,732 | 1,888 | + 9.0% |
| Change | 2,135 | 3,391 | + 58.8% |
| Beginning Balance | 4,594 | 3,485 | - 24.1% |
| New Consolidated Subsidiaries | - | - | - |
| End Balance | 6,730 | 6,876 | + 2.2% |

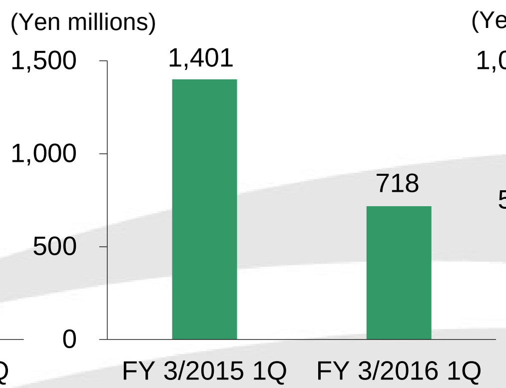
## Factors for Change

- Cash flows from operating activities were affected by the implementation of the Asset-light Strategy.
- Dividends of 1,634 million yen from AGT were added to cash flows from investing activities. A decrease in assets due to the implementation of the Asset-light Strategy led to reduced capital investment.
- Regarding cash flows from financing activities, the end-of-term dividend payment will be covered by short-term loans as well as annual cash flows from operating activities.

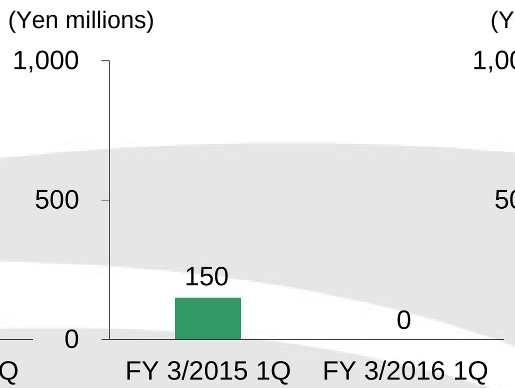
## Capital Expenditures



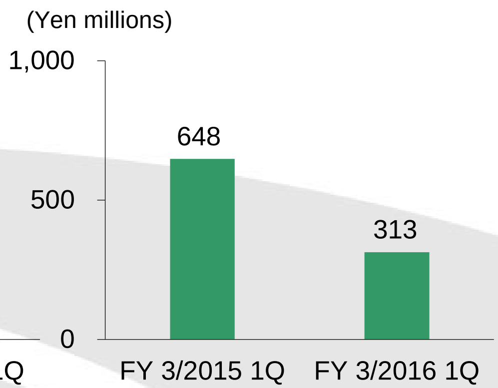

## Depreciation Expenses




## Acquisition Costs (Note)




## Amortization of Goodwill




(Note) Calculated the sum of purchase of shares of subsidiaries, payments of long-term loans receivable, interim sponsor investments and sponsor contributions from cash flows from investing activities.

# Acquisition and Sale of Golf Courses

## 1. Acquisition

Golf course acquisitions and sales did not take place in the first quarter of FY3/2016

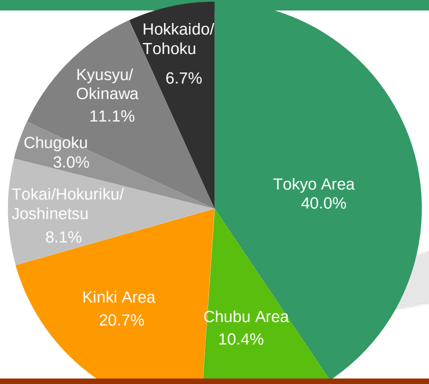
## 2. Agreement

| Name | Date / Scheme | Location / Number of Holes | Operating Revenues (Results in the previous year) |
|---|---|---|---|
| Skyway Country Club | March 2015 Sponsor agreement | Narita District, Chiba 18 | 430 million yen |

### Acquisition policy going forward

- The number of deals brought into the Company tended to increase from the previous year. We will promote the finding of deals in the three major metropolitan areas and aim at the increase of our share in operated golf courses.
- Proactive investment in first-rate properties (at least 15 golf courses in three fiscal years), expanding scope of projects considered to include overseas projects in North America, etc.
- To continue selling golf courses with low earnings located in regions outside metropolitan areas and create a portfolio of operated golf courses that can survive into the future.

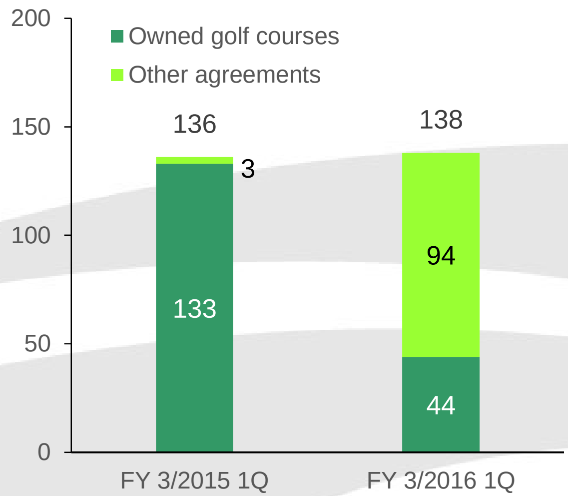
### Location of Golf Course Development




Ratio of three major metropolitan areas: 71.1%

(Notes) 1.135 Operated Golf Courses as of June 30, 2015
2.Chubu Area consists of Aichi, Gifu and Mie prefectures

### Golf courses




- Change in administration and legal liquidation
  In the period from January to June 2015
  Change in administration:
  30 courses (18 courses in the same period of the previous year)
  Legal liquidation:
  5 courses (3 courses in the same period of the previous year)
- Golf course ownership (number of courses as of June 30, 2015)
  The Company 134, PGM 126, ORIX 40, Seibu 28, Ichikawa Golf 27, Tokyu 26, Cherry Golf 23, Unimat 16, Taiheiyo Club 17, Chateraise 15, Akechi GC & Boso CC 10, Resorttrust 13, Tokyo Tatemono 12

Source: In-house calculations based on Golf *Tokushin* data published by IKKI

# Driving Range Performance Summary

(Yen millions)

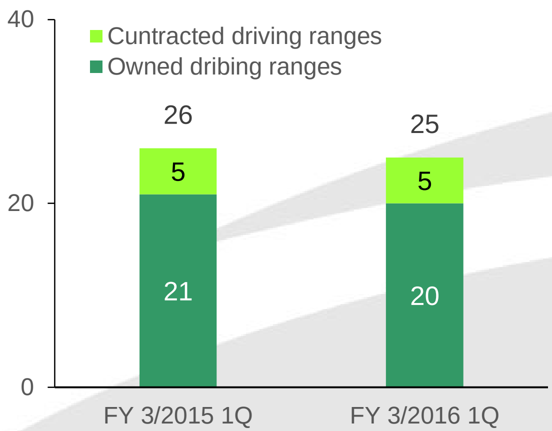
| | FY 3/2015 1Q | FY 3/2016 1Q | (YoY) |
|---|---|---|---|
| Operating Revenue | 1,433 | 1,487 | + 3.8% |
| EBITDA | 501 | 577 | + 15.2% |
| EBITDA Margin | 35.0% | 38.8% | + 3.9pt |
| Rounds Played (10 thousand rounds) | 94 | 96 | + 2.1% |
| Number of Participants in Schools (thousand people) | 59 | 63 | + 6.8% |
| Tee Turnover | 5.2 | 5.5 | - |
| Number of driving ranges | 26 | 25 | - |

- Profitability improved mainly due to an increase in sales especially at existing facilities in urban areas.
- Sought to accumulate expertise in affiliation with golf courses and to shares success stories.
- Actively conducted sales proposing consigned management and lease agreements for other owners' properties.

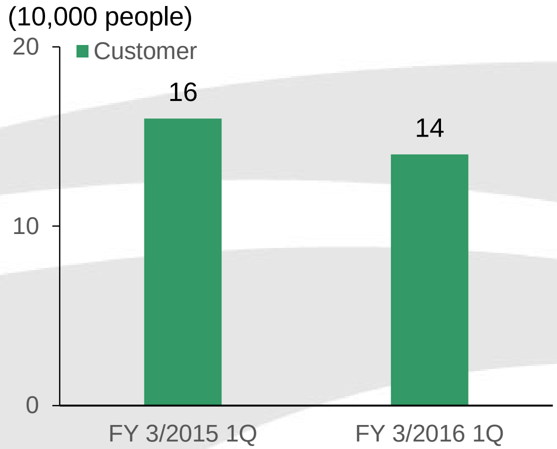
- Characteristics of deals for acquisition or development
  -Odakyu Shizu Golf Club (to be acquired in July 2015; Sakura, Chiba Prefecture; 100 bays)
- Affiliation
  Number of affiliated driving ranges: 671
  6.0% of visitors to operated golf courses were referred from owned or affiliated driving ranges.

- Golf range operating environment
  Number of domestic driving ranges: 3,361 (2014)
  Total number of users: 90.82 million (2014)

## Driving Ranges




## Customer Transportation to Golf Courses



# Trends in Average Revenue per Customer (Operated Golf Courses)

(Yen)

| FY 3/2012 | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue per Customer | 9,490 | 9,761 | 9,568 | 9,563 | 8,890 | 9,390 | 9,983 | 10,193 | 10,236 | 9,711 | 9,359 | 9,750 | 9,666 |
| Number of Golf Courses | 133 | 135 | 135 | 136 | 135 | 135 | 135 | 135 | 133 | 134 | 134 | 134 | - |
| **FY 3/2013** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** | **Jan** | **Feb** | **Mar** | **Average** |
| Revenue per Customer | 9,870 | 9,683 | 9,588 | 9,336 | 8,873 | 9,336 | 9,797 | 10,252 | 10,415 | 9,651 | 9,221 | 9,718 | 9,651 |
| Number of Golf Courses | 133 | 132 | 132 | 133 | 133 | 134 | 132 | 132 | 133 | 133 | 133 | 134 | - |
| **FY 3/2014** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** | **Jan** | **Feb** | **Mar** | **Average** |
| Revenue per Customer | 9,725 | 9,735 | 9,777 | 9,124 | 8,921 | 9,272 | 9,771 | 10,473 | 10,234 | 9,229 | 8,765 | 9,752 | 9,610 |
| Number of Golf Courses | 134 | 134 | 134 | 134 | 134 | 134 | 134 | 133 | 133 | 133 | 133 | 133 | - |
| **FY 3/2015** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** | **Jan** | **Feb** | **Mar** | **Average** |
| Revenue per Customer | 9,648 | 9,772 | 9,396 | 9,098 | 8,793 | 9,067 | 9,729 | 10,657 | 10,217 | 9,022 | 8,586 | 9,187 | 9,465 |
| Number of Golf Courses | 134 | 134 | 134 | 134 | 134 | 134 | 135 | 135 | 135 | 135 | 135 | 135 | - |
| **FY 3/2016** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** | **Jan** | **Feb** | **Mar** | **Average** |
| Revenue per Customer | 9,674 | 9,859 | 9,280 | | | | | | | | | | - |
| Number of Golf Courses | 135 | 135 | 135 | | | | | | | | | | - |

(Notes)
1. Average revenue per Customer is calculated as revenues minus membership revenues (initial membership fees, registration fees and annual membership dues), divided by the number of rounds played.
2. Number of Golf Courses include owned and managed golf courses. Newly acquired/ sold or managed courses are added/subtracted in the following month after the acquisition/sale or contract (excluding gold courses under corporate reorganization).

# Value Chain in a Circulating Business Model

- Shifting away from ownership of golf courses and specializing in operation business, increasing number of operated golf courses and sustainably expanding share of golf courses visitors.
- We are making preparations to implement, by FY 3/2017, additional asset-light measures that will amount to approximately 40 billion yen in terms of the book value of the golf course assets.

1. Acquisition
2. Revenue improvement
3. Sale
4. Distribution of proceeds and profits
5. Golf Course management
6. Acquisition

**1**
- Search for golf courses mainly in the three large metropolitan areas, while strengthening business connections (enhancement of information exchange with financial entities and brokers).
- A discount rate of approx. 8-10% is assumed, factoring in profitability and scarcity.

**2**
- Implement measures for increasing visitors, leveraging brand strength, and increase overall revenues by raising visitor numbers.
- Implement cost control by introducing a centralized purchasing system and personnel cost rationalization.

**3**
- Sell golf courses chiefly to the Business Trust after earnings are improved.

**4**
- Repayment of interest-bearing debts that occurred for the purchase of the golf courses sold off.
- Enhance returns for shareholders by such means as the buyback of our own shares or the payment of commemorative dividends to maintain shareholder's equity commensurate with asset reduction.
- Allocate part of the proceeds to investments in new golf courses.

**5**
- Additionally concluded Golf Course Management Agreement with affiliated company that holds golf course assets, after sale to BT
- The term of a golf course management agreement is initially 10 years (to be revised every 5 years).

# Changes in the Profitability Structure after Asset-light Measures

ACCORDIA GOLF

## 1. Relationships with the business trust

**Accordia Golf**

- Acquisition of new golf courses
- Management and operation of golf courses
- Improvement in the profitability of our own assets
- Brand management
- Training of staff members
- Operation of points service

(2) ⟷ (1)

(4) ⟷ (3)

**Accordia Golf Trust**

- Owns golf courses
- Seeks to increase the volume of managed assets

**90 golf courses**
(107 courses based on 18 holes per course)

Godo Kaisha (Limited Liability Company)

(1) Hold a 28.9% share in the unit
(2) Earnings from dividends (in FY2016/3 and thereafter)
Approx. 1.5 ~ 1.7 billion yen (full year)

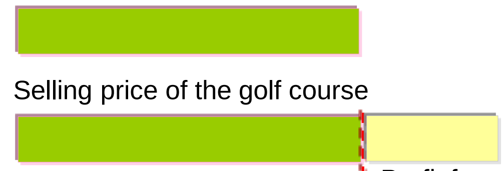
(3) Golf course management agreement
(Approval of trade marks, approval of systems, provisioning of operational expertise, instructions and advice on management, as well as the dispatch or temporary assignment of the management team)
Term of agreement: June 2014 – June 2024
(5 years for the initial agreement; to be renewed every 5 years)
To be renewed every 5 years from July 2024 and thereafter

(4) Income from the consignment of operations
(Payment to corporate: 2.75 million yen per month for 18 holes, base fees: 3% of Operating Revenue, incentive fees: 5% of EBITDA, incentive fees for membership income, use fees for the centralized purchasing system)
Approx. 6 billion yen (full year)

## 2. Sharing of cash in the asset-light business model (assumption)

Book value of a golf course at the time of acquisition

Selling price of the golf course

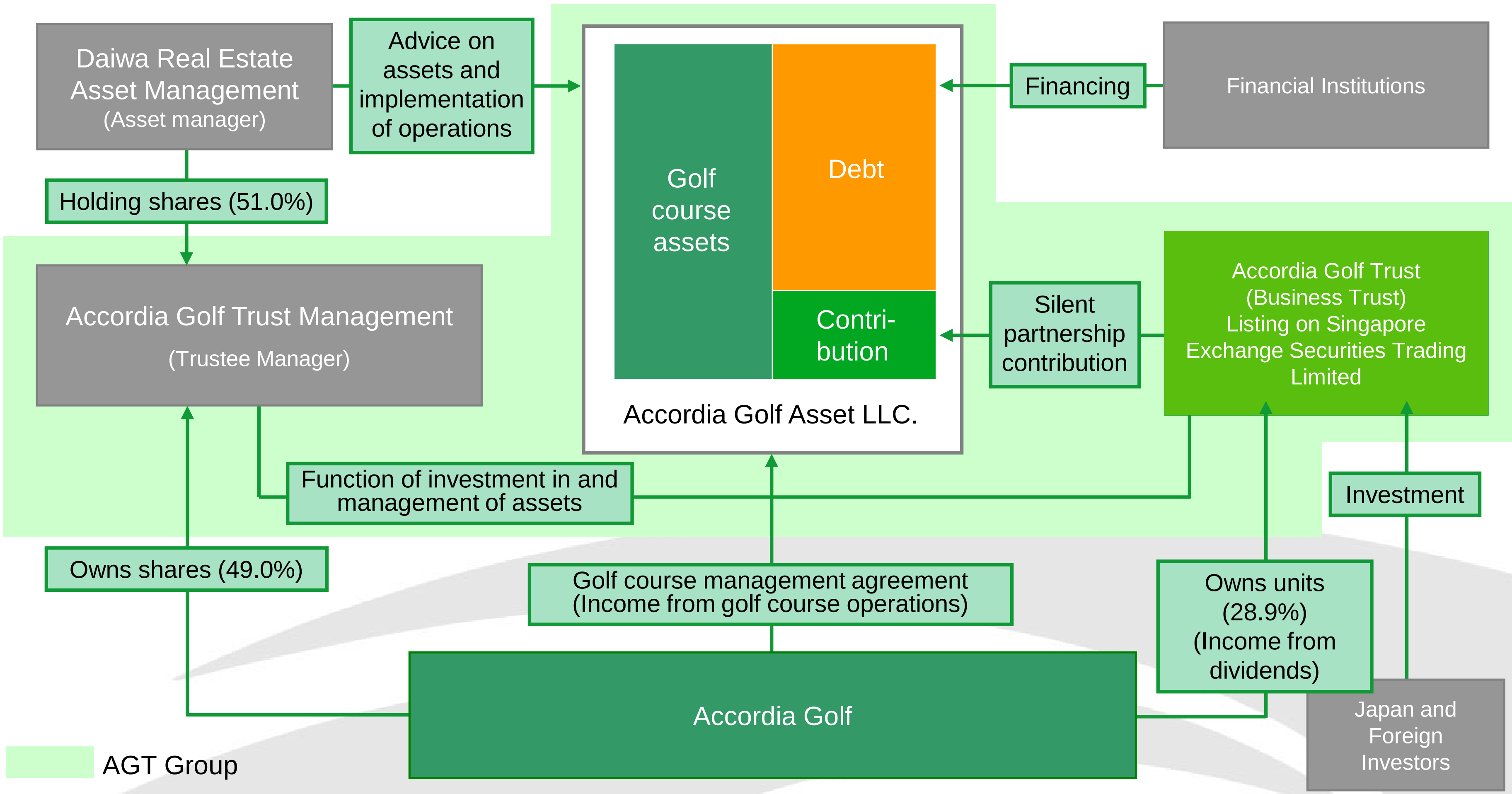


Profit from transfer

| | |
|---|---|
| Selling price | Repayment of interest-bearing debts.<br>Repayment of loans in conjunction of the acquisition of assets that will be transferred. |
| | Reinvestment.<br>Part of the proceeds from sales will be used as funds for the future acquisition of golf courses. |
| Proceeds from transfer | Returns to shareholders (repurchase of our own shares).<br>Reduction of shareholders' equities commensurate with the sell-off of golf course assets. |
| | Returns to shareholders (dividends).<br>Payment of commemorative dividends will be considered. |

# Outline of the Business Trust

- Formation of a business trust and the listing of units based on investments after securitizing the business of golf course operations.
- Listing on Singapore Exchange Securities Trading Limited (ADQU) with market capitalization of approx. 80 billion yen.
- Dividends will be paid to investors from the remainder after deducting expenses including those related to golf course assets.



# Approach to Improving Return on Equity

## 1. Policy

- On switching to a revenue structure centered on consigned management revenues, we aim to achieve an ROE of around 15% as an indicator of medium-to-long term management success.
- This is a transition period in which we will implement additional asset-light measures for our owned golf courses, and we will aim for optimal capital efficiency as a result of slimming down the B/S.

## 2. Specific Initiatives

**Achieve and maintain ROE of around 15%**

### Appropriate level of shareholders' equity commensurate with level of assets

- Increase shareholder returns (growth in base dividend, appropriate level of shareholders' equity through purchase of own shares).
- Be mindful of a reasonable equity ratio out of consideration for rating.

### Reduction of liabilities to level commensurate with level of assets

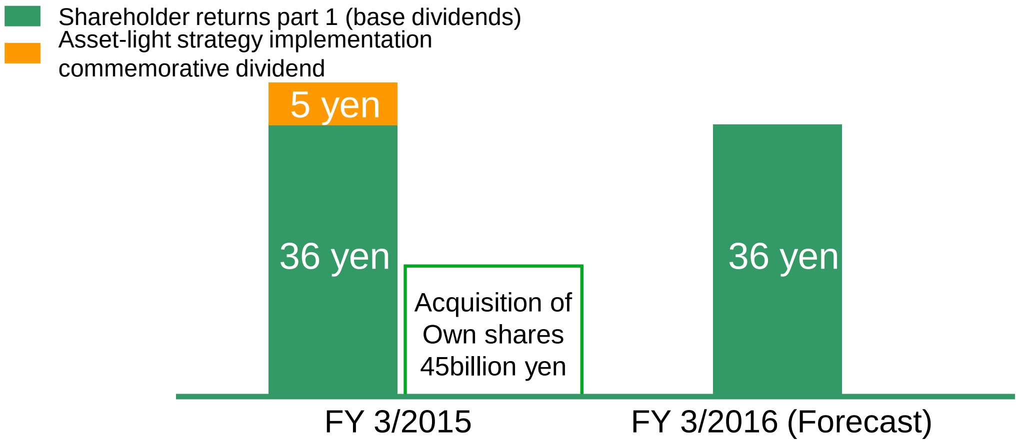
- Repay borrowing on implementation of additional asset-light measures.
- Explore diverse means of fund procurement to reduce interest costs.

### Growth in net income as a result of improvement in the operating profit margin

- Improve profit margin by increasing consigned management revenue through implementation of additional asset-light measures.
- Reduce COGs, including exploring improvement of efficiency of business departments and reducing indirect costs of head office departments.

# Shareholder Returns

## 1. Changes in Dividends




## 2. Shareholder Returns policy going forward

### Shareholder returns part 1

- Aim for dividend ratio of around 45% of the "deemed consolidated net income"

Calculation formula

- Deemed consolidated net income
  = Consolidated net income - Extraordinary income/loss
  + Adjustment for corporate and other taxes associated with the extraordinary income/loss
- Target dividend
  = Deemed consolidated net income × 45%

### Shareholder returns part 2

- Apply part of surplus cash flows associated with transfer of golf courses
- Diligently work for shareholder returns, including acquisition of own shares and dividends, etc. while looking to repay loans relating to golf courses upon posting gains on their sales and looking to acquire additional golf courses.

**Target Total Shareholder Return Ratio: 90%**

(Unchanged from the forecasts announced May 13, 2015)

# 2. FY 3/2016 Business Plan

# FY 3/2016 Business Plan

(Unchanged from the forecasts announced May 13, 2015)

(Yen millions)

| | FY 3/2015 | FY 3/2016 (Forecast) | FY 3/2016 (YoY) |
|---|---|---|---|
| Operating Revenue | 63,908 | 47,800 | - 25.2% |
| EBITDA | 12,863 | 11,500 | - 10.6% |
| Operating Income | 7,330 | 7,400 | + 1.0% |
| Ordinary Income | 3,536 | 6,900 | + 95.1% |
| Net Income | 6,015 | 4,100 | - 31.8% |
| EBITDA Margin | 20.1% | 24.1% | + 4.0 pt |
| Net Income per Share (Yen) | 71.62 | 58.15 | - |
| Dividends per Share (Yen) | 41 (incl. interim dividend of 5 yen) | 36 | - |
| ROA (Net income/Total assets) | 2.9 | 2.8 | - 0.1 pt |
| ROE (Net income/Net assets) | 8.6 | 8.8 | + 0.2 pt |
| Number of Rounds Played (10,000 rounds) | 811 | 822 | - |

(Notes) 1. The Company's own 14,234,378 shares were deducted from the number of shares issued as of March 31, 2015 (84,739,000 shares).

2. ROA and ROE were calculated based on the average of the values as of the end of FY 3/2015 and the planned values for FY 3/2016.

# Preconditions for FY 3/2016 Business Plan

## Courses under management

| | | |
|---|---|---|
| Operating golf courses | 93 courses | 90 courses owned by Accordia Golf Trust (AGT) and consigned management and 3 other courses |
| Owned golf courses | 44 courses | |

- Revenues from owned golf courses
  (From April to July, revenues will be below year-ago levels due to implementation of asset-light measures in August 2014)
- Consigned management revenue
  Transactions to potentially newly acquire golf courses are not factored into the initial revenue plan.
- Additional asset light measures are not factored into the plan.

| | | |
|---|---|---|
| Driving ranges | 25 | 1 facility to be acquired in July 2015 is not factored into the business plan. |

- Additional asset-light measures are not factored into the plan.

## Asset, Equity

- Decreases in golf course assets and interest-bearing debt (excluding those with scheduled payments) and improvement in capital efficiency as a result of additional asset-light measures are not factored into the initial plan.

<Equity in earnings of affiliates>

- The financial results of AGT and subsidiaries will be calculated based on Japanese accounting standards, and the Company will incorporate a 28.9% share in the unit.

<Extraordinary income>

- Gain on transfer of rights of solar power generation business

# Differences Between FY 3/2015 Deemed Results and FY 3/2016 Business Plan

(Unchanged from the forecasts announced May 13, 2015)

(Yen millions)

| | Deemed Results FY 3/2015 | FY 3/2016 (Forecast) | (YoY) | (Main factors for change) |
|---|---|---|---|---|
| Operating Revenue | 46,600 | 47,800 | +2.6% | Owned golf courses (course revenues and restaurants) +960 (+3.3%)<br>Consigned management revenue +70 (+1.3%)<br>Driving ranges＋160 (+3.1%)<br>Solar power generation (new) +80 (-) |
| EBITDA | 10,131 | 11,500 | +13.5% | |
| Operating Income | 5,983 | 7,400 | +23.7% | Owned golf courses (course revenues and restaurants) +600 (+10.5%)<br>Driving ranges +150 (+23.6%)<br>Decrease in expenses for points, etc. -370 (-7.2%) |
| Ordinary Income | 4,682 | 6,900 | +47.4% | Decrease in finance costs |
| Net Income | 3,118 | 4,100 | +31.5% | |
| EBITDA Margin | 21.7% | 24.1% | +2.4 pt | |
| Owned (Contracted) Golf Courses | 137 (93) | 137 (93) | | |
| Number of Rounds Played (10,000 rounds) | 811 | 822 | - | |

<Assumptions of deemed results>

- Deemed results are calculated based on the assumption that asset-light measures for 90 golf courses were completed by the end of March 2014.
- Deemed results for the fiscal year ended March 31, 2015 are calculated with costs related to asset-light measures except for finance costs excluded.

# Differences Between FY3/2016 Business Plan and Targets under New Mid-Term Management Plan

(Unchanged from the forecasts announced May 13, 2015)

(Yen millions)

| | FY 3/2016 | Targets under new Mid-term Management Plan FY 3/2016 | Main differences | New Mid-term Management Plan FY 3/2017 |
|---|---|---|---|---|
| Operating Revenue | 47,800 | 54,200 | Delays in acquisitions in FY3/2015 -25<br>Effects of acquisitions in FY3/2016 -28<br>Decreased retail revenues -10 | 55,500 |
| EBITDA | 11,500 | 13,100 | | 13,800 |
| Operating Income | 7,400 | 8,500 | Delays in acquisitions in FY3/2015 -4<br>Driving ranges -2, Retail -2 | 8,900 |
| EBITDA Margin | 24.1% | 24.1% | | 24.8% |
| Operating Profit Margin | 15.5% | 15.8% | | 16.1% |
| Net Income | 4,100 | 6,300 | Gains on transfer as a result of additional asset-light measures were not factored into the initial plan. | 6,400 |

## Policy for additional asset-light measures for owned golf courses

1. Courses under process of arranging of rights issues, etc.
   Transferred as soon as land and building issues are resolved

2. Courses under rebranding or business restructuring
   Transferred as soon as rebranding or business restructuring is completed and if they are capable of delivering stable earnings post rebranding

- Accounts for 50~60% of tangible/intangible fixed assets
- Future sale to slim down the balance sheet
- Proceeds from sales to be used for loan repayment, golf course acquisition and shareholder return

3. Courses before completion of value adding
   Transferred as soon as maximization of profitability is realized through value-adding

- Continuous acquisition according to circulating business model
- A certain number of golf courses to be owned as "inventory" on B/S, offsetting sales and acquisition

# FY 3/2016
# Operating Revenue (Breakdown) Forecast

ACCORDIA GOLF

(Unchanged from the forecasts announced May 13, 2015)

(Yen millions)

| | FY 3/2015 | FY 3/2016 | (YoY) |
|---|---|---|---|
| Operating Revenue | 63,908 | 47,800 | -25.2% |
| Golf Course Operations | 40,443 | 28,600 | -29.3% |
| Restaurants | 12,638 | 8,400 | -33.5% |
| Golf Equipment Sales | 4,408 | 4,500 | +2.1% |
| Other | 6,418 | 6,300 | -1.8% |
| **(Breakdown of Golf Course Operations)** | | | |
| Golf Course Revenues | 31,427 | 19,100 | -39.2% |
| Consigned management revenue | 3,905 | 6,100 | +56.2% |
| Membership Revenues | 5,111 | 3,400 | -33.5% |
| **(Breakdown of Membership Revenues)** | | | |
| Annual Membership Dues | 3,357 | 1,900 | -43.4% |
| Registration Fees | 320 | 300 | -6.3% |
| Initial Membership Fees | 1,434 | 1,200 | -16.3% |
| **(Breakdown of Others)** | | | |
| Driving Ranges | 4,677 | 4,800 | +2.6% |
| Other | 1,741 | 1,500 | -13.8% |

## Background of the Planned Values

Golf courses

Operated golf courses: 135

- Number of rounds played: 8.22 million (+0.11 million)
- Utilization rate:75.0% (+0.4pt)
- Revenue per customer: 9,619 yen (+154 yen)

Owned golf courses: 44

- Number of rounds played: 2.46million (+0.08 million)
- Utilization rate:70.6% (+0.3pt)
- Revenue per customer: 10,971 yen (+74 yen)

  37 courses acquired in and before FY3/2013

  5 courses acquired in FY3/2013

  1 course acquired in FY3/2014

  1 course acquired in FY3/2015
- Exploring tapping into inbound demand from overseas golfers.

Driving ranges: 25

- Number of rounds played: 3.55 million (+0.09 million)

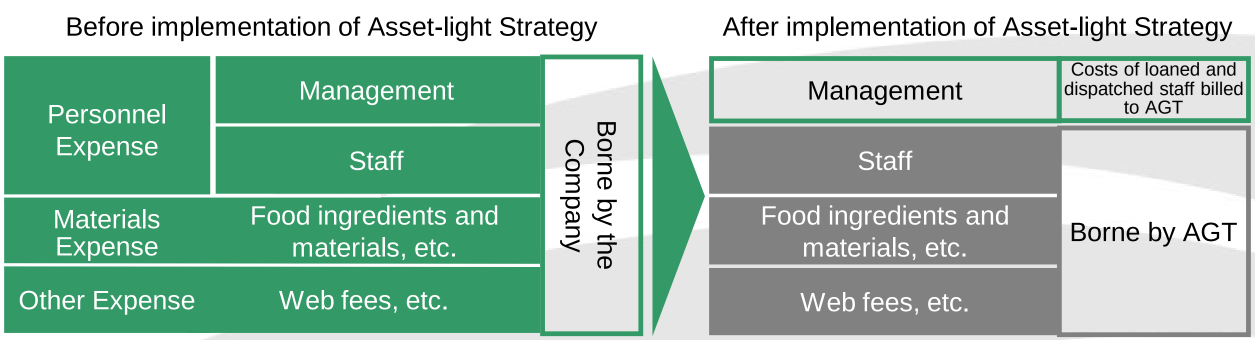
# FY 3/2016
# Operating Expenses (Breakdown) Forecast

(Unchanged from the forecasts announced May 13, 2015)

(Yen millions)

| | FY 3/2015 | FY 3/2016 | (YoY) |
|---|---|---|---|
| Operating Expenses | 56,577 | 40,400 | -28.6% |
| COGS | 51,127 | 36,600 | -28.4% |
| Personnel Expense | 17,636 | 13,500 | -23.5% |
| Materials Expense | 8,426 | 6,600 | -21.7% |
| Other Expense | 25,065 | 16,500 | -34.2% |
| SG&A Expenses | 5,450 | 3,800 | -30.3% |
| Personnel Expense | 1,672 | 1,200 | -28.2% |
| Other Expense | 3,778 | 2,600 | -31.2% |

## Effect of Asset-light Strategy (90 courses owned by AGT)




## Background of the Planned Values

### COGS

Overall, a reduction in COGS is expected due to the implementation of the Asset-light Strategy.

- Personnel Expense
  A decrease in general administrative expense is expected due to the adjustment of work hours following the adoption of the irregular work hour system and the in-house running of call centers.
- An increase in materials expense is attributed to a partial rise in food cost.
- Other Expense
  An increase in web inducing fee of customers is expected.

### SG&A Expenses

- Personnel Expense
  The personnel expense of golf course managers from head office , who are in charge of operating and managing AGT's golf courses, for four months will be recorded in SG&A expenses instead of COGS.
- Other Expense
  A reduction in expense due to the implementation of the Asset-light Strategy.

# FY 3/2015 Quarterly Targets

(Net Income for 2Q has been amended to reflect the impact of changes to the fiscal term)

(Yen millions)

| | 1Q plan | 1Q result | Vs Plan | 2Q plan | Revised 2Q Plan | YoY Change |
|---|---|---|---|---|---|---|
| Operating Revenue | 12,900 | 13,318 | + 3.2% | 11,900 | 11,900 | - 23.0% |
| EBITDA | 3,500 | 3,635 | + 3.9% | 2,100 | 2,100 | + 20.6% |
| Operating Income | 2,300 | 2,603 | + 13.2% | 1,200 | 1,200 | + 225.2% |
| Ordinary Income | 2,500 | 2,801 | + 12.0% | 600 | 600 | + 117.6% |
| Net Income | 2,000 | 1,641 | - 18.0% | 500 | 700 | - 13.8% |
| EBITDA Margin | 27.1% | 27.3% | + 0.2pt | 17.6% | 17.6% | + 6.4pt |
| Number of Rounds Played | 227 (10,000 rounds) | 232 (10,000 rounds) | + 2.2% | 221 (10,000 rounds) | 221 (10,000 rounds) | + 3.1% |
| Revenue per Customer (All Golf Courses) | 9,668(Yen) | 9,610(Yen) | - 0.6% | 9,049(Yen) | 9,049(Yen) | + 0.7% |

| | 3Q plan | YoY Change | 4Q plan | YoY Change |
|---|---|---|---|---|
| Operating Revenue | 13,200 | + 1.8% | 9,800 | + 1.9% |
| EBITDA | 4,100 | + 33.7% | 1,800 | + 19.7% |
| Operating Income | 3,100 | + 53.1% | 800 | + 83.9% |
| Ordinary Income | 3,300 | + 39.1% | 500 | + 17.6% |
| Net Income | 1,900 | - 27.4% | -300 | + 14.9% |
| EBITDA Margin | 31.1% | + 7.4pt | 18.4% | + 2.7pt |
| Number of Rounds Played | 216 (10,000 rounds) | + 2.8% | 158 (10,000 rounds) | - 3.7% |
| Revenue per Customer (All Golf Courses) | 10,212(Yen) | + 0.3% | 9,534(Yen) | + 6.5% |