

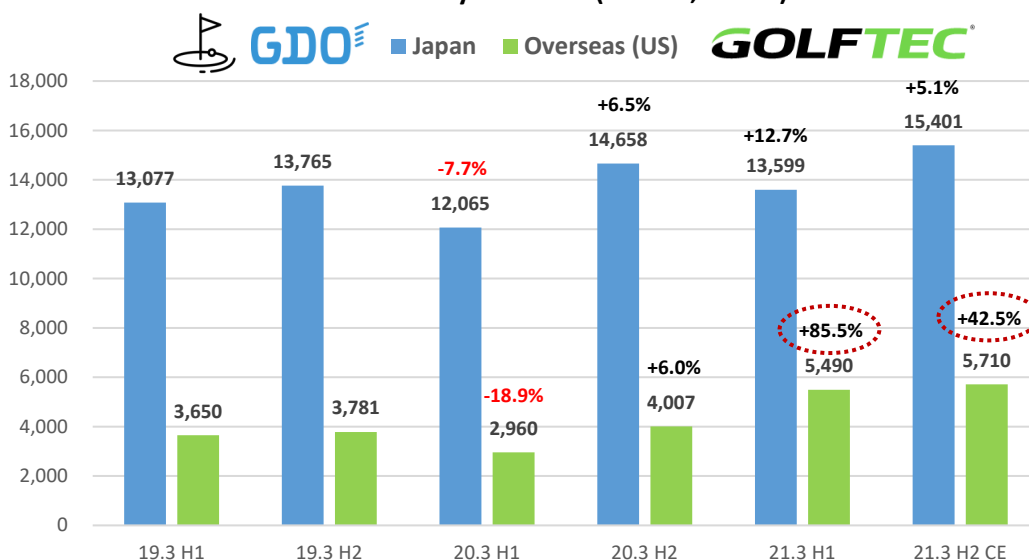
## Full-term OP revised up +32%, NP +47%

2Q record overseas sales, first time overseas OP turned profitable

### SUMMARY

- GDO reported 2Q FY12/21 results at 15:00 on August 12, as well as sharply revising up full-term guidance. 1H headline figures were net sales +27.0%, EBITDA +5.5x and OP increasing by ¥1.4bn versus posting an operating loss during the 1H last term (please see the table on the top of P3 for details). GDO posted record results for the 2Q, and the key point is the strong contribution of the Overseas segment: 1H net sales increased by ¥2.5bn (+85%, graph below), and EBITDA and OP improved by ¥0.8bn respectively, contributing to the lion's share of net consolidated gains.
- A major driver of this strong performance was faithful execution of the MTP initiative to invest aggressively in expanding directly managed GOLFTEC Corporate Centers, targeting +22 annually. During the 1H, the company increased Corporate Centers by +13 (5 new openings, acquired 8 FC centers), on pace for a significant overshoot on the year 1 target. It also made progress on strengthening custom club fittings and merchandise sales (please see P10 for an overview of MTP initiatives).
- The share price has exceeded the level of the announcement acquiring a majority stake in GTE. This is the market beginning to discount a genuine contribution to consolidated earnings from GTE. Since the announcement of 1H results and sharp upward revision to full-term guidance, GDO's share price has corrected by roughly 15%, on profit-taking, etc., after the good news. However, current valuations are roughly in line with historical multiples, and the share price likely has not yet discounted the 12/23 MTP OP target double the previous 12/17 peak, in our opinion.

GDO Consolidated Net Sales Trend by Half Year (JPY mn, % YoY)



Source: compiled by SESSA Partners from company IR results briefings.

## 2Q Follow-up



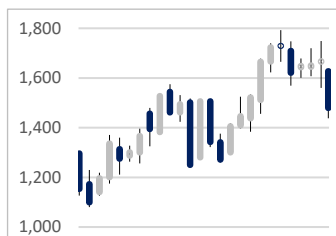
### Focus Points:

'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 (8/18)	1,479
YH (21/7/13)	1,793
YL (21/1/15)	814
10YH (21/7/13)	1,793
10YL (12/10/16)	70.4
Shrs out. (mn shrs)	18.274
Mkt cap (¥ bn)	27.027
Shr equity ratio (6/30)	33.8%
21.12 P/E (CE)	34.0x
21.12 EV/EBITDA (CE)	8.0x
21.12 P/B (2Q act)	3.86x
20.12 ROE (act)	4.12%
21.12 DY (CE)	0.64%

### 6M stock price (weekly)



Source: SPEEDA data

### Chris Schreiber CFA

Company Specialist  
[research@sessapartners.co.jp](mailto:research@sessapartners.co.jp)



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.

## Golf Digest Online Quarterly Consolidated Financial Highlights

[J-GAAP]	FY12/18				FY12/19				FY12/20				FY12/21	
JPY mn, %	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
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
<b>Net sales</b>	<b>5,199</b>	<b>6,727</b>	<b>6,303</b>	<b>8,508</b>	<b>7,553</b>	<b>9,175</b>	<b>8,873</b>	<b>8,671</b>	<b>8,070</b>	<b>6,955</b>	<b>8,973</b>	<b>9,691</b>	<b>8,677</b>	<b>10,412</b>
• 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
• <b>Overseas</b>	—	—	—	1,494	1,604	2,046	1,961	1,819	1,896	1,063	1,990	2,016	2,328	3,161
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
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%
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
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%
Labor cost	729	767	784	945	938	979	1,074	1,026	1,000	1,004	978	1,118	1,111	1,124
Marketing-related	309	570	465	555	472	665	594	497	524	353	480	661	572	954
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%
IT / capex	323	321	329	478	477	489	488	519	502	505	485	495	509	549
Goodwill	2	2	2	87	85	84	79	85	85	85	84	83	85	100
Other	511	708	679	1,093	1,024	1,065	1,035	993	982	878	888	1,039	988	1,065
<b>EBITDA</b>	<b>161</b>	<b>386</b>	<b>269</b>	<b>711</b>	<b>211</b>	<b>775</b>	<b>590</b>	<b>892</b>	<b>427</b>	<b>(102)</b>	<b>1,023</b>	<b>1,019</b>	<b>617</b>	<b>1,161</b>
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%
• Japan	197	537	359	782	292	552	471	740	383	219	904	795	538	712
• <b>Overseas</b>	(35)	(141)	(90)	(71)	(80)	222	119	151	44	(322)	119	224	78	449
<b>Operating profit</b>	<b>45</b>	<b>275</b>	<b>133</b>	<b>349</b>	<b>(147)</b>	<b>409</b>	<b>229</b>	<b>486</b>	<b>42</b>	<b>(488)</b>	<b>643</b>	<b>641</b>	<b>227</b>	<b>730</b>
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%
• Japan	87	423	231	644	164	427	343	599	254	89	773	663	407	576
• <b>Overseas</b>	(42)	(147)	(99)	(294)	(312)	(17)	(113)	(112)	(211)	(577)	(130)	(21)	(179)	154
Ordinary Profit	44	264	167	346	(152)	409	228	486	39	(478)	706	641	232	731
Profit ATOP	(20)	157	177	65	(203)	284	123	154	(45)	(564)	468	404	106	525
<b>[B/S]</b>														
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
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
LT loans < 1Y	0	0	0	666	666	666	666	666	666	666	666	666	333	333
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
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
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
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
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
<b>[Supplementary info]</b>														
'Golf Garage' shops	5	5	5	5	5	5	5	5	6	6	6	6	6	6
'GOLFTEC' studios	10	11	197	200	202	206	208	209	207	208	207	207	211	212
FC studios in Japan	10	11	11	12	12	12	12	13	13	13	13	13	13	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
Club Members (10k)	343	353	362	372	379	390	401	413	424	436	451	464	476	491

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

Given the strong business environment with new players in their 20's etc., the table above shows GDO deployed nearly ¥1bn in marketing-related expense in the 2Q, 9.2% of net sales, a record quarterly high.

GDO Club members increased by 150k in the 2Q, +12.8% YoY (see graph on the top of P9), with new members in their 20s +70% in FY12/20.

## FY12/21 GDO Revised Consolidated Financial Forecast Summary

[J-GAAP]	FY12/20	YoY	FY12/21	YoY	FY12/21	YoY	AMT	PCT
JPY mn, %	act	%	init CE	%	rev'd CE	%	revised	rev'd
<b>Net sales</b>	<b>33,691</b>	<b>(1.7)</b>	<b>37,800</b>	<b>12.2</b>	<b>40,200</b>	<b>19.3</b>	<b>2,400</b>	<b>6.3</b>
• Japan	26,724	(0.4)	27,800	4.0	29,000	8.5	1,200	4.3
• <b>Overseas</b>	6,967	(6.3)	10,000	43.5	11,200	60.8	1,200	12.0
<b>EBITDA</b>	<b>2,370</b>	<b>(4.0)</b>	<b>2,850</b>	<b>20.3</b>	<b>3,250</b>	<b>37.1</b>	<b>400</b>	<b>14.0</b>
• Japan	2,304	12.0	2,100	(8.9)	2,300	(0.2)	200	9.5
• <b>Overseas</b>	66	(84.0)	750	11.4x	950	14.4x	200	26.7
<b>Operating profit</b>	<b>839</b>	<b>(14.3)</b>	<b>1,100</b>	<b>31.1</b>	<b>1,450</b>	<b>72.8</b>	<b>350</b>	<b>31.8</b>
• Japan	1,780	15.9	1,500	(15.7)	1,700	(4.5)	200	13.3
• <b>Overseas</b>	(941)	RE	(400)	RS	(250)	RS	150	—
Ordinary profit	908	(6.6)	1,090	20.1	1,440	58.6	350	32.1
<b>Profit ATOP</b>	<b>261</b>	<b>(27.1)</b>	<b>540</b>	<b>106.5</b>	<b>795</b>	<b>204.0</b>	<b>255</b>	<b>47.2</b>

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

While high growth in headline net sales and profits stands out, the strong performance of the Overseas segment is particularly noteworthy.

This is being driven by executing on investment in aggressively expanding US GOLFTEC directly managed Corporate Centers as spelled out in the MTP (see overview on P10).

The roughly ¥1.4bn increase in GW on the B/S is attributed to ¥1.2bn for acquiring FC centers and ¥0.2bn due to the yen's depreciation (USD 103 → 110).

Having increased the number of corporate centers by +13 in the 1H, and with visibility on 2H plans, GTE is on track to top the MTP target of +22 for the full-term (+26 or so).

### 1H FY12/21 GDO Consolidated Financial Results Summary

[J-GAAP]	FY12/19	FY12/20	AMT	YoY	FY12/21	AMT	YoY
JPY mn, %	1H act	1H act	CHG	%	1H act	CHG	%
<b>Net sales</b>	<b>16,728</b>	<b>15,026</b>	<b>(1,702)</b>	<b>(10.2)</b>	<b>19,090</b>	<b>4,064</b>	<b>27.0</b>
• Japan	13,077	12,065	(1,012)	(7.7)	13,599	1,534	12.7
• <b>Overseas</b>	3,650	2,960	(690)	(18.9)	5,490	2,530	85.5
Gross profit	6,545	5,477	(1,068)	(16.3)	8,020	2,543	46.4
SG&A expense	6,282	5,923	(359)	(5.7)	7,062	1,139	19.2
<b>EBITDA</b>	<b>986</b>	<b>325</b>	<b>(661)</b>	<b>(67.0)</b>	<b>1,778</b>	<b>1,453</b>	<b>447.1</b>
• Japan	844	603	(241)	(28.6)	1,250	647	107.3
• <b>Overseas</b>	141	(277)	(418)	TR	528	805	TB
<b>Operating profit</b>	<b>262</b>	<b>(445)</b>	<b>(707)</b>	<b>TR</b>	<b>958</b>	<b>1,403</b>	<b>TB</b>
• Japan	591	343	(248)	(42.0)	983	640	186.6
• <b>Overseas</b>	(329)	(789)	(460)	RE	(24)	765	RS
Ordinary profit	256	(439)	(695)	TR	963	1,402	TB
<b>Profit ATOP</b>	<b>80</b>	<b>(610)</b>	<b>(690)</b>	<b>TR</b>	<b>632</b>	<b>1,242</b>	<b>TB</b>

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

TR = turned red, RE = red expanded, RS = red shrank, TB = turned black.

### Deployed USD 21 million in IT, capex and shareholder returns

<b>Overseas &amp; New Business</b>	<ul style="list-style-type: none"> <li>U.S. GOLFTEC : 15.7 million USD Corporate centers +13centers (include 8 acquire franchise to be corporately owned), Software development, etc.</li> <li>Top Tracer range Business : 1.5 million USD</li> </ul>
<b>Domestic Business</b>	<p>Domestic Business 3.0 million USD</p> <ul style="list-style-type: none"> <li>. Expansion of the system infrastructure that supports GDO's business</li> <li>Investment for the service strengthening</li> </ul>
<b>Shareholder return</b>	<ul style="list-style-type: none"> <li>The interim dividend for the fiscal year ending December 2021 is planned to be 4.0 yen (0.037 USD), and the year-end dividend is planned to be 5.5 yen (0.05 USD)</li> </ul>

Source: Company IR results briefing materials.

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

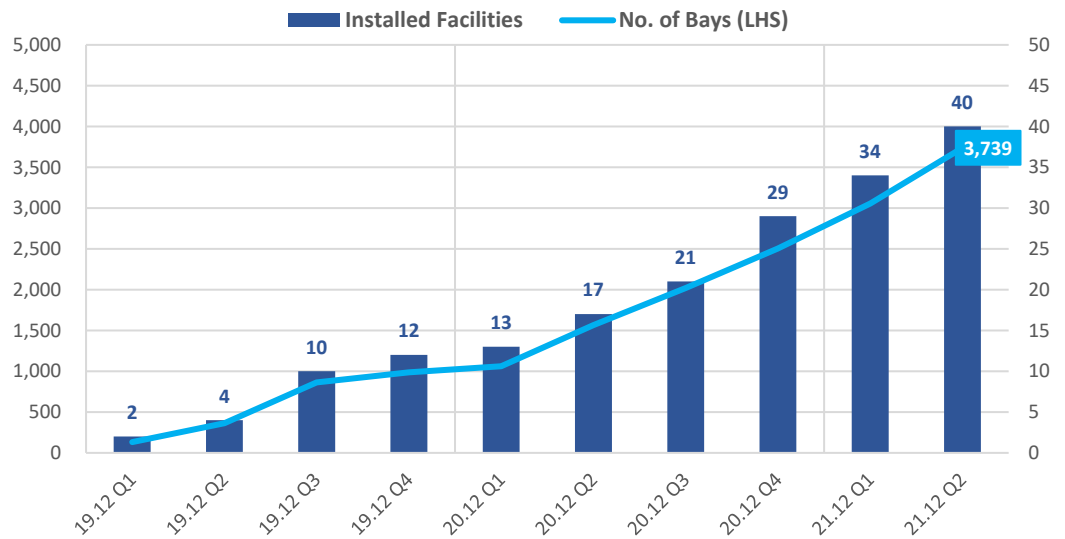
No. of studios	Corporate Centers	FC Centers	Total Studios
<b>FY12/20 Q4 end</b>	<b>116</b>	<b>91</b>	<b>207</b>
New openings	4	0	4
Acquire FC	3	(3)	0
Close	0	0	0
<b>FY12/21 Q1 end</b>	<b>123</b>	<b>88</b>	<b>211</b>
New openings	1	0	1
Acquire FC	5	(5)	0
Closure	0	0	0
<b>FY12/21 Q2 end</b>	<b>129</b>	<b>83</b>	<b>212</b>
1H change	13	(8)	5

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

New High-Tech Driving Ranges



Progress of Top Tracer Range Installations in Driving ranges



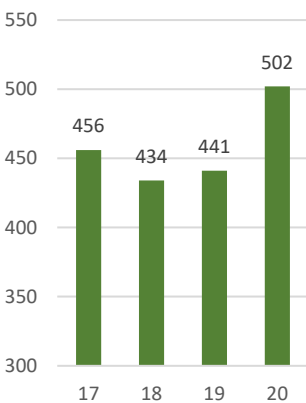
Source: compiled by Sessa Partners from GDO results briefing materials

The number of Top Tracer Range new installations in the 1H was +11, which is running behind the MTP annual target of +50. This is attributed to driving range operators slightly pushing out installations as a result of the new wave of COVID-19. However, the Company says it has some visibility on 2H orders, and it expects the number of new installations to steadily increase going forward.

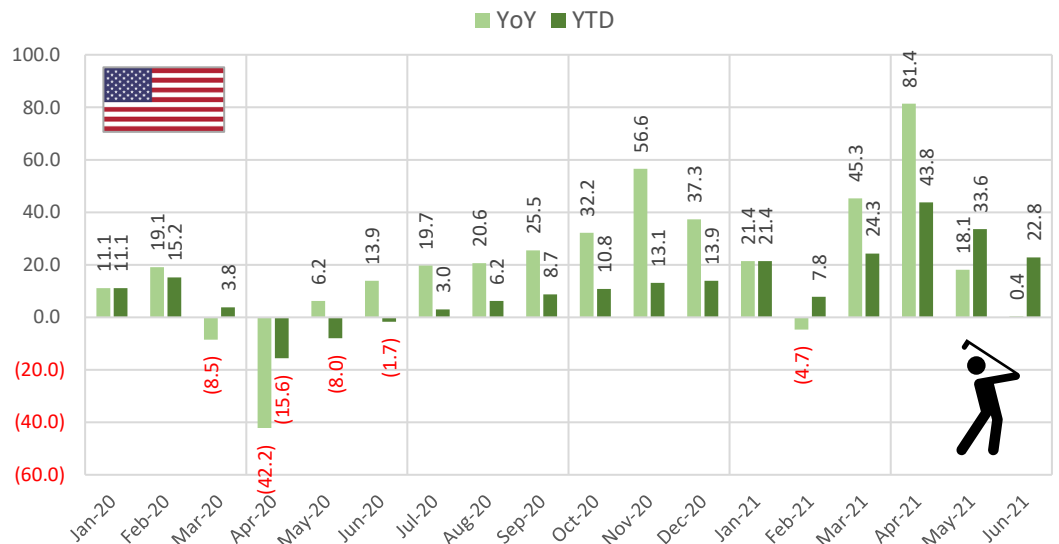
NGF monthly US rounds data below shows that June 2021 slowed to +0.4%. It was only a matter of time before the high base for YoY comparison would result in growth slowing. While high double-digit growth cannot be sustained forever, the NGF research team notes that the strong business environment with a large group of new players among young people in their 20s and 30s is likely to continue for the time being.

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

Total US rounds played (million)



Source: NGF



Source: compiled by Sessa Partners from NGF monthly reports



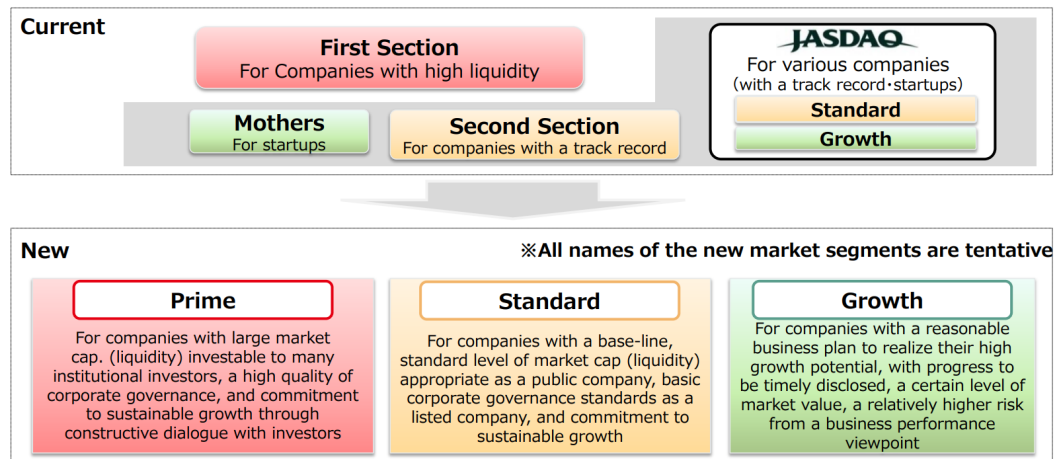
**Brief summary of the TSE’s transition to new market segments on April 4, 2022**

The TSE’s current 4 market segments: First Section, Second Section, Mothers and JASDAQ (Standard / Growth), are carryovers from when the Tokyo Stock Exchange and Osaka Securities Exchange merged in July 2013, maintaining their respective market structures to avoid impacting listed companies and investors. However, this created three unresolved issues:

- the concepts of each segment are ambiguous and difficult for investors to use, specifically between the First Section, and the Second Section, Mothers and JASDAQ which overlap as ‘step-up’ markets for growth companies,
- companies are not sufficiently motivated to strive to continuously raise corporate value, specifically due to delisting criteria significantly lower than for new listing, and relaxed criteria for moving to the First Section, and
- there is no index functioning properly as a representative benchmark, citing problems with the current definition of tradable shares and lack of a true free float market capitalization weighted index methodology.

After completing a multi-year review by numerous scholars and experts, the TSE decided to revise current market segments into three new segments shown in the graphic below, completing the transition on April 4, 2022, to revise maintenance listing criteria to be equivalent to those of new listing (IPO) criteria, to revise the calculation of TOPIX in steps over time, including revising the definition of tradable shares, and to introduce several new indices as investable benchmarks to reflect broad investment opportunities.

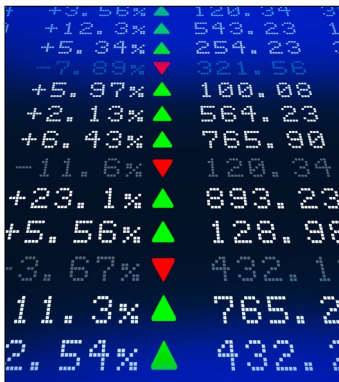
**Review of TSE Cash Equity Market Structure**



Source: “Review of TSE Cash Equity Market Structure,” JAPAN EXCHANGE GROUP (JPX)  
<https://www.jpx.co.jp/english/equities/improvements/market-structure/index.html>

**Implementation Schedule (as of July 2021)**

- February 21, 2020: outline of Market Structure Review (new market segments)
- December 25, 2020: outline of 2<sup>nd</sup> revision (listing criteria, transition process)
- April 7, 2021: outline of 3<sup>rd</sup> revision (revised corporate governance code etc.)
- June 30, 2021: ref. date for First Decision (whether cos. meet revised listing criteria)
- July 9, 2021: individual notifications from TSE of First Decision
- SEP – DEC 2021: cos. apply to choose mkt segment based on listing criteria, CG code
- January 11, 2022: new market segments for listed cos. published on JPX website
- April 4, 2022: transition to new market segments
- Oct. 2022: Second Decision (for cos whose tradable shares mkt cap was < ¥10bn)
- Oct. 2023: Re-evaluation (if constituent phased weighting reduction to be cont.)



**Designation and re-evaluation of phased weighting reduction constituents**

Timing	Details
<b>First decision</b> July 2021	TSE will confirm <u>whether each company's tradable share market capitalization is JPY 10 billion or above</u> (Figures used will be from the "Notice on whether the company is meeting the continued listing criteria for the new market segments" which has a base date of June 30, 2021.).
<b>Second decision</b> October 2022	For companies whose tradable share market capitalization was under JPY 10 billion as of the first decision, TSE will confirm <u>whether the situation had improved</u> as of the next reporting period. If their tradable share market capitalization is found to have still been under JPY 10 billion at this point, the company will be designated as a "phased weighting reduction constituent". <u>Their TOPIX weighting will be gradually reduced in ten (10) stages starting October 2022.</u>
<b>Re-evaluation</b> October 2023	For each phased weighting reduction constituent, TSE will confirm: 1) <u>whether their tradable share market capitalization for the reporting period following the second decision was JPY 10 billion or over</u> , and 2) <u>whether their annual traded value ratio was 0.2 or above</u> . - If a company meets both criteria 1) and 2), its weighting will be <u>returned to its pre-reduction level</u> . - If a company meets only 1), its weighting <u>reduction will be halted</u> . - If a company meets neither 1) nor 2), its weighting <u>reduction will be continued</u> .

Source: "Summary of TOPIX Calculation Rule Revisions," JAPAN EXCHANGE GROUP (JPX)  
[https://www.jpx.co.jp/english/news/1044/b5b4pj000003u7qp-att/e\\_data1.pdf](https://www.jpx.co.jp/english/news/1044/b5b4pj000003u7qp-att/e_data1.pdf)

**Response of GDO to TSE New Market Segments**

GDO received notification from the TSE in July that it meets the formal criteria for maintaining listing for the "Prime Market" segment. At the same time, GDO continues to strengthen corporate governance in order to be in compliance with the new CG code. The company announced on June 28, 2021, that it will establish a Nomination and Compensation Advisory Committee as of July 1, 2021, as a voluntary organization with the aim of strengthening the fairness, objectivity, and transparency of procedures related to the nomination and compensation of the Board of Directors and further enhancing the corporate governance of the Company, its members to be decided by resolution of the Board of Directors (to consist of at least 3 members, of which the majority are independent Outside Directors). Committee Members for FY2021 are:

- Nobuya Ishizaka, President and CEO (Committee Chairperson)
- Takehiro Yoshikawa, Executive Vice President
- Toshinori Iwasawa, Outside Director
- Shigeyuki Mito, Outside Director
- Makiko Takahashi, Outside Director

Other measures to strengthen ESG / sustainability include:

- Reform of the personnel system in pursuit of "Workstyle that recognizes diversity" (changed to a registration system to select work location from remote, office or a mixture of the two, and abolished the core time system, introducing flex time from 05:00 to 22:00)
- Concluded a 'City Promotion Cooperation Agreement' with Chigasaki City, and commenced operation of GDO Chigasaki Golf Links (aims to be the most casual and diverse course for the local community in Japan, serving as a wide-area evacuation site, and holding events other than just golf play days for community benefit).

GDO plans to apply for a prime market listing in the 4Q based on CG code compliance.



**Established a Nomination and Compensation Advisory Committee as of July 1, 2021, the majority comprised of Outside Directors**

**GDO**





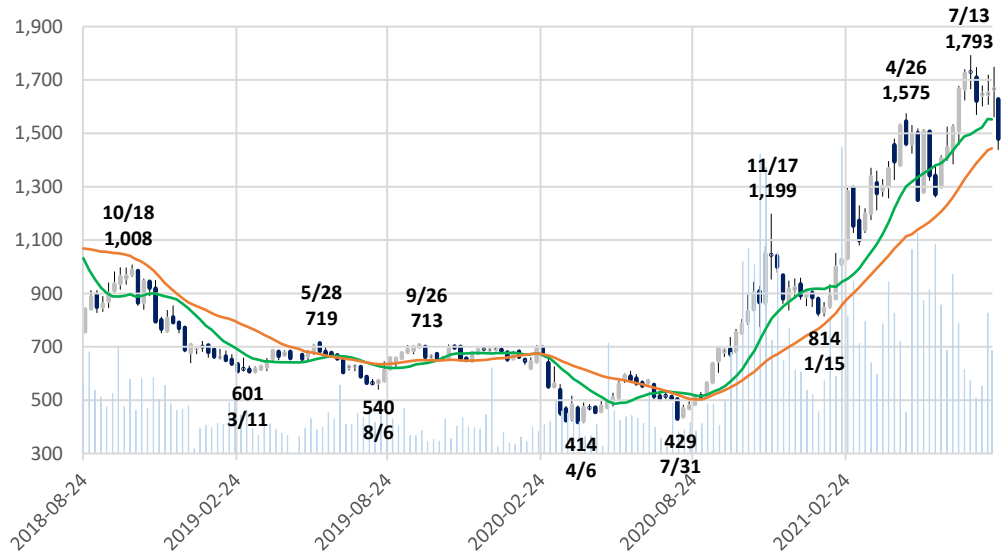
**Performance and Valuations: SESSA Smart Charts**

- ✓ The share price has exceeded the level of the GTE majority stake acquisition on strong overseas earnings (GTE)
- ✓ Valuations on company estimates are only slightly above historic averages (P/E is below), and likely do not discount the MTP FY12/23 OP target double the previous peak in FY12/17
- ✓ 3028 Alpen reported 21.6 golf sales +17.8% YoY (see upper left graph on the next page)
- ✓ Following the sharp upward revision on 2Q results, the share price has corrected -14.9% on ST profit taking. Given the growth outlook continues to improve, downside from here appears limited

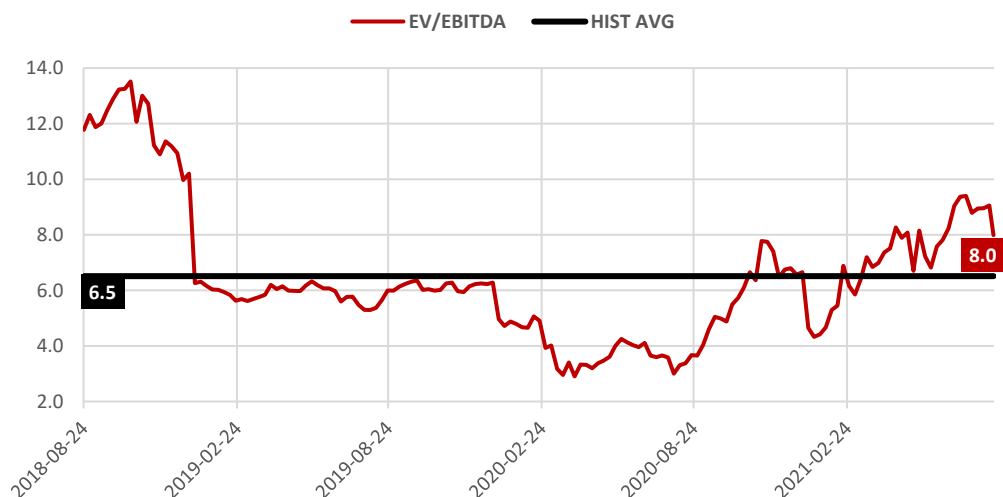
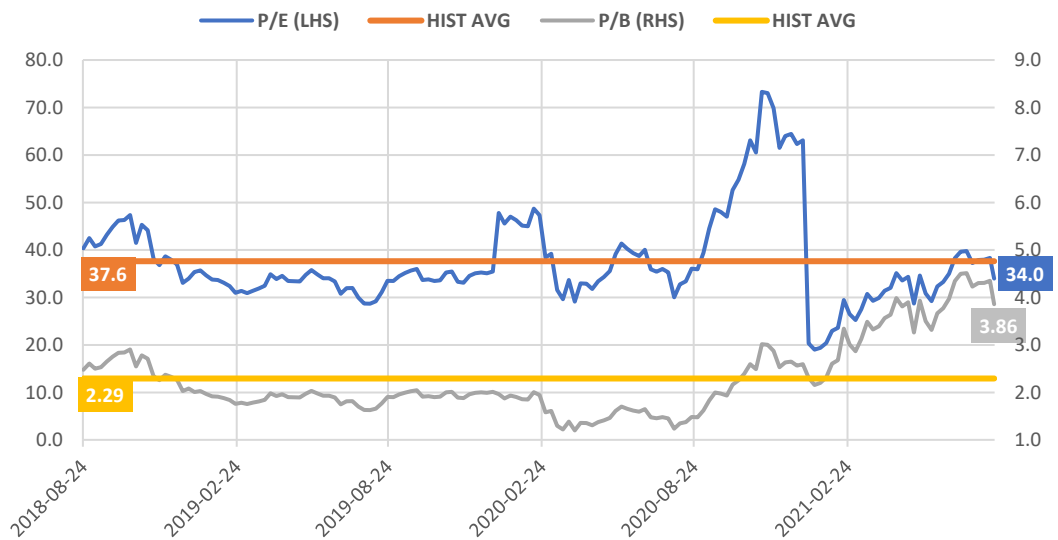


Analyst's view

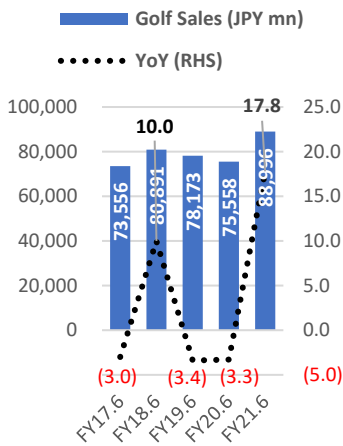
**3-Year Weekly Share Price / Volume Trend**



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



Alpen Retail Golf Sales



Source: compiled by Sessa Partners from Alpen company data.

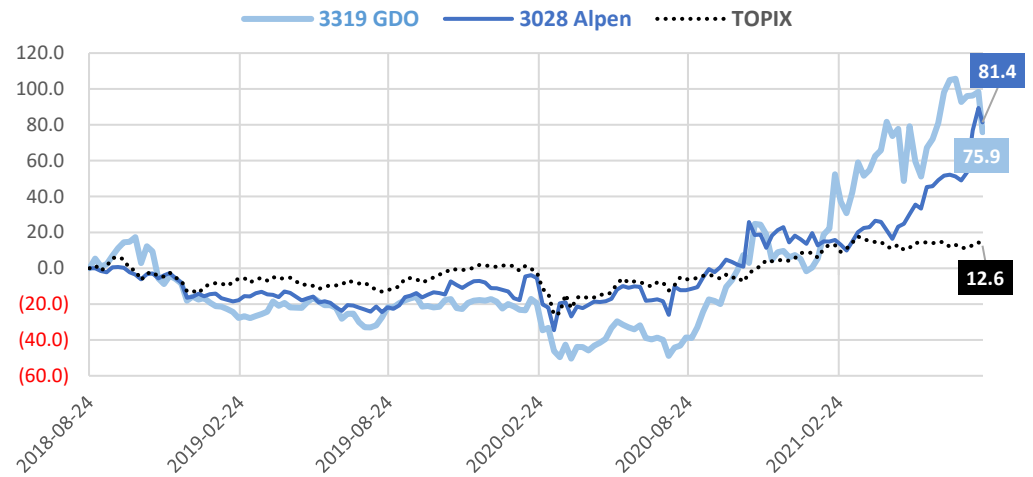
GOLFTEC Enterprises LLC 25<sup>TH</sup> Anniversary in 2020



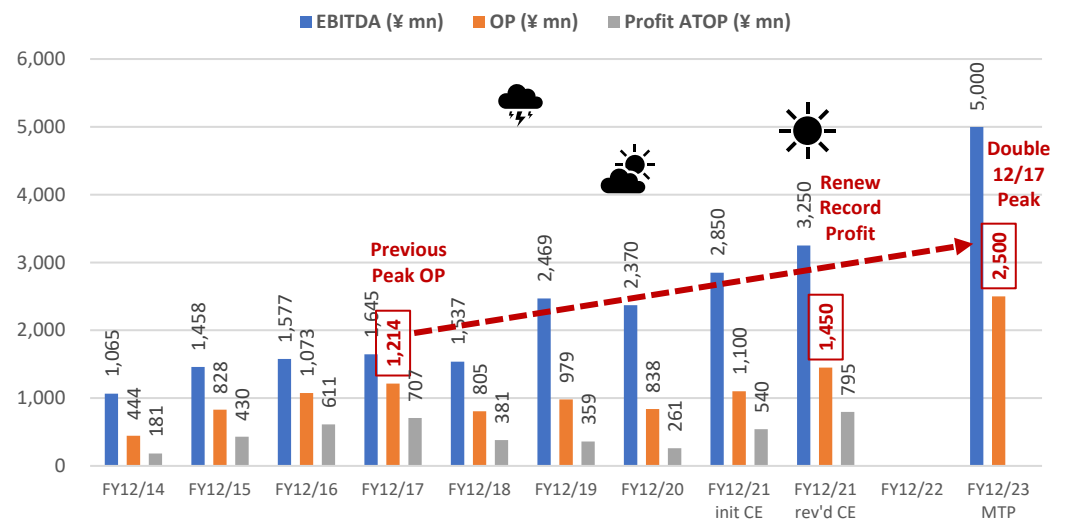
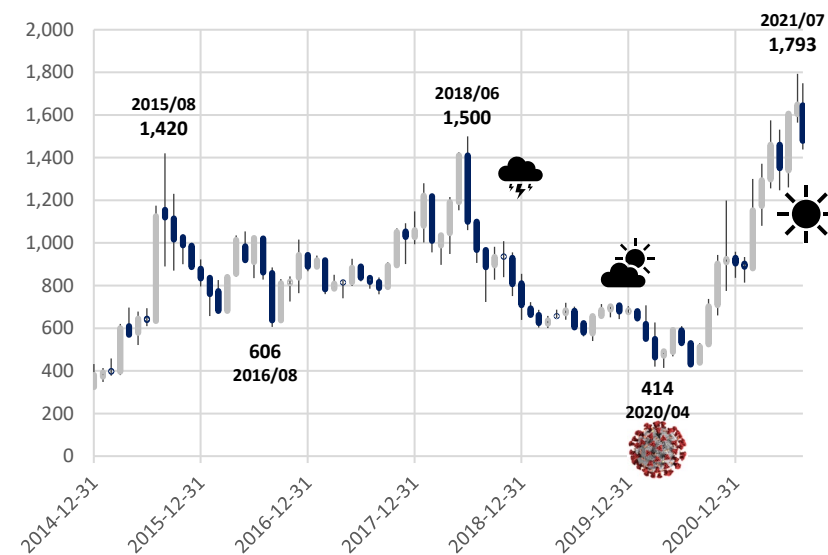
Total Lessons since '95:  
 19.8 9,714,522  
 20.8 10,546,495



3-Year Weekly Relative Performance



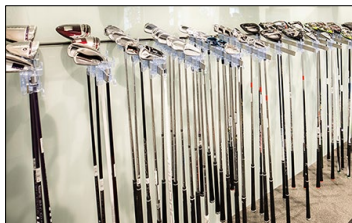
GDO's share price has exceeded the level of the GTE acquisition announcement; It likely has not yet discounted 12/23 MTP OP target double the previous 12/17 peak



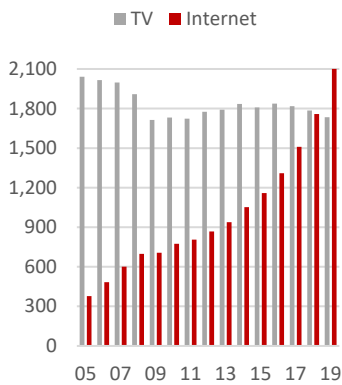
Source: compiled by Sessa Partners from IR results briefing materials. Monthly share price from SPEEDA data.



APPENDIX

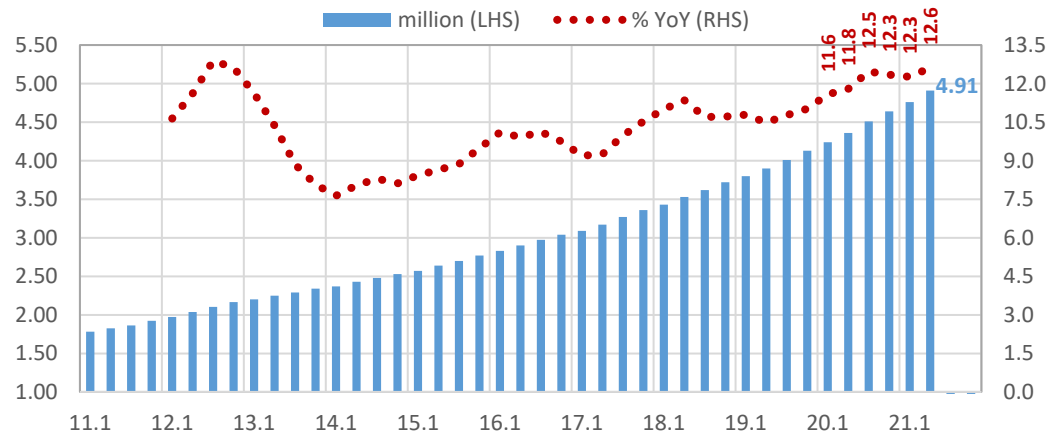


Internet ads of ¥2.1trn surpass TV for the first time in 2019



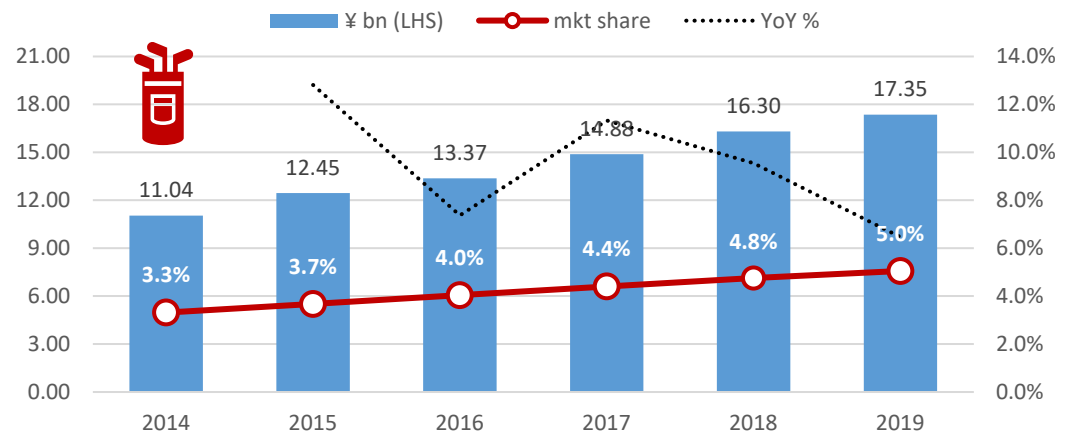
Source: 'Advertising Expenditures in Japan 2019' by DENTSU Inc.

Quarterly Trend of GDO Club Members: added 150k in 2Q 12/21 (+12.6% YoY)



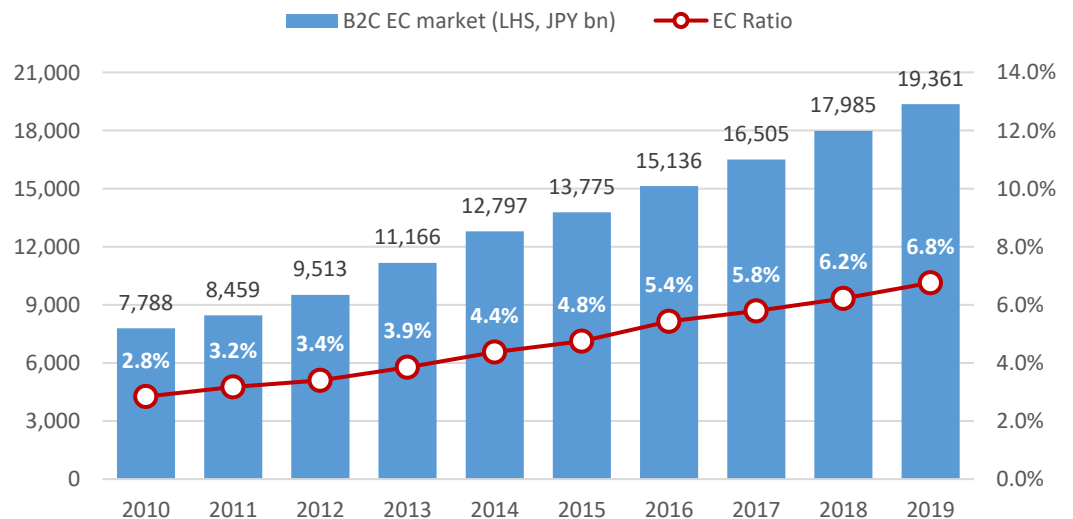
Source: compiled by Sessa Partners from GDO IR Factbook

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



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

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



Source: Ministry of Economy, Trade and Industry (METI) '2019 E-Commerce Market Survey', July 22, 2020



### New MTP 2021–2023 'Lead the Way'

#### Key Initiatives in the New 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 newly announced 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 this year.

#### GDO Group New 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
<b>Net sales</b>	<b>34,274</b>	<b>28.2</b>	<b>33,691</b>	<b>(1.7)</b>	<b>37,800</b>	<b>12.2</b>	<b>46,000</b>	<b>10.9</b>
● 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
<b>EBITDA</b>	<b>2,469</b>	<b>60.6</b>	<b>2,370</b>	<b>(4.0)</b>	<b>2,850</b>	<b>20.3</b>	<b>5,000</b>	<b>28.3</b>
● 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
<b>OP</b>	<b>979</b>	<b>21.7</b>	<b>839</b>	<b>(14.3)</b>	<b>1,100</b>	<b>31.1</b>	<b>2,500</b>	<b>43.9</b>
● 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

**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
CY2016	92,593	60,048	17,180	15,365	9,392,847	2,781,719	6,611,128	309.6	CY2016	30,520	19,692,238	14,280
CY2017	92,161	59,663	16,704	15,794	9,366,734	2,713,689	6,653,045	309.8	CY2017	30,314	19,824,525	14,198
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
CY2016	(2.5)	(2.6)	(3.4)	(1.4)	(2.6)	(1.5)	(3.1)		CY2016	(0.8)	(0.3)	(0.8)
CY2017	0.1	0.4	(2.2)	1.5	(0.4)	(2.2)	0.3		CY2017	(0.9)	0.6	(0.9)
CY2018	(4.6)	(3.4)	(6.7)	(6.4)	(4.9)	(3.6)	(5.4)		CY2018	(5.3)	(3.4)	(5.3)
CY2019	3.3	4.5	(0.1)	2.0	4.4	3.8	4.6		CY2019	1.6	2.1	1.6
CY2020	(17.3)	(15.2)	(18.1)	(24.9)	(8.4)	3.1	(13.2)		CY2020	(1.3)	2.4	(1.3)
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	17,646	3,722	3,479	2,790,807	903,746	1,887,061	83.5	Q2	10,023	6,791,480	15,476
2019.Q1	8.7	9.0	8.2	7.8	10.8	10.7	10.9		2019.Q1	2.1	3.8	(1.0)
Q2	(1.3)	(0.1)	(3.6)	(3.4)	0.4	0.3	0.4		Q2	(1.4)	(1.0)	(0.1)
Q3	8.6	10.3	4.8	6.3	9.1	7.8	9.6		Q3	7.4	7.0	0.1
Q4	0.3	1.7	(5.8)	0.5	0.2	(1.1)	0.7		Q4	(0.9)	(0.6)	(0.1)
2020.Q1	(4.1)	(2.7)	(8.2)	(6.7)	(1.7)	2.8	(4.1)		2020.Q1	3.2	5.7	(3.9)
Q2	(42.2)	(39.6)	(40.8)	(54.5)	(28.1)	(9.8)	(35.3)		Q2	(21.7)	(15.7)	(3.8)
Q3	(11.0)	(9.2)	(12.2)	(17.1)	(1.2)	10.6	(6.0)		Q3	4.9	9.5	(2.3)
Q4	(4.5)	(2.2)	(4.8)	(13.5)	1.9	10.0	(1.4)		Q4	10.9	12.3	(1.8)
2021.Q1	0.9	1.9	0.2	(2.9)	3.0	3.1	2.9		2021.Q1	8.3	7.8	1.8
Q2	50.6	50.0	42.4	63.0	33.6	21.8	39.9		Q2	42.7	33.9	0.9
2020.Jan	4,749	3,244	688	816	493,087	179,596	313,491	20.0	2020.Jan	2,217	1,491,939	13,868
Feb	4,596	3,125	689	782	486,965	169,491	317,474	18.8	Feb	2,272	1,525,913	13,868
Mar	5,586	3,856	778	951	593,935	198,207	395,728	21.6	Mar	2,474	1,699,857	13,589
Apr	4,099	2,905	644	550	506,382	183,455	322,927	24.9	Apr	1,742	1,272,465	12,612
May	5,528	4,054	860	614	721,331	265,073	456,258	28.0	May	2,110	1,557,030	13,324
Jun	6,329	4,413	1,015	900	767,077	256,971	510,106	28.5	Jun	2,400	1,668,074	13,711
Jul	7,271	4,977	1,190	1,104	858,398	276,685	581,713	29.1	Jul	2,861	1,984,111	15,314
Aug	8,403	5,737	1,348	1,318	984,062	309,106	674,956	29.3	Aug	2,816	1,933,287	15,508
Sep	8,473	5,846	1,359	1,268	939,931	289,626	650,305	28.5	Sep	2,992	2,012,232	15,513
Oct	9,102	6,263	1,414	1,424	982,154	293,261	688,893	29.5	Oct	3,199	2,185,131	15,513
Nov	8,775	6,140	1,221	1,415	882,941	279,043	603,898	25.8	Nov	3,068	2,105,191	15,489
Dec	6,981	4,881	978	1,121	696,261	218,692	477,569	20.8	Dec	2,800	1,846,629	15,491
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	8,227	5,822	1,282	1,123	947,986	299,202	648,784	28.3	Jun	3,195	2,167,755	15,476
2020.Jan	(2.8)	(1.4)	(7.0)	(4.7)	(2.9)	(1.0)	(4.1)		2020.Jan	4.2	6.7	(1.8)
Feb	14.9	16.6	9.8	12.8	12.2	13.7	11.3		Feb	13.1	12.4	(1.3)
Mar	(16.5)	(15.0)	(20.6)	(19.6)	(10.0)	(1.7)	(13.6)		Mar	(5.3)	(0.3)	(3.9)
Apr	(48.2)	(46.3)	(45.1)	(58.9)	(37.1)	(22.1)	(43.4)		Apr	(32.7)	(26.1)	(11.4)
May	(45.3)	(41.1)	(45.3)	(63.0)	(29.4)	(8.1)	(37.8)		May	(24.4)	(17.4)	(6.5)
Jun	(34.1)	(32.6)	(32.9)	(41.5)	(19.1)	(0.6)	(26.1)		Jun	(7.9)	(3.3)	(3.8)
Jul	(18.6)	(17.2)	(19.3)	(23.9)	(7.7)	7.5	(13.6)		Jul	5.4	9.5	(3.2)
Aug	1.1	2.7	(1.0)	(3.3)	10.8	22.2	6.2		Aug	10.4	13.0	(2.1)
Sep	(14.2)	(12.0)	(15.2)	(22.4)	(5.9)	3.0	(9.6)		Sep	(0.2)	6.3	(2.3)
Oct	(6.4)	(3.9)	(6.7)	(16.3)	1.4	10.6	(2.2)		Oct	11.8	13.1	(2.3)
Nov	(5.5)	(3.2)	(6.2)	(14.6)	1.7	14.8	(3.5)		Nov	9.9	11.7	(2.0)
Dec	(0.3)	1.4	0.2	(8.3)	3.1	3.8	2.6		Dec	10.9	12.1	(1.8)
2021.Jan	(8.1)	(7.1)	(6.7)	(13.4)	(4.5)	(2.8)	(5.6)		2021.Jan	9.4	7.8	0.2
Feb	0.4	1.6	(1.2)	(3.0)	3.7	11.7	(0.7)		Feb	7.3	7.3	(1.1)
Mar	9.0	9.8	7.6	6.2	8.8	1.1	12.5		Mar	8.3	8.3	1.8
Apr	84.2	82.3	69.9	109.9	61.2	38.6	73.9		Apr	67.0	55.4	9.7
May	54.2	51.4	46.1	83.0	30.8	21.0	36.4		May	50.2	36.4	3.8
Jun	25.7	27.6	21.7	20.7	18.0	10.7	21.6		Jun	18.5	15.3	0.9

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

## LEGAL DISCLAIMER

This report is intended to provide information about the subject company, and it is not intended to solicit or recommend investment. Although the data and information contained in this report have been determined to be reliable, we do not guarantee their authenticity or accuracy.

This report has been prepared by Sessa Partners on behalf of the concerned company for which it has received compensation. Officers and employees of Sessa Partners may be engaged in transactions such as trading in securities issued by the company, or they may have the possibility of doing so in the future. For this reason, the forecasts and information contained in this report may lack objectivity. Sessa Partners assumes no liability for any commercial loss based on use of this report. The copyright of this report belongs to Sessa Partners. Modification, manipulation, distribution or transmission of this report constitutes copyright infringement and is strictly prohibited.



**Sessa Partners Inc.**

---

5-3-18, Hiroo, Shibuya-ku, Tokyo  
[info@sessapartners.co.jp](mailto:info@sessapartners.co.jp)