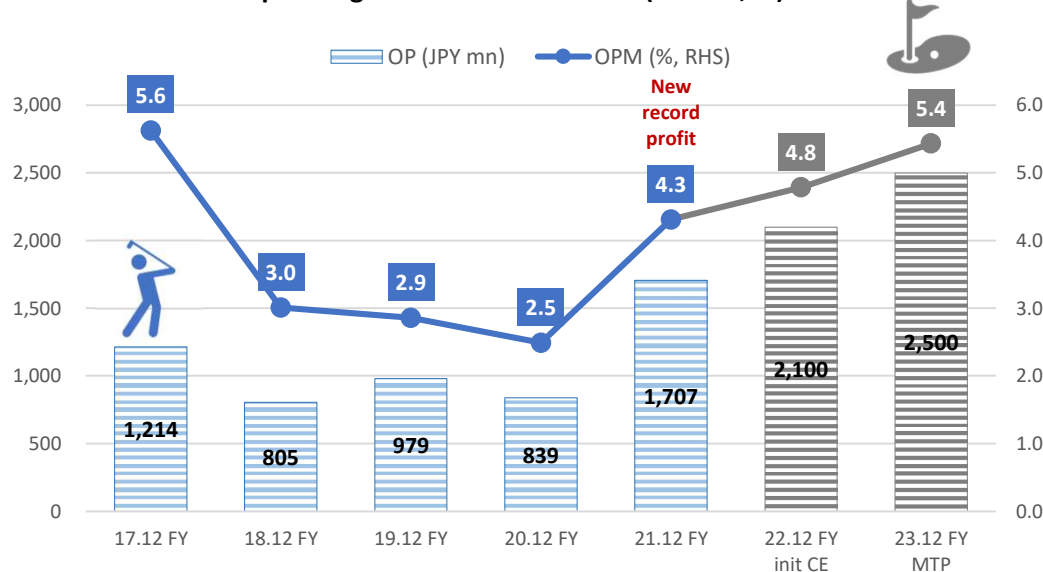


GOLFTEC 'call option' is in-the-money MTP 2021-2023 'Lead the Way' is running nicely ahead of plan

SUMMARY

- GDO net sales have only declined twice in its corporate history, -8% in FY12/11 after the 3.11 earthquake/tsunami, and -2% in FY12/20 in the wake of the COVID-19 pandemic (see graph on P17). Since FY12/06 with comparable Dec-end FY, even factoring in those 2 declines, **GDO has achieved 15-year net sales CAGR of +11.2% through FY12/21, and 15-year OP CAGR of +31.8%**. More importantly, the decision to acquire a majority stake in GOLFTEC Enterprises in Jul-2018 is now finally paying off, with high growth in high-margin US business entering a new period of accelerating Group earnings expansion.
- On August 12, 2021, along with 1H results, GDO revised up full-term guidance for net sales by +6%, OP by +32%, largely driven by stronger than expected performance in the overseas segment. Then on January 31, the company revised full-term guidance again, OP by +18% and profit ATOP by +30%. The company reported 4Q FY12/21 results on February 10 as net sales +17.5% YoY, and OP +103.4% (renewing record profit for the first time since consolidating US GOLFTEC, despite deploying a portion of the overshoot to marketing in Japan). Initial guidance for FY12/22 is net sales +10.9% YoY, OP +23.1%.
- When GDO made the decision to acquire a majority stake in GOLFTEC Enterprises LLC (GTE) in 2018, at the time it was viewed as a long-dated out-of-the-money call option, offering a clean way to enter the enormous US market with a highly recognized blue-chip name. After resolving a number of internal issues and equipped with a clear growth plan, GOLFTEC business is now taking off. Relative to the MTP target for opening 22 corporate centers per year, FY12/21 achieved +28 and FY12/22 is targeting +33. Whether it is later this year or early next year, the company will likely be forced to revise up FY12/23 MTP targets. Current valuations appear attractively undervalued.

GDO Consolidated Operating Profit and OPM Trend (JPY mn, %)



Source: compiled by SESSA Partners from company IR materials.

4Q Follow-up



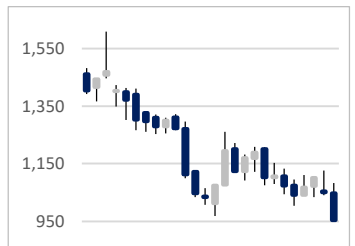
Focus Points:

'Only one' golf specialist online gear retail, course reservations and media platform operator entering a new growth phase on acquiring the world's largest golf lessons operator in the US.

Key Indicators

Share price (2/25)	954
YH (21/7/13)	1,793
YL (21/1/15)	814
10YH (21/7/13)	1,793
10YL (13/1/4)	82.0
Shrs out. (mn shrs)	18.274
Mkt cap (¥ bn)	17.433
Shr equity ratio (12/31)	33.9%
22.12 P/E (CE)	9.2x
22.12 EV/EBITDA (CE)	3.8x
21.12 P/B (act)	2.35x
21.12 ROE (act)	15.1%
22.12 DY (CE)	1.00%

6M stock price (weekly)



Source: SPEEDA data

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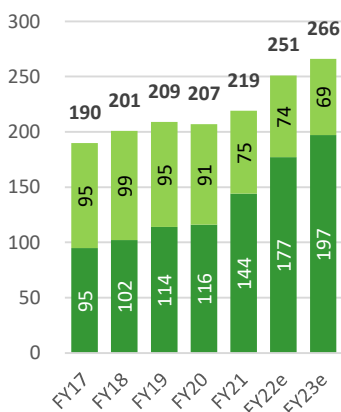


This report was prepared by Sessa Partners on behalf of Golf Digest Online Inc. Please refer to the legal disclaimer at the end for details.

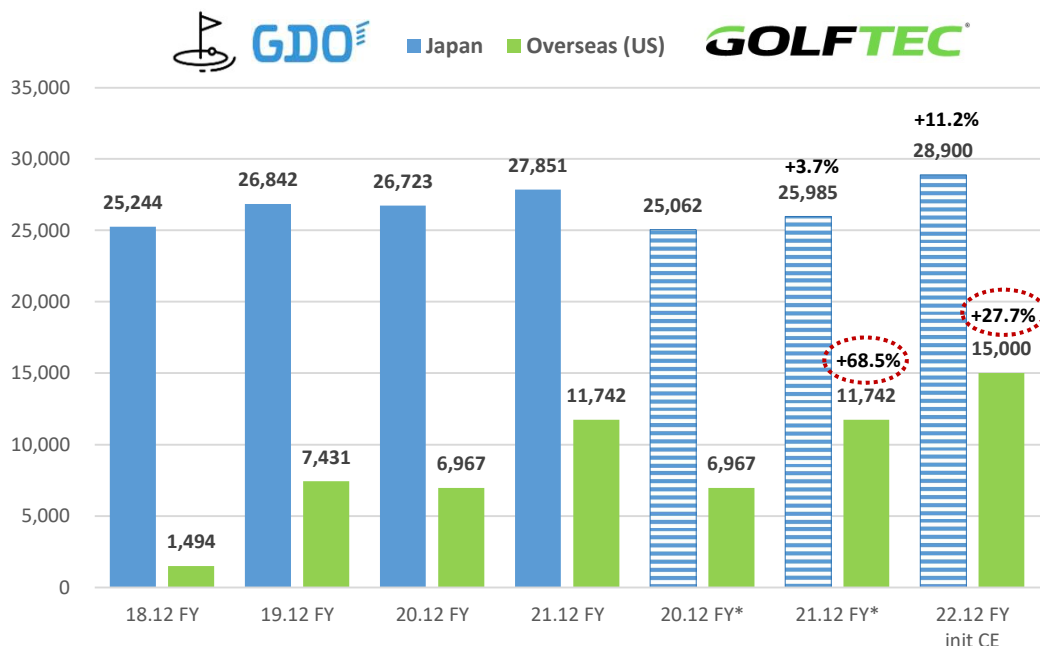


GOLFTEC lesson studios revised expansion plan

■ Direct Mgt (DM) ■ Franchise (FC)



GDO Consolidated Net Sales Trend by Reporting Segment (JPY mn, % YoY)



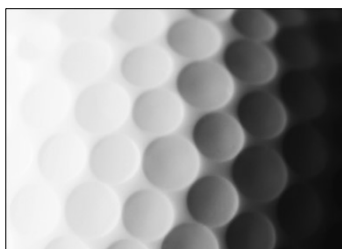
Source: compiled by SESSA Partners from company IR results briefing materials. Note: GOLFTEC consolidated from 4Q FY12/18. *Japan net sales adopting revenue recognition standard from FY12/22 (previous two years restated).

Brisk financial results in FY12/21 are truly remarkable in the context of faithfully implementing heavy investments in both Japan and the US as clearly articulated in the MTP. Then despite deploying a portion of the overshoot toward additional investments in future growth such as significantly stepping up the marketing budget in Japan in the 2H, still managing to beat revised guidance by a substantial margin. The table below shows the company achieved a net increase of +12 to 219 studios, through a combination of 12 new openings and 16 buybacks of franchise stores, with directly owned corporate centers increasing by 28, and FC stores decreasing by 16. The target for FY12/22 is +33, both well ahead of the MTP annual target of 22.

GOLFTEC expansion is running nicely ahead of MTP annual target of 22 Corp. Centers

	Corporate Centers	FC Centers	Total Studios
12.20 Q4 end	116	91	207
New openings	4	0	4
Acquire FC	3	(3)	0
Closure	0	0	0
12.21 Q1 end	123	88	211
New openings	1	0	1
Acquire FC	5	(5)	0
Closure	0	0	0
12.21 Q2 end	129	83	212
New openings	3	0	3
Acquire FC	8	(8)	0
Closure	0	0	0
12.21 Q3 end	140	75	215
New openings	4	0	4
Acquire FC	0	0	0
Closure	0	0	0
12.21 Q4 end	144	75	219
1Y change	28	(16)	12

Source: compiled by Sessa Partners from IR results briefing materials.



GDO Summary of FY12/21 Consolidated Financial Results

JPY mn, %	Net Sales	YoY Oper. Profit	YoY	Ord. Profit	YoY	Profit ATOP	YoY	
17.12 FY	21,574	11.7	1,214	13.1	1,226	12.5	707	15.7
18.12 FY	26,739	23.9	805	(33.7)	823	(32.9)	381	(46.1)
19.12 FY	34,274	28.2	979	21.7	972	18.1	359	(5.8)
20.12 FY	33,691	(1.7)	839	(14.3)	908	(6.6)	261	(27.1)
21.12 FY	39,595	17.5	1,707	103.4	1,716	89.0	1,036	296.1
22.12 FYe*	43,900	10.9	2,100	23.0	2,100	22.4	1,900	83.4
17.12 Q1	4,233	0.6	(36)	TR	(32)	TR	(43)	TR
17.12 Q2	5,412	7.8	345	5.9	346	4.9	203	(1.8)
17.12 Q3	5,632	13.8	419	6.0	420	4.4	271	6.0
17.12 Q4	6,296	22.8	485	65.7	491	66.1	276	115.7
18.12 Q1	5,199	22.8	45	TB	44	TB	(20)	RS
18.12 Q2	6,728	24.3	276	(20.2)	264	(23.6)	157	(22.7)
18.12 Q3	6,303	11.9	134	(68.1)	168	(60.1)	178	(34.4)
18.12 Q4	8,509	35.1	350	(27.9)	347	(29.4)	66	(76.1)
19.12 Q1	7,553	45.3	(147)	TR	(153)	TR	(204)	RE
19.12 Q2	9,175	36.4	410	48.6	409	54.8	284	80.8
19.12 Q3	8,874	40.8	230	72.0	228	36.2	124	(30.6)
19.12 Q4	8,672	1.9	487	39.1	487	40.4	155	135.3
20.12 Q1	8,071	6.8	43	TB	39	TB	(45)	RS
20.12 Q2	6,955	(24.2)	(488)	TR	(479)	TR	(565)	TR
20.12 Q3	8,973	1.1	643	179.7	706	209.4	468	278.7
20.12 Q4	9,692	11.8	642	31.8	641	31.7	404	160.8
21.12 Q1	8,677	7.5	228	432.8	232	493.5	106	TB
21.12 Q2	10,413	49.7	731	TB	731	TB	526	TB
21.12 Q3	10,097	12.5	247	(61.7)	258	(63.4)	159	(66.0)
21.12 Q4	10,407	7.4	501	(21.9)	494	(22.9)	245	(39.5)

Source: compiled by SESSA Partners from company TANSHIN financial statements.

A summary of FY12/21 Q2 GDO revised forecasts and Q4 actual results is shown in the table below. The noteworthy feature of the high double-digit increases in all levels of profits is that they were largely driven by the overseas segment. OP factor analysis provided by the company shown on the bottom of P6 makes clear the increase was mainly driven by the increase of high-margin US gross profits, a factor of the aforementioned significant increase in corporate centers running nicely ahead of plan. In addition, that offset the sharp increases of personnel expense and rent in other SG&A expenses from the high number of GOLFTEC new center openings, as well as a portion of the overshoot repurposed for targeted marketing in Japan (see table on P4).

21.12 Q2 GDO Revised Consolidated Financial Forecasts and Q4 Actual Results

[J-GAAP]	FY12/20	YoY	FY12/21	YoY	21.08.12	YoY	FY12/21	YoY
JPY mn, %	act	%	init CE	%	rev'd CE	%	act	%
Net sales	33,691	(1.7)	37,800	12.2	40,200	19.3	39,595	17.5
• Japan	26,724	(0.4)	27,800	4.0	29,000	8.5	27,852	4.2
• Overseas	6,967	(6.3)	10,000	43.5	11,200	60.8	11,743	68.5
EBITDA	2,370	(4.0)	2,850	20.3	3,250	37.1	3,595	51.7
• Japan	2,304	12.0	2,100	(8.9)	2,300	(0.2)	2,376	3.1
• Overseas	66	(84.0)	750	11.4x	950	14.4x	1,218	18.5x
Operating profit	839	(14.3)	1,100	31.1	1,450	72.8	1,707	103.4
• Japan	1,780	15.9	1,500	(15.7)	1,700	(4.5)	1,778	(0.1)
• Overseas	(941)	RE	(400)	RS	(250)	RS	(71)	—
Ordinary profit	908	(6.6)	1,090	20.1	1,440	58.6	1,716	89.0
Profit ATOP	261	(27.1)	540	106.5	795	204.0	1,036	296.1

Source: compiled by Sessa Partners from IR results briefing materials. RE = red expanded, RS = red shrank



Actual FY12/21 OP of ¥1,707mn topped the previous peak of ¥1,214mn in FY12/17.

Golf Digest Online Quarterly Consolidated Financial Highlights

[J-GAAP] JPY mn, %	FY12/18				FY12/19				FY12/20				FY12/21			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Consol/NC ratio (x)	1.04	1.04	1.04	1.26	1.32	1.34	1.34	1.32	1.36	1.19	1.33	1.31	1.36	1.48	1.51	1.48
Net sales	5,199	6,727	6,303	8,508	7,553	9,175	8,873	8,671	8,070	6,955	8,973	9,691	8,677	10,412	10,097	10,407
• Japan	5,199	6,727	6,303	7,014	5,948	7,129	6,912	6,851	6,173	5,892	6,983	7,674	6,348	7,251	6,944	7,308
• Overseas	—	—	—	1,494	1,604	2,046	1,961	1,819	1,896	1,063	1,990	2,016	2,328	3,161	3,153	3,099
Gross profit	1,922	2,647	2,395	3,510	2,851	3,693	3,503	3,607	3,138	2,339	3,559	4,039	3,494	4,526	4,314	4,690
GPM	37.0%	39.3%	38.0%	41.3%	37.7%	40.3%	39.5%	41.6%	38.9%	33.6%	39.7%	41.7%	40.3%	43.5%	42.7%	45.1%
SG&A expenses	1,876	2,371	2,261	3,160	2,999	3,283	3,273	3,121	3,095	2,827	2,916	3,397	3,267	3,795	4,067	4,189
Ratio to sales	36.1%	35.2%	35.9%	37.1%	39.7%	35.8%	36.9%	36.0%	38.4%	40.6%	32.5%	35.1%	37.7%	36.4%	40.3%	40.3%
Labor cost	729	767	784	945	938	979	1,074	1,026	1,000	1,004	978	1,118	1,111	1,124	1,126	1,359
Marketing-related	309	570	465	555	472	665	594	497	524	353	480	661	572	954	990	788
ratio to sales	5.9%	8.5%	7.4%	6.5%	6.2%	7.2%	6.7%	5.7%	6.5%	5.1%	5.3%	6.8%	6.6%	9.2%	9.8%	7.6%
IT / capex	323	321	329	478	477	489	488	519	502	505	485	495	509	549	613	640
Goodwill	2	2	2	87	85	84	79	85	85	85	84	83	85	100	125	132
Other	511	708	679	1,093	1,024	1,065	1,035	993	982	878	888	1,039	988	1,065	1,211	1,268
EBITDA	161	386	269	711	211	775	590	892	427	(102)	1,023	1,019	617	1,161	767	1,049
Ratio to sales	3.1%	5.7%	4.3%	8.4%	2.8%	8.4%	6.6%	10.3%	5.3%	-1.5%	11.4%	10.5%	7.1%	11.2%	7.6%	10.1%
• Japan	197	537	359	782	292	552	471	740	383	219	904	795	538	712	408	717
• Overseas	(35)	(141)	(90)	(71)	(80)	222	119	151	44	(322)	119	224	78	449	358	331
Operating profit	45	275	133	349	(147)	409	229	486	42	(488)	643	641	227	730	246	501
OPM	0.9%	4.1%	2.1%	4.1%	-1.9%	4.5%	2.6%	5.6%	0.5%	-7.0%	7.2%	6.6%	2.6%	7.0%	2.4%	4.8%
• Japan	87	423	231	644	164	427	343	599	254	89	773	663	407	576	243	551
• Overseas	(42)	(147)	(99)	(294)	(312)	(17)	(113)	(112)	(211)	(577)	(130)	(21)	(179)	154	3	(50)
Ordinary Profit	44	264	167	346	(152)	409	228	486	39	(478)	706	641	232	731	258	494
Profit ATOP	(20)	157	177	65	(203)	284	123	154	(45)	(564)	468	404	106	525	159	244
[B/S]																
Cash and deposits	1,466	1,658	1,373	1,700	1,833	1,440	1,412	1,996	2,293	2,327	2,374	2,873	3,173	2,998	2,375	2,904
ST loans	1,450	1,700	1,981	2,435	2,500	2,408	2,517	3,446	4,424	4,554	2,183	1,471	1,465	1,609	1,773	2,025
LT loans < 1Y	0	0	0	666	666	666	666	666	666	666	666	666	333	333	50	—
LT loans	0	0	2,002	1,335	1,000	1,000	667	666	333	333	—	—	—	—	—	—
Total IBD	1,450	1,700	3,983	4,436	4,166	4,074	3,850	4,778	5,423	5,553	2,849	2,137	1,798	1,942	1,823	2,025
Net cash (net debt)	16	(42)	(2,610)	(2,736)	(2,333)	(2,634)	(2,438)	(2,782)	(3,130)	(3,226)	(475)	736	1,375	1,056	552	879
Net assets	5,897	6,058	6,219	6,207	5,862	6,059	6,108	6,315	6,149	5,563	5,997	6,356	6,472	7,006	7,115	7,411
Total assets	11,293	11,732	17,140	18,236	18,564	17,812	18,441	19,564	19,562	18,376	17,960	17,994	19,172	20,724	21,173	21,851
Equity ratio (%)	52.2	51.6	36.3	34.0	31.6	34.0	33.1	32.3	31.4	30.3	33.4	35.3	33.8	33.8	33.6	33.9
[Supplementary info]																
'Golf Garage' shops	5	5	5	5	5	5	5	5	6	6	6	6	6	6	6	6
'GOLFTEC' studios	10	11	197	200	202	206	208	209	207	208	207	207	211	212	215	219
FC studios in Japan	10	11	11	12	12	12	12	13	13	13	13	13	13	12	12	12
Employees (consol)	550	586	989	1,046	1,081	1,108	1,129	1,138	1,148	1,127	1,087	1,081	1,119	1,192	1,245	1,285
Club Members (10k)	343	353	362	372	379	390	401	413	424	436	451	464	476	491	504	517

Source: P/L and Supplementary info from IR Fact Sheet, selected B/S items compiled by Sessa Partners from TANSHIN financial statements.




GDO Consolidated Financial Highlights at a Glance

JPY mn, %	FY12/17 act	YoY %	FY12/18 act*	YoY %	FY12/19 act	YoY %	FY12/20 act	YoY %	FY12/21 act	YoY %
Net Sales	21,574	11.7	26,739	23.9	34,274	28.2	33,691	(1.7)	39,595	17.5
<i>by segment</i>										
• Japan	21,574	11.7	25,245	17.0	26,842	6.3	26,724	(0.4)	27,852	4.2
• Overseas	—		1,495	—	7,432	397.3	6,967	(6.3)	11,743	68.5
<i>breakdown (% total)</i>										
• Japan	100.0%		94.4%		78.3%		79.3%		70.3%	
• Overseas	—		5.6%		21.7%		20.7%		29.7%	
<i>by business</i>										
• RETAIL (online gear sales)	14,081	5.3	16,301	15.8	17,354	6.5	17,896	3.1	18,245	2.0
• COURSE (play reservations)	5,806	13.7	6,929	19.3	7,475	7.9	6,962	(6.9)	6,747	(3.1)
• Other (MEDIA, Top Tracer)	874	7.7	971	11.1	846	(12.9)	972	14.9	1,867	92.1
• SCHOOL (plus club fitting/sales)	800	—	2,530	216.2	8,597	239.9	7,858	(8.6)	12,734	62.1
<i>breakdown (% total)</i>										
• RETAIL (online gear sales)	65.3%		61.0%		50.6%		53.1%		46.1%	
• COURSE (play reservations)	26.9%		25.9%		21.8%		20.7%		17.0%	
• Other (MEDIA, Top Tracer)	4.0%		3.6%		2.5%		2.9%		4.7%	
• SCHOOL (plus club fitting/sales)	3.7%		9.5%		25.1%		23.3%		32.2%	
Gross Profit	8,850	10.5	10,475	18.4	13,656	30.4	13,076	(4.3)	17,025	30.2
<i>ratio to sales (%)</i>	<i>41.0%</i>		<i>39.2%</i>		<i>39.8%</i>		<i>38.8%</i>		<i>43.0%</i>	
SG&A Expenses	7,636	10.0	9,671	26.6	12,677	31.1	12,237	(3.5)	15,319	25.2
<i>ratio to sales (%)</i>	<i>35.4%</i>		<i>36.2%</i>		<i>37.0%</i>		<i>36.3%</i>		<i>38.7%</i>	
EBITDA	1,645	4.3	1,537	(6.6)	2,469	60.6	2,370	(4.0)	3,595	51.7
<i>ratio to sales (%)</i>	<i>7.6%</i>		<i>5.7%</i>		<i>7.2%</i>		<i>7.0%</i>		<i>9.1%</i>	
• Japan	1,645	4.3	1,876	14.0	2,057	9.6	2,304	12.0	2,376	3.1
• Overseas	—		(338)		412	TB	66	(84.0)	1,218	18.5x
Operating Profit	1,214	13.1	805	(33.7)	979	21.7	839	(14.3)	1,707	103.4
<i>ratio to sales (%)</i>	<i>5.6%</i>		<i>3.0%</i>		<i>2.9%</i>		<i>2.5%</i>		<i>4.3%</i>	
• Japan	1,337	24.6	1,387	3.7	1,535	10.7	1,780	15.9	1,778	(0.1)
• Overseas	(123)		(582)	RE	(556)	RS	(941)	RE	(71)	RS
Ordinary Profit	1,226	12.5	823	(32.9)	972	18.1	908	(6.6)	1,716	89.0
Profit Before Income Taxes	1,127	11.7	765	(32.1)	786	2.7	830	5.6	1,531	84.5
Profit Attributable to Owners of Parent	707	15.7	381	(46.1)	359	(5.8)	261	(27.1)	1,036	296.1

*Raising stake in GolfTEC Enterprises LLC from 8.1% → 60.0% was completed in Jul-2018 (3Q), and its P/L was consolidated from 4Q 2018.

Selected Items from Consolidated B/S, CF/S and Per Share Data

B/S, CF, and key financial indicators	FY12/17 act	FY12/18 act*	FY12/19 act	FY12/20 act	FY12/21 act
JPY mn, %	act	act*	act	act	act
Total Assets	10,806	18,237	19,565	17,994	21,852
Cash and Deposits	1,534	1,701	1,997	2,873	2,905
ST Loans Payable	950	2,435	3,446	1,472	2,026
Current Portion of LT Loans Payable	—	667	667	666	—
LT Loans Payable	—	1,335	667	—	—
Total Interest-Bearing Debt	950	4,437	4,780	2,138	2,026
Net Assets	6,020	6,207	6,316	6,357	7,411
Equity ratio (%)	55.7%	34.0%	32.3%	35.3%	33.9%
Current ratio (%)	171.2%	94.4%	89.2%	87.0%	77.4%
Net D/E ratio (x)	(0.10)	0.44	0.44	(0.12)	(0.12)
ROA (%)	12.6%	5.7%	5.1%	4.8%	8.6%
ROE (%)	12.4%	6.2%	5.7%	4.1%	15.1%
CF from Operating Activities	435	442	2,124	4,888	3,920
CF from Investing Activities	(1,255)	(3,527)	(1,953)	(1,285)	(3,580)
FCF	(820)	(3,084)	171	3,603	339
CF from Financing Activities	845	3,236	129	(2,704)	(373)
Shares Outstanding (000)	18,274	18,274	18,274	18,274	18,274
Avg. Shares Outstanding (000)	18,256	18,274	18,274	18,274	18,274
Basic EPS (¥)	38.73	20.84	19.63	14.31	56.68
DPS (¥)	9.00	9.50	9.50	5.50	9.50
Payout Ratio (%)	23.2%	45.6%	48.4%	38.4%	16.8%
BPS (¥)	329.34	339.69	345.61	347.85	405.17

Source: compiled by Sessa Partners from TANSWIN financial statements and IR Fact Book. Figures reported in thou. yen are rounded to the nearest mn.



Introduced advanced technology: OptiMotion
 OptiMotion realizes lessons based on data in a wireless and sensor-less environment, a first for the industry.

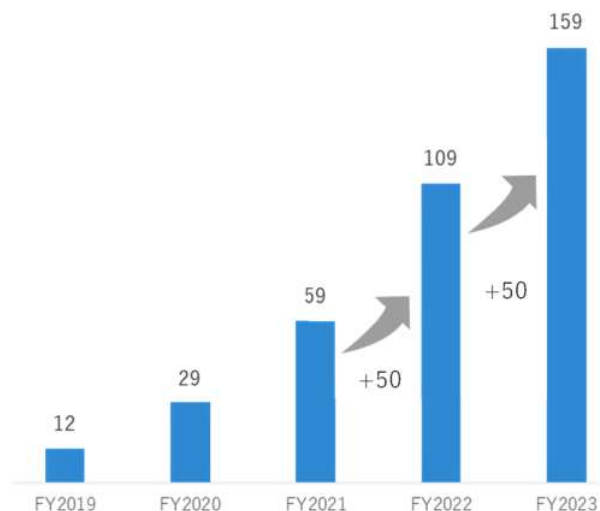
New High-Tech Driving Ranges



FY12/21 deployed JPY 3.49 billion in IT, capex and other investments

<p>Overseas Business New Businesses</p>	<p>Overseas Business: 2.4 billion yen</p> <ul style="list-style-type: none"> ❖ Added 28 U.S. GOLFTEC corporate centers (including the acquisition of 16 franchise centers) ❖ Implemented investment, including on software development <p>New Businesses: 0.3 billion yen</p> <ul style="list-style-type: none"> ❖ Implemented investment, including on installations of Toptracer Range
<p>Domestic Business</p>	<p>Domestic Business: 0.7 billion yen</p> <ul style="list-style-type: none"> ❖ Expanded system infrastructure that supports the foundation of GDO's businesses ❖ Implemented investment for strengthening services
<p>Shareholder Returns</p>	<p>Paid an interim dividend of 4.0 yen for FY2021</p> <p>Planning to pay a year-end dividend of 5.5 yen</p>

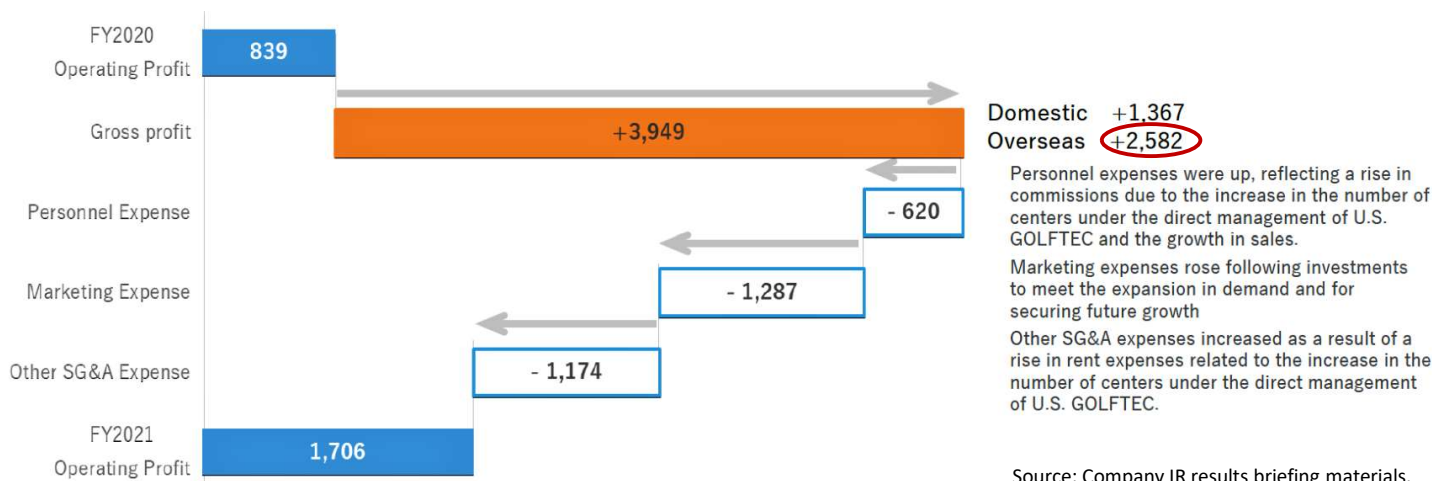
Progress of Top Tracer Range Installations in Driving Ranges



- Sales rose +177% YoY despite effects from COVID-19 on construction and store operation restrictions
- New installations in new regions Koshinetsu, Hokuriku and Kyushu for first time
- +30 new facilities installed, +2,583 bays
- Users +129%

Source: Company IR results briefing materials.

OP factor analysis (JPY mn): large overshoot mainly driven by high-margin overseas business



Source: Company IR results briefing materials.

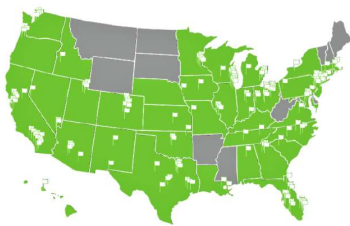


Achieving FY12/23 MTP revenue target 1Y early
 Relative to the MTP target for opening 22 corporate centers per year, FY12/21 achieved 28 and FY12/22 is targeting 33. Whether it is later this year or early next year, the company will likely be forced to revise up FY12/23 MTP targets.

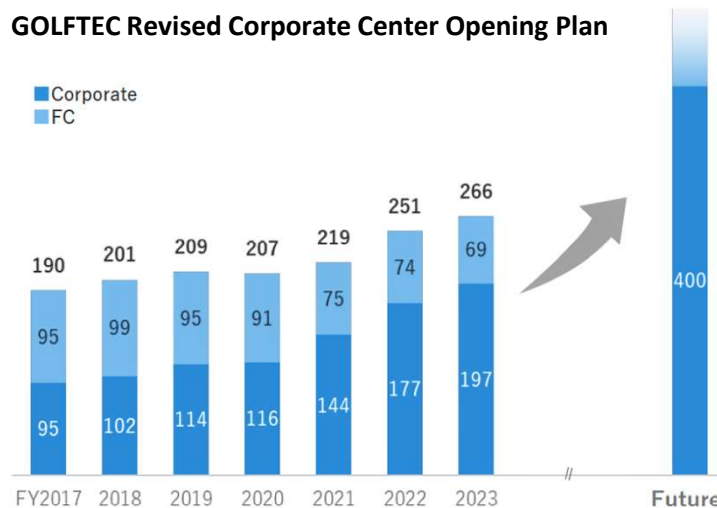
FY22.12 Initial Guidance Reflecting Accounting Standard for Revenue Recognition

[J-GAAP] JPY mn, %	FY12/20 act	FY12/21 act	YoY %	FY12/22 init CE	YoY %	FY12/23 MTP (ref)	YoY %
Net sales	32,029	37,728	17.8	43,900	16.4		
• Japan	25,062	25,985	3.7	28,900	11.2		
• Overseas	6,967	11,742	68.5	15,000	27.7		
Net sales before ASBJ 29	33,690	39,594	17.5	46,000	16.2	46,000	0.0
• Japan	26,723	27,851	4.2	31,000	11.3	32,500	4.8
• Overseas	6,967	11,742	68.5	15,000	27.7	13,500	(10.0)
EBITDA	2,370	3,595	51.7	4,350	21.0	5,000	14.9
• Japan	2,304	2,376	3.1	2,800	17.8	3,500	25.0
• Overseas	66	1,218	18.5x	1,550	27.3	1,500	(3.2)
Operating profit	838	1,706	103.6	2,100	23.1	2,500	19.0
• Japan	1,780	1,778	(0.1)	2,100	18.1	2,700	28.6
• Overseas	(941)	(71)	RS	0	BE	(200)	TR
Ordinary profit	907	1,715	89.1	2,100	22.4		
Profit ATOP	261	1,035	296.6	1,900	83.6		
GW amortization	434	541	24.7	643	18.9		
OP before GW (ref.)	1,273	2,248	76.6	2,744	22.1		

Source: 2/15 Notice regarding partial correction of "Results Briefing Material for the FY Ending Dec-2021"



GOLFTEC Revised Corporate Center Opening Plan

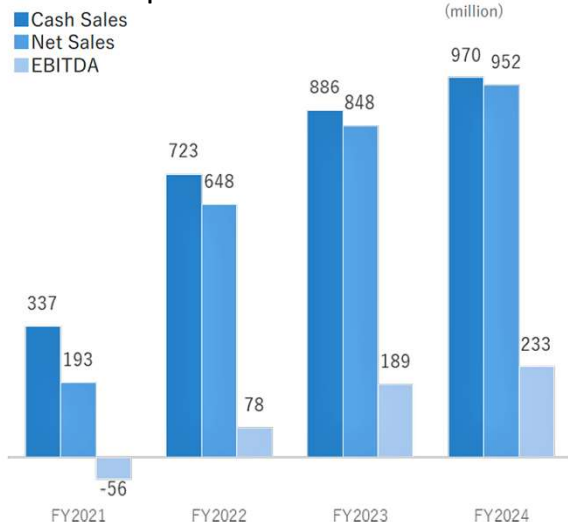


- Relative to the MTP target for opening 22 corporate centers per year, **FY12/21 achieved +28 and FY12/22 is targeting +33**
- Medium-term **potential to double the number of corporate centers in the US to 400** based on markets meeting minimum population/income standards.

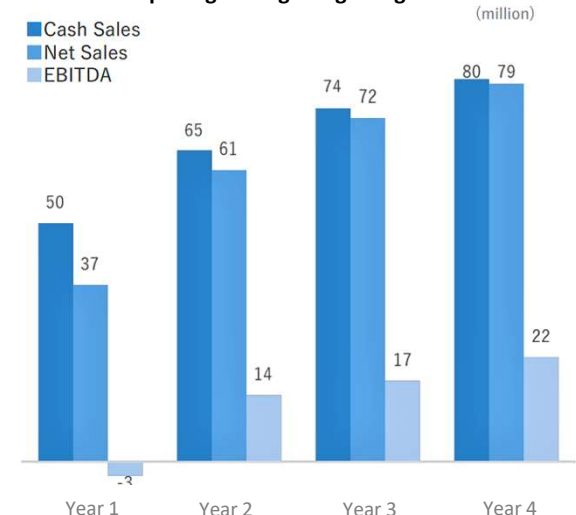
Source: Company IR results briefing materials (above and below).

Future Profit Contribution of New Corporate Centers

Expected impact on future business results of new centers opened in FY2021



(Ref.) Average business results per newly opened center from opening through to getting on track

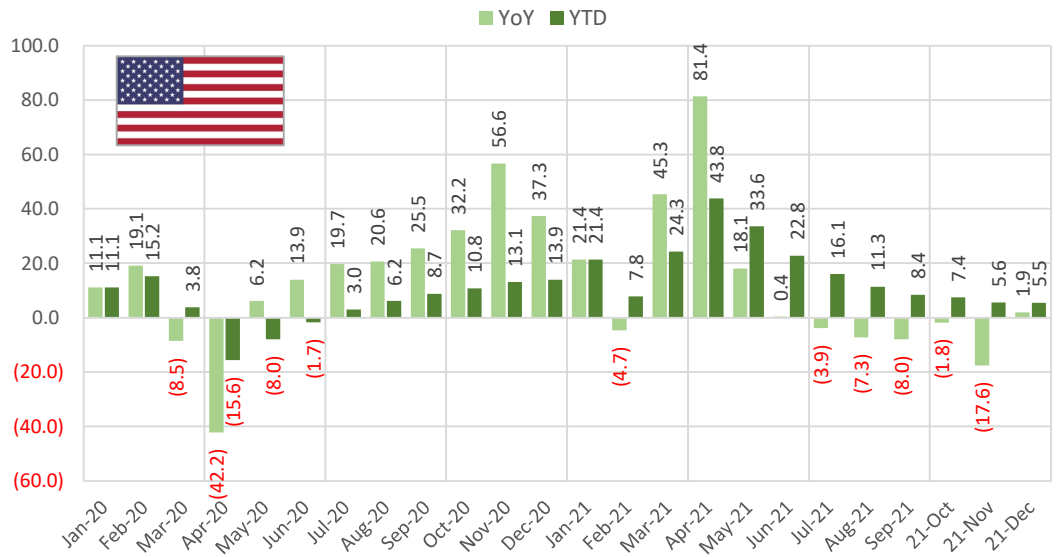


Forex assumptions:
 Left-hand graph
 FY12/21 USD 109.9
 Thereafter USD 100
 Right-hand graph
 USD 100



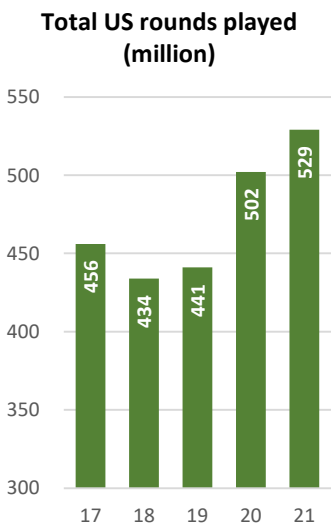
US Rounds played are **NOT** facing an imminent collapse – the lower left-hand graph shows record volume driven by millions of new players/groups, including young people in their twenties, women, non-white, etc.

National Golf Foundation (NGF) Monthly US National Rounds Played Report

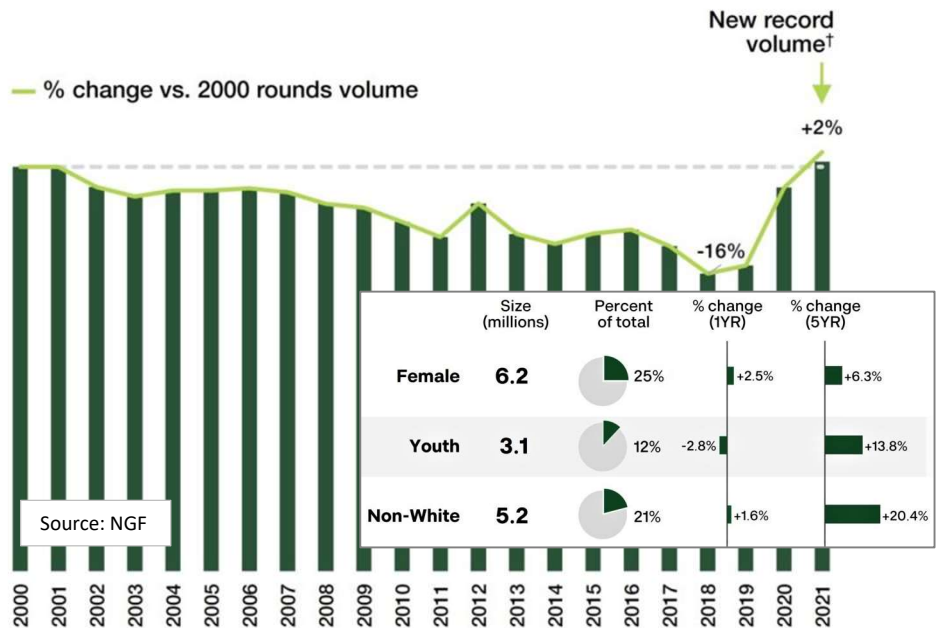


Source: compiled by Sessa Partners from NGF monthly reports

NGF Key New Participation Groups Driving Record US National Rounds Played



Source: NGF

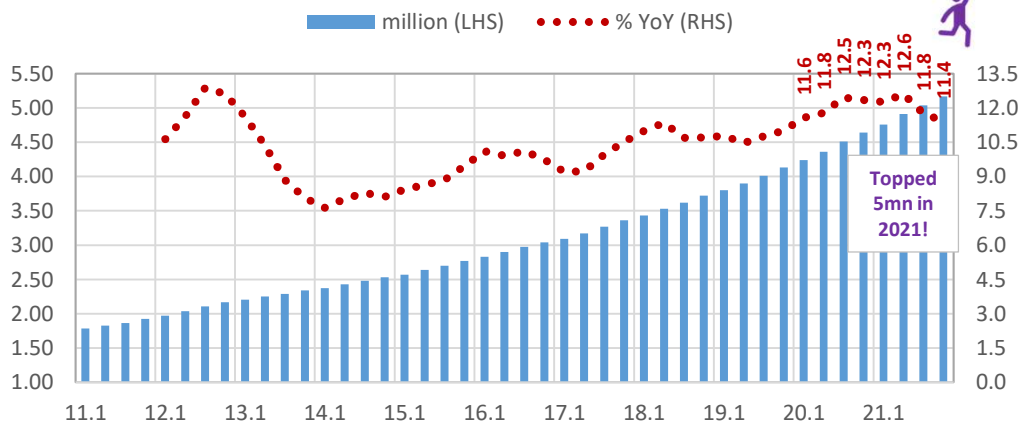


NGF staff writers write interesting thought pieces under its bi-weekly series "Fortnight." The February 17, 2022 edition carried some interesting statistics. From 2000 to 2019, the number of players who played more than 25 rounds a year declined by half, suggesting one factor was the rapid diffusion of the internet and social media, bringing new opportunities and diversions. Then the inertia of the steady decline in standing tee times on Saturday and Sunday mornings got a new burst of energy during the pandemic as millions flocked to the safety and recreation offered on the links, erasing more than 20 years of decline in just six months. The graph at the top of the page chronicles the surge in demand, which has been tapering off in the 2H of 2021. However, NGF believes an imminent collapse of demand is **highly unlikely** given the millions of new players/groups that have newly taken up golf, and notes that these swings tend to happen over long periods.



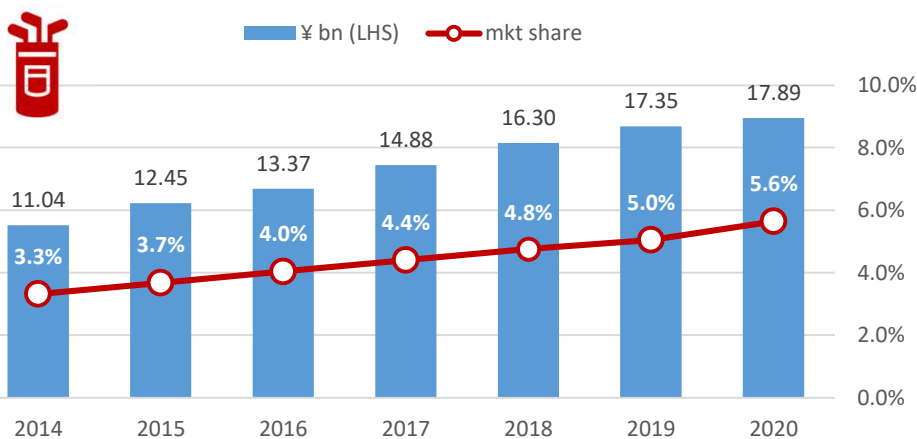
Japan domestic business in gear sales has a structural growth driver in the ongoing rise of the EC ratio

Quarterly Trend of GDO Club Members: 2021 added 530k to end Q4 at 5.17mn

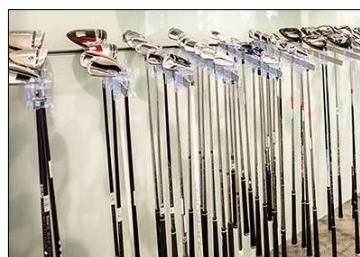


Source: compiled by Sessa Partners from GDO IR Factbook

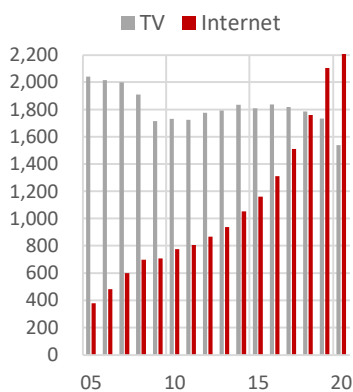
GDO SHOP Golf Gear Sales (mainly online, JPY bn), YoY Trend and Market Share



Source: Japan Productivity Center 'Leisure White Paper', GDO IR

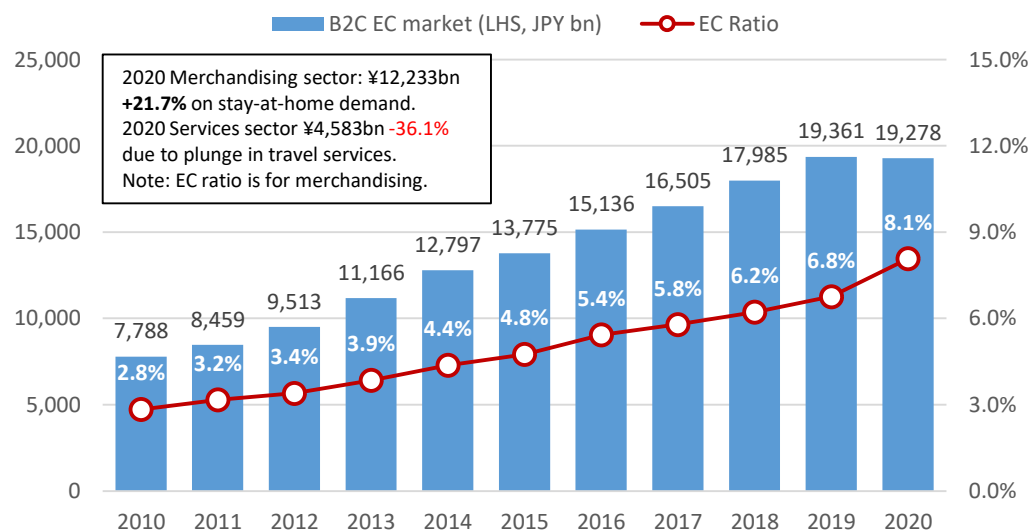


Internet ads of ¥2.1trn surpass TV for the first time in 2019



Source: 'Advertising Expenditures in Japan 2020' by DENTSU Inc.

METI: Japan's B2C E-commerce Market (JPY bn) and EC Ratio



Source: Ministry of Economy, Trade and Industry (METI) '2020 E-Commerce Market Survey', July 30, 2021



MTP 2021–2023 'Lead the Way'

Golf Digest Online Inc.
Founder and CEO
Nobuya 'Mike' Ishizaka



GolfTEC Enterprises LLC
Co-founder and CEO Joe Assell



Key Initiatives in the Medium-Term Management Plan 2021–2023 'Lead the Way'

The company's corporate slogan is 'Connect the World with Golf', embodying the view that golf is a universal sport, and incorporating its mission to promote the spread of golf to enrich people's lives and encourage mutual understanding through the sport. The company characterizes its history in three distinct phases: the first 10 years as the 'start-up' phase in rolling out online tee time reservations and online retail sales of golf gear, establishing and expanding system infrastructure and marketing infrastructure, the second decade as the 'rebirth' phase, in starting new business in golf lessons, making full swing entry into the US market by acquiring a majority stake in GTE, and making a tie-up with TOPGOLF to share costs and profits in deploying high tech equipment in Japan driving ranges, and going forward, the 'challenge the global market' phase, fully recognizing the potential of golf business.

The title of its MTP is 'Lead the Way', for the next generation of golf business, specifically promoting digital transformation of golf services in the Japan and US markets. Through its two main subsidiaries in the US, GDO Sports, Inc., which develops and invests in golf-related business, and GolfTEC Enterprises LLC, which operates the largest provider of golf lesson instruction, as well as custom club fittings/sales, the company is aiming to carve out a market position and market share in 'Golf Improvement Business', which includes indoor/outdoor golf instruction, technology enhanced indoor practice, and club fitting/custom club sales. Plans call for aggressive openings of 22 new centers per year over the next 3 years, allocating capex of ¥4.5bn.

As of the end of 2020, the company has 116 directly managed corporate centers, and 91 FC (includes 13 in Japan) centers for a total of 207. The company estimates the US market has potential for up to 375 centers. According to the company, goodwill associated with the GolfTEC transaction is roughly ¥4.1bn, using straight-line amortization over 10 years through 2028. Therefore, OP for the overseas segment is expected to remain slightly in the red during the new MTP (see table below).

In Japan, the company is ramping up investment in introducing TOP TRACER RANGE high tech practice facilities in Japan driving ranges, targeting to open 50+ per year over the next three years, allocating capex of ¥1.8bn. It also will target double-digit growth in tee time bookings, as well as raising online golf gear GPM by 1.0pp versus 2019. It also aims for domestic lesson business to turn profitable in 2021.

GDO Group MTP 2021-2023: 'Lead the Way'

[J-GAAP]	FY12/19	YoY	FY12/20	YoY	FY12/21	YoY	FY12/23	FY12/23
JPY mn, %	act	%	act	%	init CE	%	MTP	3Y CAGR
Net sales	34,274	28.2	33,691	(1.7)	37,800	12.2	46,000	10.9
● Japan	26,842	6.3	26,724	(0.4)	27,800	4.0	32,500	6.7
● Overseas	7,432	397.3	6,967	(6.3)	10,000	43.5	13,500	24.7
EBITDA	2,469	60.6	2,370	(4.0)	2,850	20.3	5,000	28.3
● Japan	2,057	9.6	2,304	12.0	2,100	(8.9)	3,500	15.0
● Overseas	412	TB	66	(84.0)	750	11.4x	1,500	183.3
OP	979	21.7	839	(14.3)	1,100	31.1	2,500	43.9
● Japan	1,535	10.7	1,780	15.9	1,500	(15.7)	2,700	14.9
● Overseas	(556)	RS	(941)	RE	(400)	RS	(200)	RS

Source: compiled by Sessa Partners from IR Factbook and IR results briefing materials



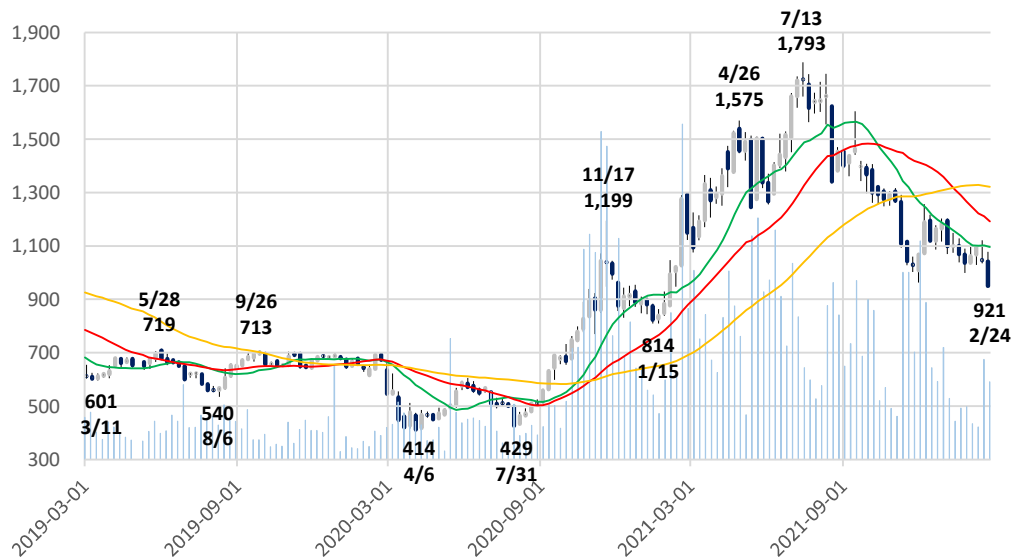
**Performance and Valuations:
SESSA Smart Charts**

- ✓ The relative performance chart on the top of page 12 shows that **the thematic driver of golf as a popular escape from COVID-19 has largely washed out.**
- ✓ GDO's share price dropping below 1,000, at the middle of the range, now puts the P/E of 9.2x on a 72% discount to historical average.
- ✓ However, GOLFTEC Enterprises LLC received a payroll protection loan under the CARES Act in 2020, and it was notified it qualifies for repayment forgiveness and will record an extraordinary gain of ¥709mn in FY12/22. **The P/E stripping out this extraordinary gain is 13.9x, which is still 57% below hist. avg.**
- ✓ EV/EBITDA of 3.8x is now on a 32% discount to historical average. The P/B of 2.35x is back to historical average.

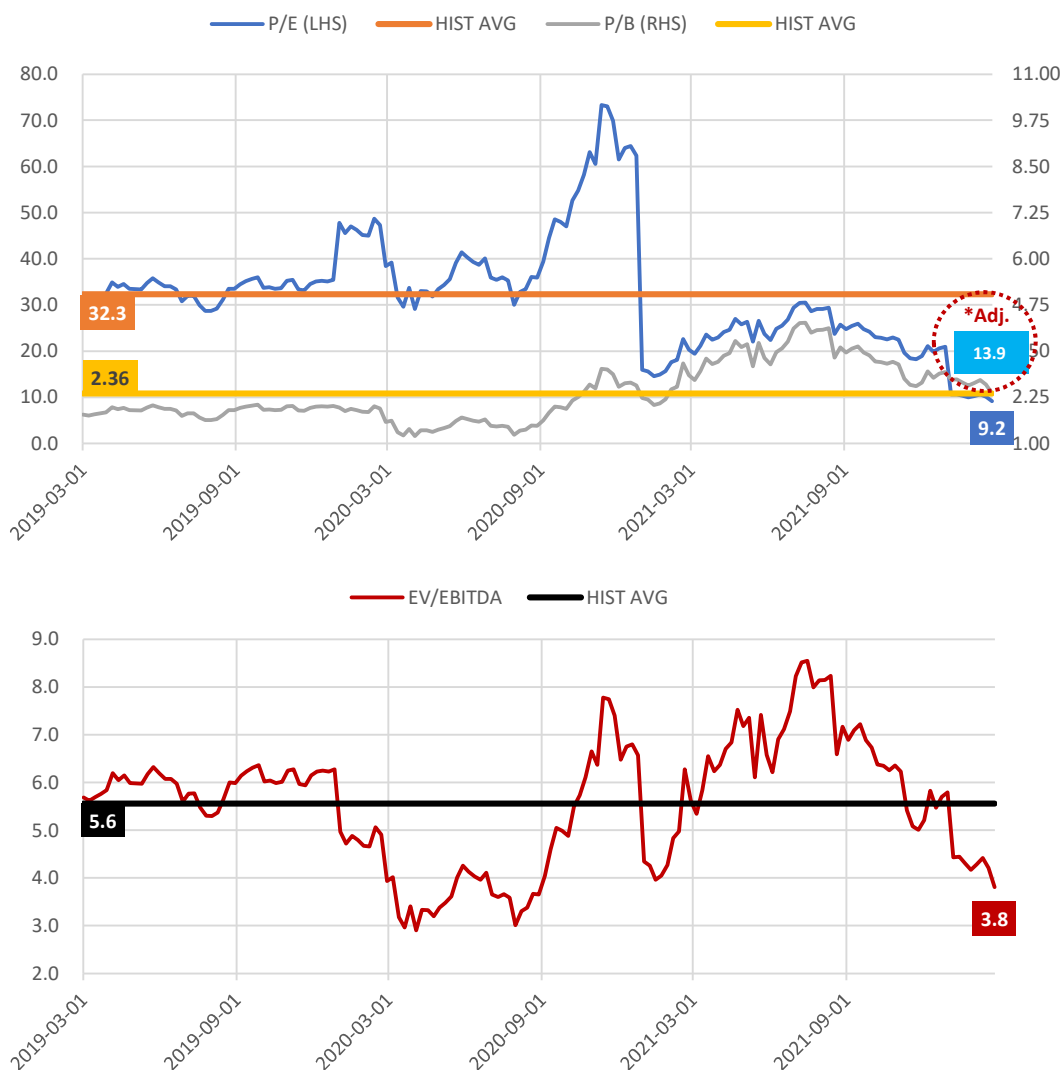


Analyst's view

SESSA Smart Charts: 3-Year Weekly Share Price / Volume Trend

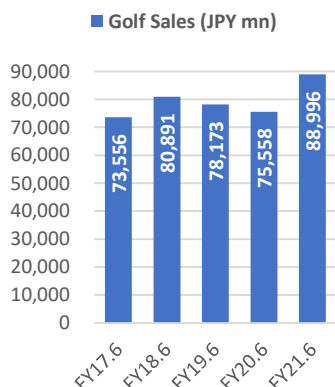


Historical P/E, P/B and EV/EBITDA (times)



Source: created by Sessa Partners from SPEEDA price data. Calculations are based on company estimates.

Alpen Retail Golf Sales



Source: compiled by Sessa Partners from Alpen company data.

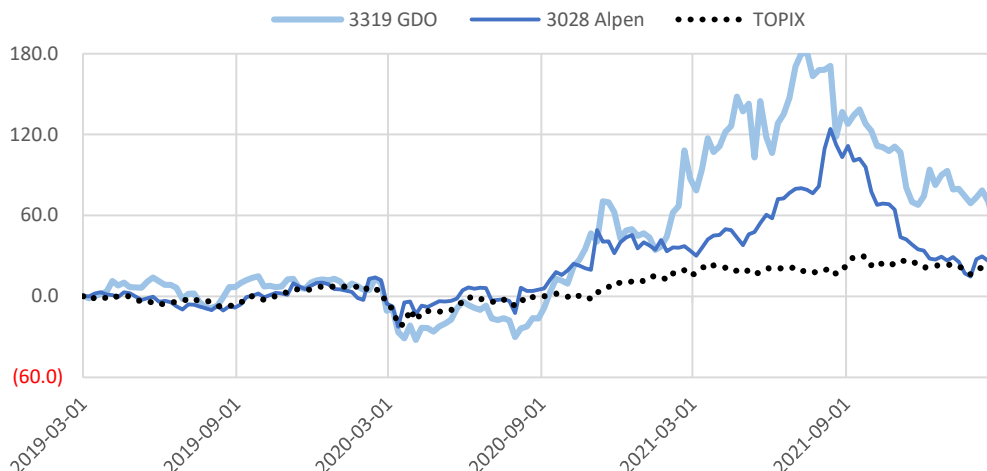
GOLFTEC Enterprises LLC 25TH Anniversary in 2020



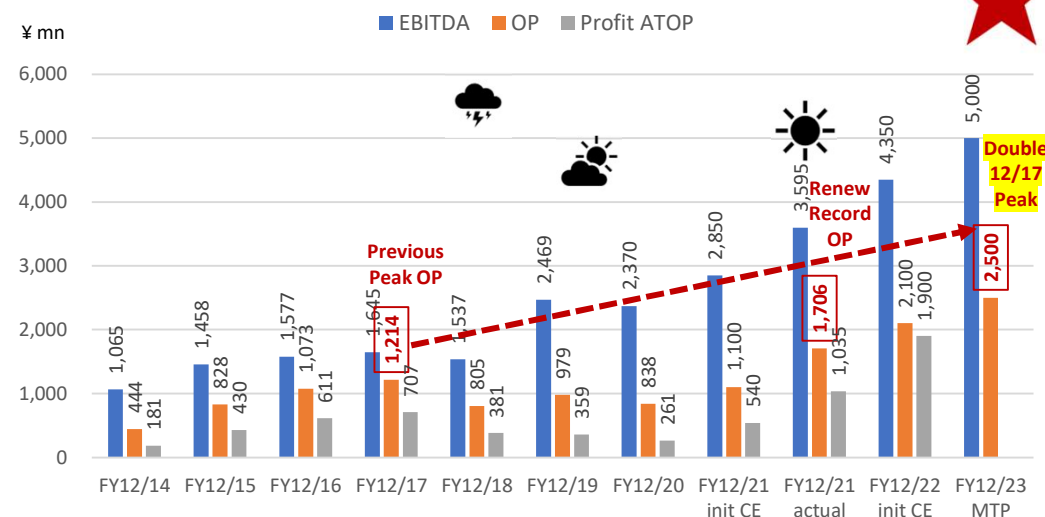
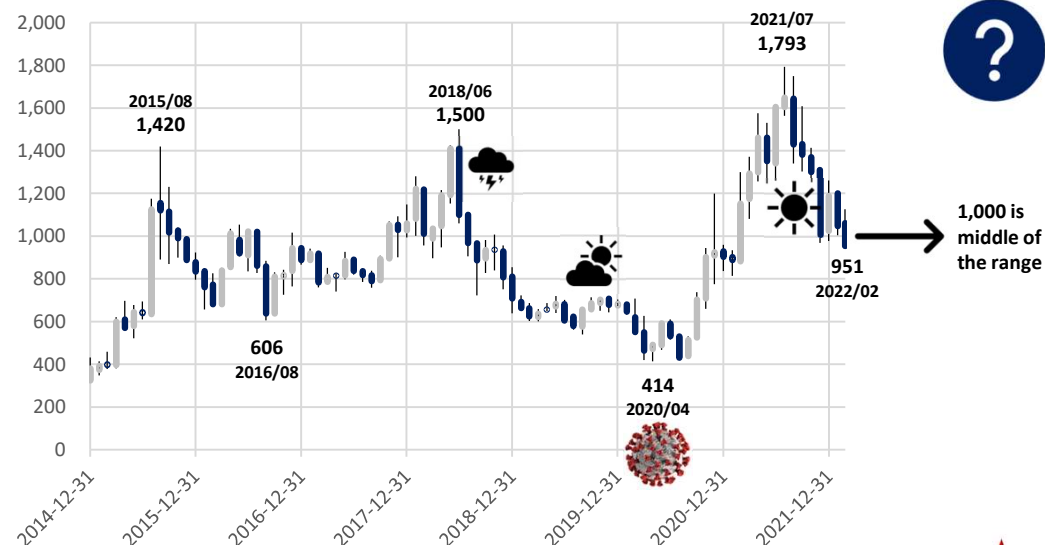
- Total Lessons since '95: 2021.3 11,127,806
- 1 million+ students
 - 7 stroke AVG improvement
 - 700+ certified personal coaches
 - #1 employer of PGA professionals
 - 200+ studios worldwide
 - 37 US states, 6 countries



3-Year Weekly Relative Performance



GDO's share price has exceeded the level of the GTE acquisition announcement; It likely has not yet discounted 12/23 MTP OP target double the previous 12/17 peak



Source: compiled by Sessa Partners from IR results briefing materials. Monthly share price from SPEEDA data.

METI Current Survey of Selected Service Industries: Golf Courses and Driving Ranges

YoY (below data)	Total Sales (JPY mn)				Total No. of Users (persons)			Avg. No. Business Days	YoY (below data)	Driving Ranges		
	Total Sales	Play / Use Fees	Caddie Fees	Shops / Dining	Total Users	Member Users	Guests Users			Total Sales (JPY mn)	Total No. of Users	Total No. of Boxes
CY2018	88,832	58,859	15,086	14,886	8,925,758	2,609,821	6,315,937	306.6	CY2018	28,785	19,180,742	14,066
CY2019	91,758	61,776	14,703	15,279	9,296,106	2,690,441	6,605,665	312.3	CY2019	29,103	19,502,580	14,056
CY2020	79,892	55,443	12,185	12,264	8,912,524	2,919,206	5,993,318	304.7	CY2020	30,951	21,281,859	15,491
CY2021	92,363	64,889	13,632	13,843	10,027,609	3,191,036	6,836,573	301.8	CY2021	36,792	24,948,524	15,608
CY2018	(4.6)	(3.4)	(6.7)	(6.4)	(4.9)	(3.6)	(5.4)		CY2018	(5.3)	(3.4)	
CY2019	3.3	4.5	(0.1)	2.0	4.4	3.8	4.6		CY2019	1.6	2.1	
CY2020	(17.3)	(15.2)	(18.1)	(24.9)	(8.4)	3.1	(13.2)		CY2020	(1.3)	2.4	
CY2021	14.1	15.5	10.3	11.4	10.4	6.9	12.1		CY2021	12.9	11.1	
2019.Q1	15,109	10,127	2,373	2,609	1,572,768	520,472	1,052,296	59.8	2019.Q1	6,688	4,474,986	14,104
Q2	26,801	18,163	4,307	4,331	2,725,293	765,176	1,960,117	86.0	Q2	7,915	5,349,314	14,203
Q3	25,443	17,008	4,326	4,109	2,641,772	736,219	1,905,553	88.2	Q3	7,288	4,818,086	14,149
Q4	24,405	16,477	3,697	4,231	2,356,273	668,574	1,687,699	78.4	Q4	7,212	4,860,194	14,056
2020.Q1	14,930	10,226	2,155	2,549	1,573,987	547,294	1,026,693	60.3	2020.Q1	6,963	4,717,709	13,589
Q2	15,956	11,372	2,520	2,064	1,994,790	705,499	1,289,291	81.4	Q2	6,251	4,497,569	13,711
Q3	24,148	16,560	3,897	3,690	2,782,391	875,417	1,906,974	86.9	Q3	8,669	5,929,630	15,513
Q4	24,858	17,285	3,612	3,961	2,561,356	790,996	1,770,360	76.1	Q4	9,067	6,136,951	15,491
2021.Q1	15,579	10,778	2,241	2,560	1,698,223	593,327	1,104,896	55.2	2021.Q1	8,474	5,734,881	15,467
Q2	24,848	17,647	3,722	3,479	2,789,584	903,710	1,885,874	83.5	Q2	10,021	6,789,735	15,476
Q3	25,349	17,818	3,949	3,582	2,859,342	879,478	1,979,864	86.2	Q3	9,003	6,178,892	15,476
Q4	26,587	18,646	3,719	4,222	2,680,460	814,521	1,865,939	76.9	Q4	9,294	6,245,016	15,608
2019.Q1	8.7	9.0	8.2	7.8	10.8	10.7	10.9		2019.Q1	2.1	3.8	
Q2	(1.3)	(0.1)	(3.6)	(3.4)	0.4	0.3	0.4		Q2	(1.4)	(1.0)	
Q3	8.6	10.3	4.8	6.3	9.1	7.8	9.6		Q3	7.4	7.0	
Q4	0.3	1.7	(5.8)	0.5	0.2	(1.1)	0.7		Q4	(0.9)	(0.6)	
2020.Q1	(4.1)	(2.7)	(8.2)	(6.7)	(1.7)	2.8	(4.1)		2020.Q1	3.2	5.7	
Q2	(42.2)	(39.6)	(40.8)	(54.5)	(28.1)	(9.8)	(35.3)		Q2	(21.7)	(15.7)	
Q3	(11.0)	(9.2)	(12.2)	(17.1)	(1.2)	10.6	(6.0)		Q3	4.9	9.5	
Q4	(4.5)	(2.2)	(4.8)	(13.5)	1.9	10.0	(1.4)		Q4	10.9	12.3	
2021.Q1	0.9	1.9	0.2	(2.9)	3.0	3.1	2.9		2021.Q1	8.3	7.8	
Q2	50.6	50.1	42.4	63.0	33.6	21.8	39.8		Q2	42.7	33.9	
Q3	5.0	7.6	1.3	(2.9)	2.8	0.5	3.8		Q3	3.9	4.2	
Q4	7.0	7.9	3.0	6.6	4.7	3.0	5.4		Q4	2.5	1.8	
2021.Jan	4,513	3,115	666	731	493,014	183,603	309,411	17.3	2021.Jan	2,726	1,812,669	15,551
Feb	4,772	3,282	706	785	528,867	198,999	329,868	16.5	Feb	2,738	1,846,244	15,349
Mar	6,293	4,380	869	1,044	676,342	210,725	465,617	21.3	Mar	3,010	2,075,968	15,467
Apr	7,807	5,477	1,136	1,194	854,580	267,294	587,286	26.1	Apr	3,268	2,228,776	15,474
May	8,813	6,347	1,304	1,162	988,241	337,250	650,991	29.1	May	3,559	2,394,949	15,476
Jun	8,228	5,822	1,282	1,123	946,763	299,166	647,597	28.3	Jun	3,193	2,166,010	15,476
Jul	8,967	6,267	1,384	1,317	991,166	302,691	688,475	29.3	Jul	2,907	1,997,981	15,395
Aug	7,606	5,302	1,211	1,093	877,852	267,381	610,471	28.4	Aug	2,877	1,982,558	15,471
Sep	8,776	6,249	1,355	1,172	990,324	309,406	680,918	28.5	Sep	3,219	2,198,353	15,476
Oct	10,237	7,137	1,519	1,581	1,066,481	322,250	744,231	29.6	Oct	3,287	2,260,706	15,472
Nov	9,033	6,370	1,218	1,445	898,198	274,168	624,030	26.3	Nov	3,214	2,154,221	15,599
Dec	7,318	5,139	983	1,196	715,781	218,103	497,678	21.0	Dec	2,793	1,830,089	15,608
2021.Jan	(8.1)	(7.1)	(6.7)	(13.4)	(4.5)	(2.8)	(5.6)		2021.Jan	9.4	7.8	
Feb	0.4	1.6	(1.2)	(3.0)	3.7	11.7	(0.7)		Feb	7.3	7.3	
Mar	9.0	9.8	7.6	6.2	8.8	1.1	12.5		Mar	8.3	8.3	
Apr	84.2	82.3	69.9	109.9	61.2	38.6	73.9		Apr	67.0	55.4	
May	54.2	51.4	46.1	83.0	30.8	21.0	36.4		May	50.2	36.4	
Jun	25.7	27.6	21.7	20.7	17.9	10.7	21.4		Jun	18.4	15.2	
Jul	23.3	25.9	16.3	19.3	15.5	9.4	18.4		Jul	1.6	0.7	
Aug	(9.5)	(7.6)	(10.2)	(17.1)	(10.8)	(13.5)	(9.6)		Aug	2.2	2.5	
Sep	3.6	6.9	(0.3)	(7.6)	5.4	6.8	4.7		Sep	7.6	9.2	
Oct	12.5	14.0	7.4	11.0	8.6	9.9	8.0		Oct	2.7	3.5	
Nov	2.9	3.7	(0.2)	2.1	1.7	(1.7)	3.3		Nov	4.8	2.3	
Dec	4.8	5.3	0.5	6.7	2.8	(0.3)	4.2		Dec	(0.3)	(0.9)	

Source: Ministry of Economy, Trade and Industry (METI) monthly releases.

As Reported Consolidated Balance Sheets: Assets

(Thousand yen)

	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	2,873,076	2,904,770
Accounts receivable - trade	2,640,033	2,689,067
Merchandise	2,898,380	3,219,906
Work in process	783	601
Supplies	160,822	72,934
Prepaid expenses	782,383	1,159,200
Other	296,704	511,919
Allowance for doubtful accounts	(11,686)	(15,871)
Total current assets	9,640,497	10,542,529
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,299,870	3,299,870
Machinery, equipment and vehicles	1,850	1,850
Tools, furniture and fixtures	1,551,456	1,551,456
Leased assets	13,506	13,506
Construction in progress	174,422	174,422
Accumulated depreciation	(2,158,613)	(2,158,613)
Total property, plant and equipment	2,882,493	2,882,493
Intangible assets		
Goodwill	2,568,926	4,059,538
Software	1,062,704	1,444,948
Other	873,981	986,719
Total intangible assets	4,505,612	6,491,206
Investments and other assets		
Investment securities	13,986	10,467
Deferred tax assets	234,706	252,395
Leasehold and guarantee deposits	605,431	626,411
Other	118,668	120,546
Allowance for doubtful accounts	(7,000)	(6,925)
Total investments and other assets	965,792	1,002,895
Total non-current assets	8,353,898	11,308,982
Total assets	17,994,395	21,851,512

Source: company TANSHIN financial statements (Summary of Consolidated Financial Results).

As Reported Consolidated Balance Sheets: Liabilities and Net Assets

(Thousand yen)

	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	2,089,043	2,244,851
Short-term borrowings	1,471,876	2,025,715
Current portion of long-term borrowings	666,400	-
Lease obligations	1,001	276
Accounts payable - other	1,130,346	1,801,457
Income taxes payable	479,727	258,382
Deferred Revenue	2,951,641	4,751,412
Provision for bonuses	76,975	140,000
Provision for point card certificates	289,580	322,183
Provision for shareholder benefit program	36,648	29,782
Provision for loss on litigation	-	69,012
Other	1,885,527	1,978,350
Total current liabilities	11,078,769	13,621,424
Non-current liabilities		
Lease obligations	1,191	1,022
Deferred tax liabilities	165,299	146,883
Provision for retirement benefits for directors (and other officers)	102,252	109,002
Asset retirement obligations	287,436	286,779
Other	2,921	275,028
Total non-current liabilities	559,100	818,715
Total liabilities	11,637,870	14,440,140
Net assets		
Shareholders' equity		
Share capital	1,458,953	1,458,953
Capital surplus	2,447,104	2,447,104
Retained earnings	2,604,322	3,466,545
Treasury shares	(296)	(422)
Total shareholders' equity	6,510,084	7,372,180
Accumulated other comprehensive income		
Foreign currency translation adjustment	(153,558)	31,654
Total accumulated other comprehensive income	(153,558)	31,654
Share acquisition rights	-	7,536
Total net assets	6,356,525	7,411,371
Total liabilities and net assets	17,994,395	21,851,512

Source: company TANSHIN financial statements (Summary of Consolidated Financial Results).

As Reported Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Net sales	33,690,631	39,594,705
Cost of sales	20,614,876	22,569,362
Gross profit	13,075,754	17,025,342
Selling, general and administrative expenses	12,236,801	15,318,646
Operating profit	838,953	1,706,696
Non-operating income		
Interest income	39	84
Dividend income	451	-
Rental income from real estate	13,538	14,098
Compensation income	8,058	6,367
Subsidy income etc	63,939	-
Other	14,043	7,987
Total non-operating income	100,070	28,538
Non-operating expenses		
Interest expenses	27,388	13,847
Loss on valuation of securities	770	3,519
Other	3,045	2,168
Total non-operating expenses	31,204	19,535
Ordinary profit	907,818	1,715,698
Extraordinary income		
Gain on reversal of share acquisition rights	-	1,611
Gain on differences between the asset retirement obligation balance and the actual retirement costs	-	49,564
Total extraordinary income	-	51,175
Extraordinary losses		
Loss on retirement of non-current assets	75,170	128,473
Loss on cancellation of rental contracts	-	41,542
Provision for loss on litigation	-	65,940
Loss on sale of investment securities	2,732	-
Total extraordinary losses	77,903	235,955
Profit before income taxes	829,915	1,530,918
Income taxes - current	652,457	545,172
Income taxes - deferred	(84,018)	(50,076)
Total income taxes	568,438	495,095
Net Income	261,477	1,035,822
Profit attributable to owners of parent	261,477	1,035,822

Source: company TANSHIN financial statements (Summary of Consolidated Financial Results).

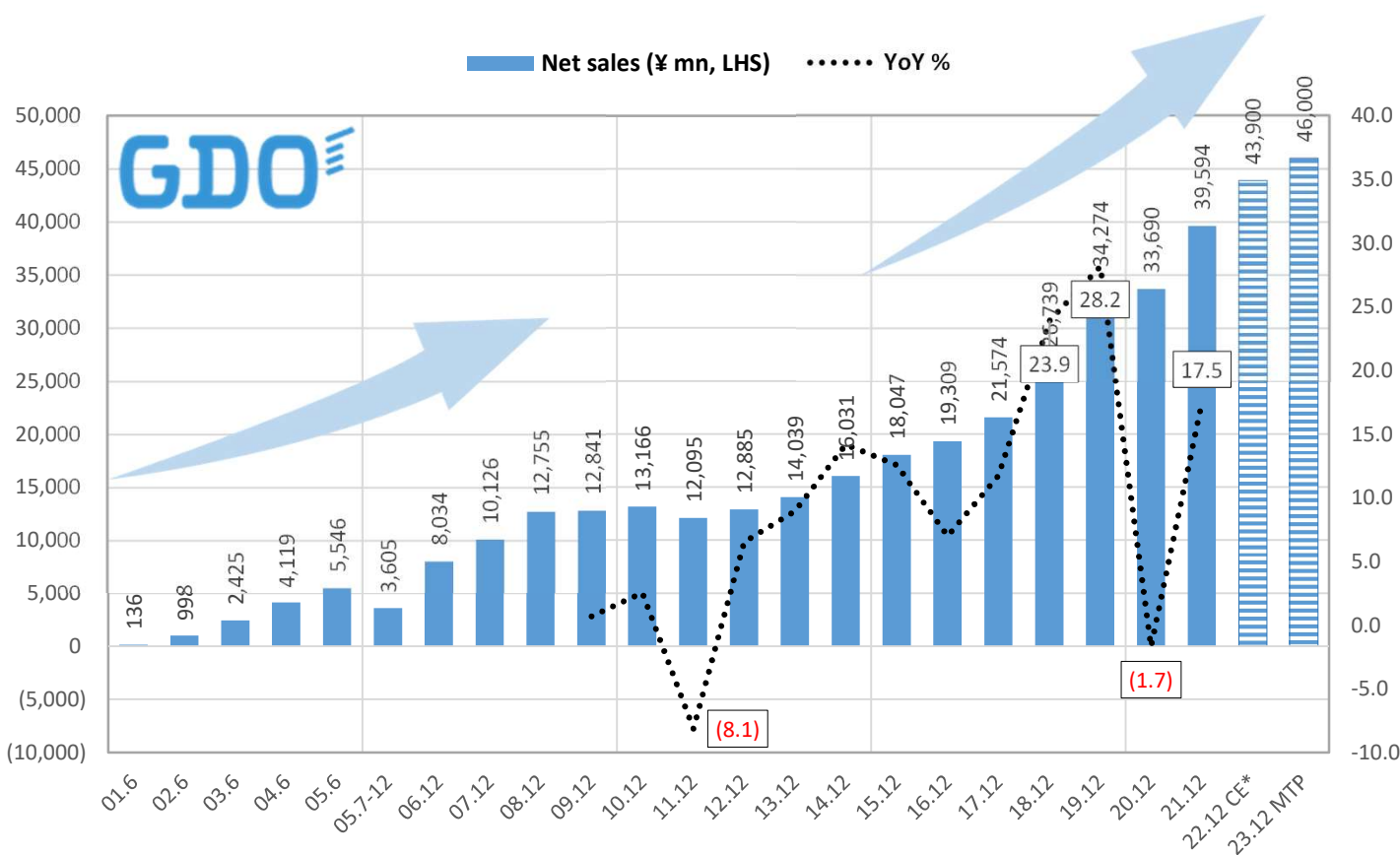
As Reported Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Profit (loss)	261,477	1,035,822
Other comprehensive income		
Valuation difference on available-for-sale securities	2,020	-
Foreign currency translation adjustment	(121,971)	185,213
Other comprehensive income	(119,951)	185,213
Comprehensive income	141,525	1,221,036
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	141,525	1,221,036

Source: company TANSHIN financial statements (Summary of Consolidated Financial Results).

GDO Consolidated Net Sales: Relentless Growth Only Declined Twice (both after natural disasters)



*Note: GDO Japan domestic net sales are adopting ASBJ Statement No. 29 Accounting Standard for Revenue Recognition from the start of FY22.12. A comparison of FY22.12 company estimates using the new revenue recognition standard and prior to the change are shown in the table on P7. Source: compiled by Sessa Partners from SPEEDA database and company IR materials

As Reported Consolidated Statements of Cash Flows

	(Thousand yen)	
	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	829,915	1,530,918
Depreciation	1,190,591	1,443,241
Amortization of goodwill	338,897	443,803
Increase (decrease) in provision for point card certificates	58,627	32,603
Increase (decrease) in allowance for doubtful accounts	2,769	3,132
Increase (decrease) in provision for bonuses	69,878	63,024
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(5,748)	6,750
Increase (decrease) in provision for shareholder benefit program	9,861	(6,865)
Increase (decrease) in provision for loss on litigation	-	65,940
Interest and dividend income	(491)	(84)
Interest expenses	27,388	13,847
Loss on retirement of non-current assets	75,170	128,473
Loss (gain) on sale of investment securities	2,732	-
Decrease (increase) in trade receivables	(19,658)	(8,181)
Decrease (increase) in inventories	1,766,810	(178,906)
Increase (decrease) in trade payables	(607,013)	115,589
Increase (decrease) in deferred revenue	543,620	1,178,673
Decrease (increase) in other assets	138,797	(518,738)
Increase (decrease) in other liabilities	846,741	340,593
Other, net	118,815	48,710
Subtotal	5,387,709	4,702,523
Interest and dividends received	491	945
Interest paid	(25,546)	(8,280)
Income taxes paid	(474,635)	(775,611)
Net cash provided by (used in) operating activities	4,888,018	3,919,578
Cash flows from investing activities		
Payments for acquisition of businesses	(63,488)	(1,373,385)
Purchase of property, plant and equipment	(872,629)	(1,288,403)
Purchase of intangible assets	(349,977)	(902,528)
Proceeds from sale of investment securities	11,460	-
Loan advances	(177)	(226)
Proceeds from collection of loans receivable	668	426
Proceeds from refund of leasehold deposits	600	13,841
Payments of leasehold deposits	(11,422)	(26,462)
Other, net	-	(3,355)
Net cash provided by (used in) investing activities	(1,284,967)	(3,580,093)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,933,984)	468,142
Repayments of long-term borrowings	(667,333)	(666,400)
Repayments of lease obligations	(1,835)	(893)
Dividends paid	(100,780)	(173,330)
Purchase of treasury shares	(50)	(126)
Net cash provided by (used in) financing activities	(2,703,984)	(372,607)
Effect of exchange rate change on cash and cash equivalents	(22,526)	64,817
Net increase (decrease) in cash and cash equivalents	876,540	31,694
Cash and cash equivalents at beginning of period	1,996,536	2,873,076
Cash and cash equivalents at end of period	2,873,076	2,904,770

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