

Two major acquisition transactions completed

GDO Group acquires SkyTrak business, raising its stake in GOLFTEC 60% → 98%

SUMMARY

- On August 31, the GDO Group completed the acquisition of SkyTrak business, which holds the top share in golf ball flight tracking systems for general consumers, aiming to expand the customer base, raise brand recognition and realize the GOLFTEC ANYWHERE concept. SkyTrak, included in the Others sales category, made a 1-month contribution to earnings. The main impact on the B/S was an increase in GW of ¥9.2bn and increase in LT borrowings of ¥8.1bn. On November 24, the Extraordinary General Meeting of Shareholders voted to approve the issuance of Class A Preferred Shares (bond-type, non-convertible), and payment was completed on November 30, becoming the effective date of increasing GDO's equity stake in GOLFTEC Enterprises LLC (GTE) from 60% → 98%. As a result of this transaction, net assets at the end of the 4Q are estimated to decline from ¥9.1bn at the end of September to roughly ¥3.0bn at the end of December. Management aims to redeem the preferred shares and rebuild net assets within 5 years through increased cashflows and retained earnings.
- GDO net sales have only declined twice in its history, and since FY12/06 with comparable Dec-end FY, even factoring in those 2 declines, GDO has achieved 15-year CAGR for net sales of +11.2% and for OP of +31.8%, respectively. 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. In the first 3 full years through FY21/12 since GDO obtained a majority stake, GOLFTEC has achieved net sales CAGR +25% and EBITDA CAGR of +37%, and it expects negative equity to disappear by the end of 2022.
- The Company expects the SkyTrak acquisition to be accretive to profits from as early as 2023. The total fundraising for these two transactions of JPY 20.9bn includes JPY 14.9bn in 5-year syndicate loans (3.36x revised FY22/12 EBITDA), and JPY 6.0bn in preferred shares. While net assets will initially decline, GDO expects high growth in high-margin US business to contribute to rebuilding net assets in a relatively short time horizon. It is worth noting that 3 GDO Board of Directors members collectively own 24.2% of GDO shares outstanding.

GDO Group Driving Principle: Golf × Technology

Each of the key GDO Group companies is No.1 in its respective market:

- 1** GDO is the largest online retailer of golf gear, with an award-winning golf news portal, broadly dividing the market with Rakuten for online tee-time bookings, and is the domestic partner for rolling out TOPTRACER in driving ranges across Japan
- 2** GOLFTEC is the world's largest provider of golf lessons with professional instructors, with a suite of proprietary technologies to analyze and improve student swings, as well as custom club-fittings, and
- 3** SkyTrak delivers the No.1 launch monitor for the consumer home market, as well as various accessories to assemble a complete home simulator system

GOLFTEC ANYWHERE offers endless possibilities for golfers to enhance the thrill and satisfaction of their game with large potential synergies for the GDO Group



3Q Follow-up

GDO

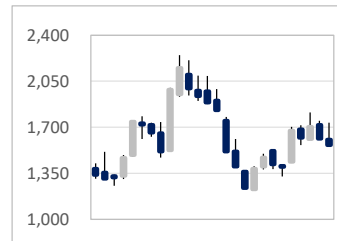
Focus Points:

'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 (12/20) | 1,543 |
| YH (22/8/25) | 2,250 |
| YL (22/3/9) | 882 |
| 10YH (22/8/25) | 2,250 |
| 10YL (13/1/4) | 82.0 |
| Shrs out. (mn shrs) | 18.274 |
| Mkt cap (¥ bn) | 28.599 |
| Shr equity ratio (9/30) | 25.0% |
| 22.12 P/E (CE) | 22.3x |
| 22.12 EV/EBITDA (CE) | 9.1x |
| 22.09 P/B (act) | 3.12x |
| 21.12 ROE (act) | 15.1% |
| 22.12 DY (CE) | 0.61% |

6M stock price (weekly)



Chris Schreiber CFA

Company Specialist
research@sessapartners.co.jp



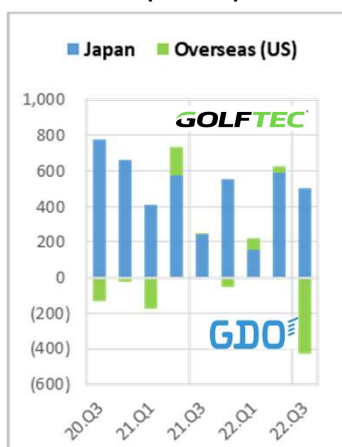
This report was prepared by Sessa Partners on behalf of Golf Digest Online Inc. Please refer to the legal disclaimer at the end for details.



Net sales (JPY mn)

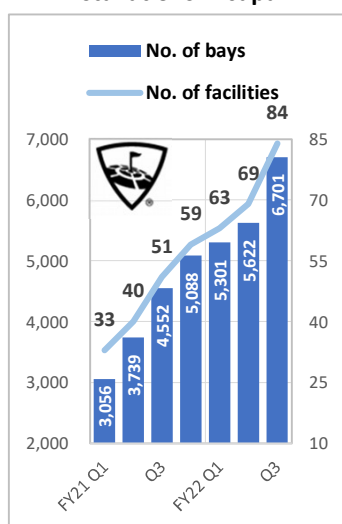


OP (JPY mn)



Source: compiled by SIR from GDO IR Factsheet. TTR figures from IR materials.

TOPTRACER RANGE installations in Japan



Net sales and EBITDA post record highs

OP dipped on one-off acquisition-related expenses

9M RESULTS SUMMARY

- GDO announced FY22/12 3Q consolidated financial results at 15:00 on Friday 11/11. The table below from the GDO IR Factsheet adjusts FY21/12 figures for comparison to reflect adopting the revenue recognition standard in FY22/12. Headline numbers for the cumulative 9M: net sales +19.4% YoY (Japan +4.1%, Overseas +53.4%), EBITDA +10.9% (Japan +3.4%, Overseas +25.0%), OP -23.5% (Japan +1.8%, Overseas ¥21mn loss → ¥326mn loss) and profit ATOP +82.8% (reflecting the extraordinary gain on debt forgiveness under the US Paycheck Protection Program).
- Operating profit declined by ¥283mn (-23.5% YoY) to ¥921mn mainly due to recording one-time expenses of roughly ¥280mn for the acquisition of SkyTrak and upfront expenses for the additional acquisition of equity interest in US GOLFTEC in the 3Q. By sales category, all categories posted YoY gains for the cumulative 9M: golf goods sales +8.8%, golf course bookings +1.1%, golf lessons +49.0%, and others +43.4%. In others, Top Tracer Range sales rose +74.5% with new installations in 25 facilities / 1,613 bays (see graph lower left). The number of annual users has topped 5 million. In the US, GOLFTEC corporate training centers increased from 144 at the end of last year to 157 (+13), bringing total lesson studios to 236 (+17). SkyTrak business, which made a 1-month contribution, is included in Others.

Golf Digest Online Quarterly Consolidated Financial Highlights

| [J-GAAP] | FY20/12 | | FY21/12* | | | | FY22/12 | | | 3Q |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|-------------|
| JPY mn, % | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | YoY |
| Net sales | 8,973 | 9,691 | 8,301 | 9,892 | 9,616 | 9,908 | 9,585 | 11,767 | 11,852 | 23.3 |
| • Japan | 6,983 | 7,674 | 5,972 | 6,730 | 6,463 | 6,809 | 5,865 | 7,144 | 6,934 | 7.3 |
| • Overseas | 1,990 | 2,016 | 2,328 | 3,161 | 3,153 | 3,099 | 3,720 | 4,622 | 4,918 | 56.0 |
| Ratio to sales | 22.2% | 20.8% | 28.0% | 32.0% | 32.8% | 31.3% | 38.8% | 39.3% | 41.5% | |
| • Golf goods sales** | | | 4,915 | 5,561 | 5,194 | 5,196 | 4,974 | 6,191 | 5,889 | 13.4 |
| • Golf course booking | | | 1,066 | 1,402 | 1,367 | 1,409 | 993 | 1,406 | 1,478 | 8.1 |
| • Golf lessons | | | 1,790 | 2,327 | 2,400 | 2,593 | 2,910 | 3,347 | 3,457 | 44.0 |
| • Others | | | 529 | 600 | 653 | 709 | 707 | 821 | 1,028 | 57.4 |
| Gross profit | 3,559 | 4,039 | 2,783 | 3,735 | 3,444 | 3,818 | 3,337 | 4,303 | 4,011 | 16.5 |
| GPM | 39.7% | 41.7% | 33.5% | 37.8% | 35.8% | 38.5% | 34.8% | 36.6% | 33.8% | |
| SG&A expenses | 2,916 | 3,397 | 2,555 | 3,004 | 3,197 | 3,316 | 3,113 | 3,677 | 3,940 | 23.2 |
| Ratio to sales | 32.5% | 35.1% | 30.8% | 30.4% | 33.2% | 33.5% | 32.5% | 31.2% | 33.2% | |
| Labor cost | 978 | 1,118 | 1,043 | 1,068 | 1,073 | 1,305 | 1,192 | 1,262 | 1,363 | 27.0 |
| Marketing-related | 480 | 661 | 453 | 765 | 801 | 611 | 564 | 835 | 366 | 54.3 |
| ratio to sales | 5.3% | 6.8% | 5.5% | 7.7% | 8.3% | 6.2% | 5.9% | 7.1% | 3.1% | |
| IT / capex | 485 | 495 | 393 | 419 | 470 | 483 | 491 | 501 | 517 | 10.0 |
| Goodwill | 84 | 83 | 85 | 100 | 125 | 132 | 134 | 150 | 228 | 82.4 |
| Other | 888 | 1,039 | 580 | 651 | 727 | 784 | 730 | 927 | 1,164 | 60.1 |
| EBITDA | 1,023 | 1,019 | 617 | 1,161 | 767 | 1,049 | 784 | 1,240 | 798 | 4.0 |
| Ratio to sales | 11.4% | 10.5% | 7.4% | 11.7% | 8.0% | 10.6% | 8.2% | 10.5% | 6.7% | |
| • Japan | 904 | 795 | 538 | 712 | 408 | 717 | 314 | 745 | 654 | 60.3 |
| • Overseas | 119 | 224 | 78 | 449 | 358 | 331 | 469 | 494 | 144 | 59.8 |
| Operating profit | 643 | 641 | 227 | 730 | 246 | 501 | 224 | 626 | 70 | 71.5 |
| OPM | 7.2% | 6.6% | 2.7% | 7.4% | 2.6% | 5.1% | 2.3% | 5.3% | 0.6% | |
| • Japan | 773 | 663 | 407 | 576 | 243 | 551 | 157 | 591 | 499 | 105.3 |
| • Overseas | (130) | (21) | (179) | 154 | 3 | (50) | 66 | 35 | (428) | RE |
| GOLFTEC studios | 207 | 207 | 211 | 212 | 215 | 219 | 225 | 232 | 236 | +21 |

Source: GDO IR Factbook data. *Adj. for rev recognition standard applied from 2022. **Includes US club fitting sales.

GDO Consolidated Balance Sheets

| JPY thousand [J-GAAP] | as of 2021.12.31 end 4Q [A] | as of 2022.06.30 end 2Q [B] | as of 2022.09.30 end 3Q [C] | 3Q CHG AMT [C - B] |
|--|--------------------------------|--------------------------------|--------------------------------|-----------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and deposits | 2,904,770 | 2,318,823 | 1,981,294 | (337,529) |
| Accounts receivable - trade | 2,689,067 | 3,086,651 | 3,188,483 | 101,832 |
| Merchandise | 3,219,906 | 4,132,607 | 5,705,193 | 1,572,586 |
| Work in process | 601 | 745 | 3,088 | 2,343 |
| Supplies | 72,934 | 177,565 | 145,101 | (32,464) |
| Other | 1,671,120 | 1,601,510 | 2,232,299 | 630,789 |
| Allowance for doubtful accounts | (15,871) | (16,281) | (18,083) | (1,802) |
| Total current assets | 10,542,529 | 11,301,622 | 13,237,377 | 1,935,755 |
| Non-current assets | | | | |
| Property, plant and equipment | | | | |
| Buildings and structures | 4,378,001 | 5,738,513 | 6,581,778 | 843,265 |
| Other | 2,212,636 | 3,019,751 | 3,453,336 | 433,585 |
| Accumulated depreciation | (2,775,756) | (3,565,253) | (3,978,220) | (412,967) |
| Total property, plant and equipment | 3,814,880 | 5,193,012 | 6,056,894 | 863,882 |
| Intangible assets | | | | |
| Goodwill | 4,059,538 | 4,507,674 | 13,730,546 | 9,222,872 |
| Other | 2,431,668 | 2,548,770 | 2,597,590 | 48,820 |
| Total intangible assets | 6,491,206 | 7,056,445 | 16,328,136 | 9,271,691 |
| Investments and other assets | | | | |
| Other | 1,009,821 | 915,804 | 976,028 | 60,224 |
| Allowance for doubtful accounts | (6,925) | (6,925) | (6,925) | 0 |
| Total investments and other assets | 1,002,895 | 908,878 | 969,102 | 60,224 |
| Total non-current assets | 11,308,982 | 13,158,336 | 23,354,133 | 10,195,797 |
| Total assets | 21,851,512 | 24,459,958 | 36,591,511 | 12,131,553 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable - trade | 2,244,851 | 3,039,253 | 3,606,704 | 567,451 |
| Short-term borrowings | 2,025,715 | 1,765,680 | 2,541,183 | 775,503 |
| Current portion of long-term borrowings | — | — | 952,919 | 952,919 |
| Income taxes payable | 258,382 | 236,366 | 151,659 | (84,707) |
| Deferred revenue | 4,751,412 | — | — | — |
| Contract liabilities* | — | 5,216,384 | 6,311,920 | 1,095,536 |
| Provision for bonuses | 140,000 | 6,000 | 3,800 | (2,200) |
| Provision for point card certificates | 322,183 | 21,283 | 19,197 | (2,086) |
| Provision for shareholder benefit program | 29,782 | 26,690 | 20,279 | (6,411) |
| Provision for loss on litigation | 69,012 | — | — | — |
| Other | 3,780,084 | 3,864,882 | 4,237,192 | 372,310 |
| Total current liabilities | 13,621,424 | 14,176,541 | 17,844,857 | 3,668,316 |
| Non-current liabilities | | | | |
| Long-term borrowings | — | — | 8,126,271 | 8,126,271 |
| Provision for retirement benefits for directors (and other officers) | 109,002 | 115,008 | 118,005 | 2,997 |
| Provision for share awards for directors (and other officers) | — | 4,372 | 10,929 | 6,557 |
| Asset retirement obligations | 286,779 | 293,136 | 322,297 | 29,161 |
| Other | 422,934 | 803,237 | 1,006,952 | 203,715 |
| Total non-current liabilities | 818,715 | 1,215,753 | 9,584,455 | 8,368,702 |
| Total liabilities | 14,440,140 | 15,392,294 | 27,429,313 | 12,037,019 |

*Note: contract liabilities = provision for point card certificates and deferred revenue the previous fiscal year

GDO Consolidated Balance Sheets (continued)

| JPY thousand | as of 2021.12.31 end 4Q [A] | as of 2022.06.30 end 2Q [B] | as of 2022.09.30 end 3Q [C] | 3Q CHG AMT [C - B] |
|--|--------------------------------|--------------------------------|--------------------------------|-----------------------|
| Net assets | | | | |
| Shareholders' equity | | | | |
| Share capital | 1,458,953 | 1,458,953 | 1,458,953 | 0 |
| Capital surplus | 2,447,104 | 2,447,104 | 2,447,104 | 0 |
| Retained earnings | 3,466,545 | 4,756,898 | 4,731,081 | (25,817) |
| Treasury shares | (422) | (80,250) | (80,253) | (3) |
| Total shareholders' equity | 7,372,180 | 8,582,706 | 8,556,885 | (25,821) |
| Accumulated other comprehensive income | | | | |
| Foreign currency translation adjustment | 31,654 | 470,449 | 585,556 | 115,107 |
| Total accumulated other comprehensive income | 31,654 | 470,449 | 585,556 | 115,107 |
| Share acquisition rights | 7,536 | 14,507 | 19,756 | 5,249 |
| Total net assets | 7,411,371 | 9,067,664 | 9,162,198 | 94,534 |
| Total liabilities and net assets | 21,851,512 | 24,459,958 | 36,591,511 | 12,131,553 |

Source: compiled by SIR from YUHO annual securities report and quarterly financial statements.



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



- As analysts and investors, it is easy to end up devoting a lot of our time on closely examining factors impacting the P/L and cash flows in evaluating growth prospects. Naturally, it is equally important to analyze changes in the financial position, particularly in the wake of major investments and significant corporate actions. The acquisition of SkyTrak business was completed on August 31, so the 3Q B/S reflects various impacts of this transaction. The balance sheets presented here include both 2Q-end and 3Q-end, in addition to 4Q, to easily visualize and understand the changes from 2Q to 3Q. Column 4 is [3Q-end minus 2Q-end].
- The four major changes from 2Q-end → 3Q-end enclosed in red boxes include: 1) merchandise increased ¥1.573mn, 2) goodwill increased ¥9,223mn, 3) contract liabilities, which are provision for point card certificates and deferred revenue the previous fiscal year, increased ¥1,096mn, and 4) long-term borrowings increased ¥8,126mn. As a result, the shareholders' equity ratio declined from 37.0% at the end of June → 25.0% at the end of September. In addition to the acquisition of SkyTrak business, GDO announced on September 22, 2022 that it will increase its equity stake in GOLFTEC Enterprises LLC (GTE) from the current 60% → 97% (finalized at 98%). A summary of the two acquisitions and fundraising are shown on P6, and impacts on the financial position and revised FY22/12 consolidated financial forecasts are shown on PP7-8.
- GDO held an Extraordinary General Meeting of Shareholders from 13:00 on Thursday, November 24, 2022, and Proposal 1: Partial Amendment of Articles of Incorporation and Proposal 2: Issuance of Class A Preferred Shares by way of Third-party Allotment were approved and adopted by shareholder resolution. The Company announced on November 30, 2022, that payment was completed for issuance of the Class A preferred shares, and that both share capital and capital surplus would be reduced by ¥3.0bn each, and the entire amount of ¥6.0bn was transferred to 'other capital surplus.' This is the effective date for the increase in equity interest in US GOLFTEC Enterprises LLC from 60% → 98%, as announced on September 22, 2022. Based on SIR's follow-up interview with GDO, as explained in the graph on the top of P7, net assets at the end of the 4Q will decline from ¥9.1bn at the end of September to roughly ¥3.0bn at the end of December. Plans call for redeeming the preferred shares and rebuilding net assets within 5 years through steady growth in cashflows and retained earnings.



Launch monitor main units



SkyTrak app on iPad

SkyTrak ACQUISITION SUMMARY

- GDO announced on August 10 together with 2Q financial results that the Board of Directors resolved to have GOLFTEC ST LLC (a GTE wholly owned subsidiary created to execute the asset purchase agreement) acquire business assets from the SkyTrak Group, including SkyTrak software, customer-related assets and related systems, and all assets related to SkyTrak key contracts, as a key part of the Company’s new “GOLFTEC ANYWHERE” initiative. The deal closed on August 31 for a purchase price of approx. USD 65mn (JPY 8.77bn @USD135), and advisory and loan arrangement fees of ¥510mn. SkyTrak annual sales revenue in FY2021: approx. \$46mn (¥6.25bn). The Board also resolved to borrow approx. ¥15.6bn (incl. \$32mn in USD loans) through a syndicate loan from Mizuho Bank and SMBC. SkyTrak has a rapidly growing recurring membership of over 45,000 members.
- Regarding the impact on GDO Group earnings and financial business, many details such as the amount of GW, years of GW amortization, etc. are currently under review, and the Company will disclose the outlook as soon as the review is completed. Industry veteran Jeff Foster (Golf Channel, SVP of GolfNow & Emerging Business) has been hired as CEO of SkyTrak & Chief Strategy Officer for GOLFTEC.
- In a head-to-head comparison of SkyTrak vs. Trackman 4 by Shop Indoor Golf, the review noted that SkyTrak which was launched in 2014 has consistently been voted by Golf Digest as the best launch monitor value on the market. Trackman 4 launched in late 2015 is widely used in professional sports such as PGA Tour events, as well as Major League Baseball (MLB) and the National Football League (NFL) to track ball flight data. The Trackman 4 starts at \$19,000 (¥2.56mn), which is nearly 10X the price of \$1,995 (¥269,000) for the SkyTrak launch monitor main unit and 30-day trial of Game Improvement software service. The comparison found that SkyTrak has been proven to be 97% as accurate as a Trackman, and it concludes that SkyTrak is the best value for indoor home simulation, and the huge price savings would be better applied to lessons with a pro toward improving one’s skill level. (Source: <https://shopindoorgolf.com/pages/skytrak-vs-trackman#conclusions>)



10' wide golf simulator enclosure \$3,649.99

SkyTrak launch monitor plus Game Improvement plan \$2,249.90

SkyTrak US online store <https://www.skytrakgolf.com/skytrak-launch-monitors-packages>



Large potential synergies



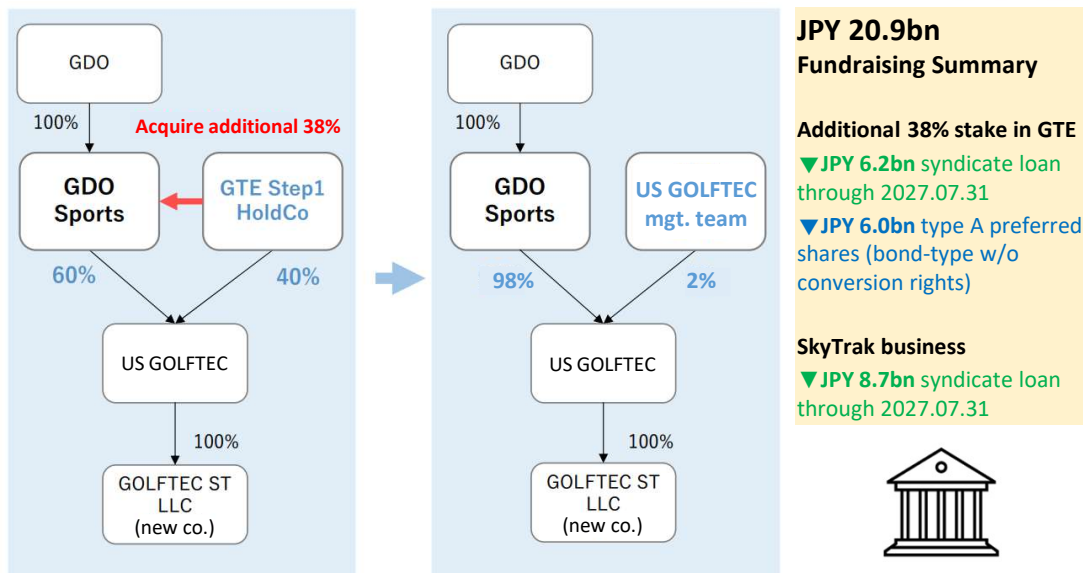
Acquisition of additional stake in US GOLFTEC

Large potential synergies with the acquisition of SkyTrak business

TWO ACQUISITIONS & FUNDRAISING SUMMARY

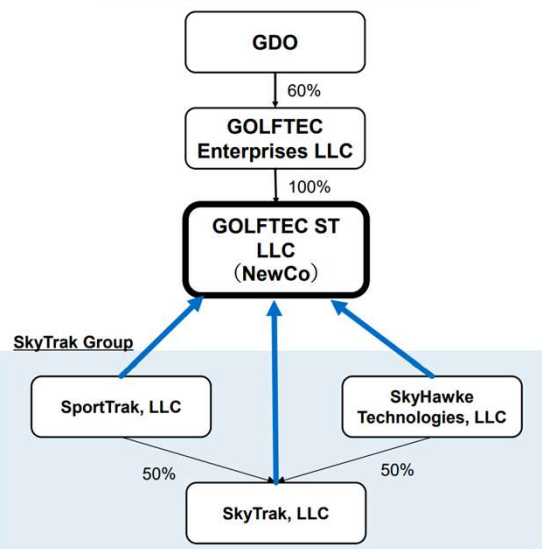
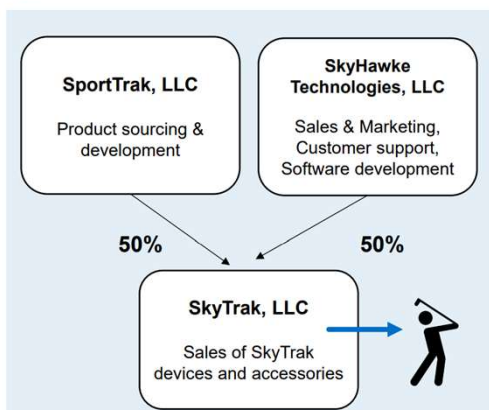
- Announced September 22, it was ultimately agreed that GDO Sports will acquire an additional 38% stake from GTE Step1 HoldCo LLC. The acquisition price was set at approx. USD 85.7mn (JPY 12.17bn @142), based on EBITDA, no. of centers, etc. Financing will be provided by debt and Class A preferred stock (without common stock conversion rights) in consideration of the balance between debt and equity.
- The total JPY 20.9bn fundraising for these 2 transactions was structured to ensure financial soundness after the acquisition of the additional stake (to cope with a temporary decrease in net assets), protection of existing shareholders' interests (method of financing that does not cause dilution), and certainty of raising funds.

Increasing stake in GTE 60% → 98%



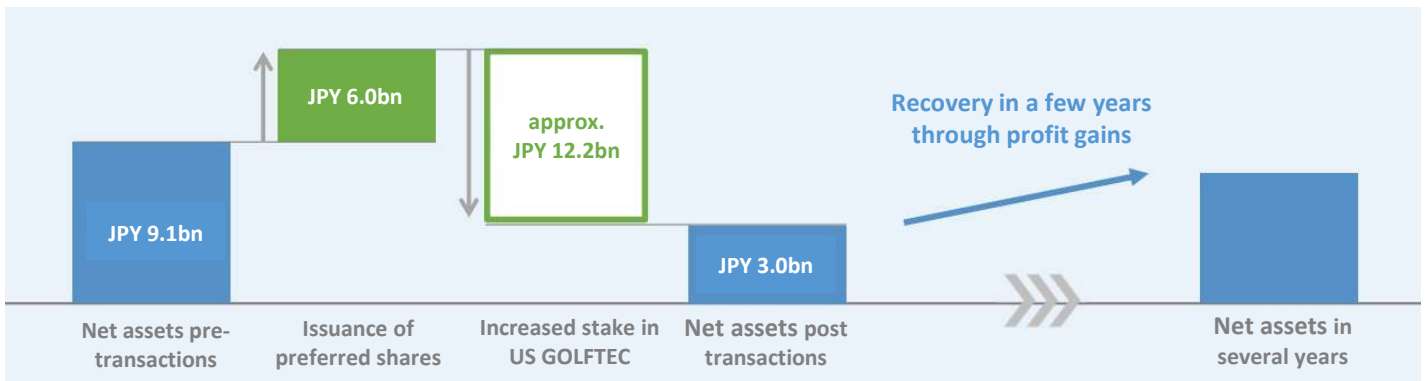
Asset purchase of Sky Trak

SKYTRAK GROUP ORGANIZATION



Source: excerpts from company IR briefing materials, financing summary compiled by SIR from IR briefing materials.

Impact on net assets and financial position after the two acquisition transactions



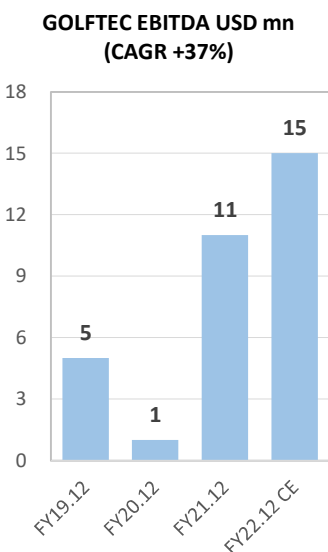
Source: excerpt from company IR briefing materials.



Impact on net assets and financial position

As of June 30, 2022, GDO had net assets of JPY 9,067mn, with an equity ratio of 37.0%. The balance of short-term loans was JPY 1,765mn. The additional JPY 14,900mn of long-term loans procured to finance the two transactions is 3.36x revised full-term FY2022.12 estimated EBITDA of JPY 4,440mn. An extraordinary general meeting of shareholders was held according to the following dates for the issuance of Class A shares: 1) record date for convocation of the extraordinary general meeting of shareholders – Oct. 7, 2) date of the extraordinary general meeting of shareholders – Nov. 24, and 3) scheduled acquisition date of additional equity stake – Nov. 30.

Synergies targeted from the acquisition of SkyTrak business include: 1) GOLFTEC lessons for SkyTrak users, 2) SkyTrak sales to the GOLFTEC database, 3) marketing synergies and 4) overhead savings and buying power. Under the GOLFTEC ANYWHERE vision, possibilities for golfers everywhere are unlimited to improve their skills and enhance their golfing experience: 1) in person with a GOLFTEC coach, 2) on-the-go at a course or driving range, and/or 3) at home with a simulator.

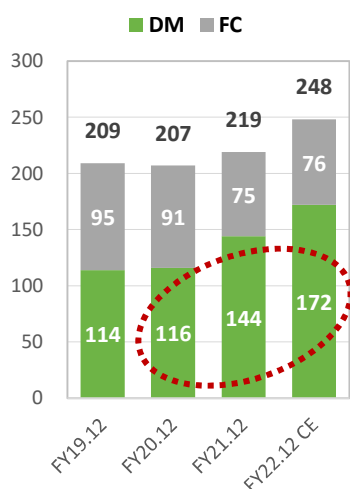


Revised FY22/12 Consolidated Earnings Outlook

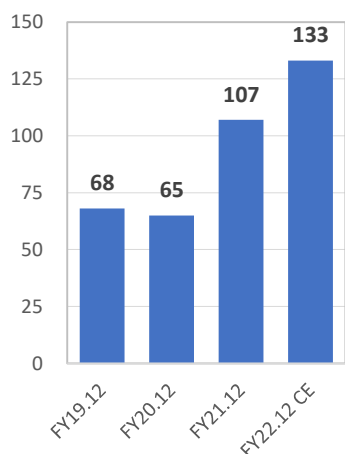
| JPY mn, % | FY2021* act adj. | FY2022 init CE | CHG AMT | YOY PCT | FY2022 rev CE | CHG AMT | YOY PCT |
|-------------------------|---------------------|-------------------|--------------|-------------|------------------|--------------|--------------|
| Net sales | 37,718 | 43,900 | 6,182 | 16.4 | 46,500 | 8,782 | 23.3 |
| Domestic segment | 25,976 | 28,900 | 2,924 | 11.3 | 28,000 | 2,024 | 7.8 |
| Overseas segment | 11,742 | 15,000 | 3,258 | 27.7 | 18,500 | 6,758 | 57.6 |
| EBITDA | 3,595 | 4,350 | 755 | 21.0 | 4,440 | 845 | 23.5 |
| Domestic segment | 2,376 | 2,800 | 424 | 17.8 | 2,620 | 244 | 10.3 |
| Overseas segment | 1,218 | 1,550 | 332 | 27.3 | 1,820 | 602 | 49.4 |
| Operating Profit | 1,706 | 2,100 | 394 | 23.1 | 1,590 | (116) | (6.8) |
| Domestic segment | 1,778 | 2,100 | 322 | 18.1 | 1,950 | 172 | 9.7 |
| Overseas segment | (71) | 0 | 71 | BE | (360) | (289) | RE |
| Ordinary profit | 1,715 | 2,100 | 385 | 22.4 | 1,090 | (625) | (36.4) |
| Profit ATOP | 1,035 | 1,900 | 865 | 83.6 | 1,280 | 245 | 23.7 |
| For reference | | | | | | | |
| GW etc. amortization | 541 | 643 | 102 | 18.9 | 1,005 | 464 | 85.8 |
| (Ref.) OP before GW | 2,248 | 2,744 | 496 | 22.1 | 2,595 | 347 | 15.4 |

Source: compiled by SIR from company IR materials. *FY21.12 results restated to reflect revenue recognition standard applied from FY22.12, enabling YoY comparison. Forex rate assumption revised from initial USD110 → USD130. SkyTrak business accounts will be consolidated for the 4 months from Sep-Dec for FY22.12.

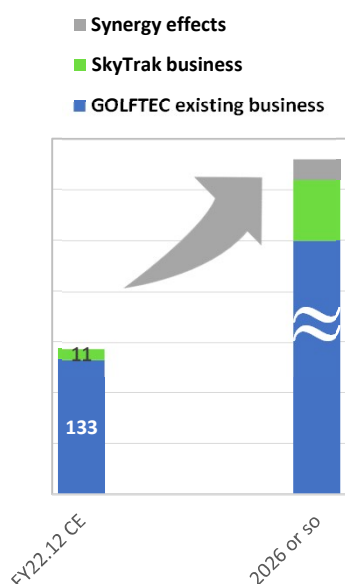
GOLFTEC Training Centers
(corporate centers +58)



GOLFTEC Sales USD mn
(CAGR +25%)



Overseas Segment Sales Potential
(USD mn)



Increase/Decrease Factors in Financial Forecast Revision

| JPY mn | Reason for Revision | Domestic | Overseas | Total |
|-------------------------|---|---------------|---------------|---------------|
| Net sales | Initial estimate | 28,900 | 15,000 | 43,900 |
| | Change in the supply environment for special bargain-priced clothing in Domestic Golf Goods sales | (900) | | (900) |
| | Timing delays in purchasing franchise training centers, delays in deliveries of club fitting sales, etc. for US GOLFTEC | | (600) | (600) |
| | Impact from the USD sharp appreciation | | 2,600 | 2,600 |
| | SkyTrak acquisition (4 months consolidation from Sep-Dec) | | 1,500 | 1,500 |
| | Revised estimate | 28,000 | 18,500 | 46,500 |
| Operating profit | Initial estimate | 2,100 | 0 | 2,100 |
| | One-time expenses associated with acquisition of SkyTrak business, and increase of equity stake in US GOLFTEC | (150) | (200) | (350) |
| | 4-months GW amort. exp. for SkyTrak | | (120) | (120) |
| | Other | | (40) | (40) |
| | Revised estimate | 1,950 | (360) | 1,590 |
| Ordinary profit | Initial estimate | | | 2,100 |
| | Decline in consolidated OP | | | (510) |
| | One-time exp. for fundraising (only FY22.12) | | | (380) |
| | Interest paid etc. | | | (120) |
| | Revised estimate | | | 1,090 |
| Profit ATOP | Initial estimate | | | 1,900 |
| | Decline in consolidated ordinary profit | | | (1,010) |
| | Impact of USD appreciation on extraordinary gain from debt forgiveness for the US PPP loan | | | 130 |
| | Updated outlook for income taxes and others | | | 260 |
| | Revised estimate | | | 1,280 |

Source: compiled by SIR from company IR briefing materials.

One-time expenses and goodwill resulting from the two transactions

- JPY 350mn (in FY22.12 SG&A expenses) for financial advisory fees, due diligence on legal, financial and tax matters, and legal fees, etc.
- JPY 380mn (in FY22.12 non-operating expenses) for arrangement fees, up-front fees and other fundraising related expenses
- The closing of the acquisition of SkyTrak-related business was completed on August 31, 2022, and the allocation of acquisition cost is in progress. The goodwill is tentatively recognized as USD 62mn (approx. JPY 8.8bn) and is assumed to be amortized over 10 years. The Company aims to complete the allocation of the acquisition cost, etc. by the end of FY2022.



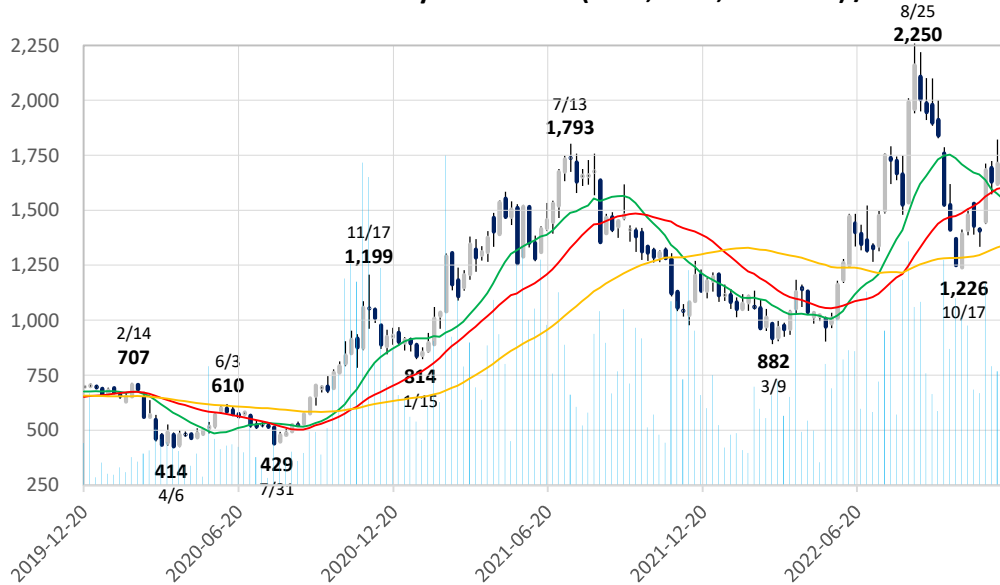
**Performance and Valuations:
SESSA Smart Charts**

- ✓ GDO's share price at 1,595 puts the P/E of 22.3x on a 23.4% discount to HIST AVG.
- ✓ Prior to the earnings revision announced 2022.9.22, we had stripped out the extraordinary gain from the P/E calculation due to GOLFTEC Enterprises LLC receiving a payroll protection loan under the CARES Act in 2020, and GTE notified that it qualifies for repayment forgiveness, resulting in GDO recording an extra-ordinary gain of ¥843mn in FY22/12.
- ✓ However, this extra-ordinary gain is being largely offset by one-time expenses shown on P8 associated with the two transactions of ¥730mn. Therefore, SIR believes it is no longer necessary to adjust the P/E calculation, and the current 23.4% discount appears attractive.

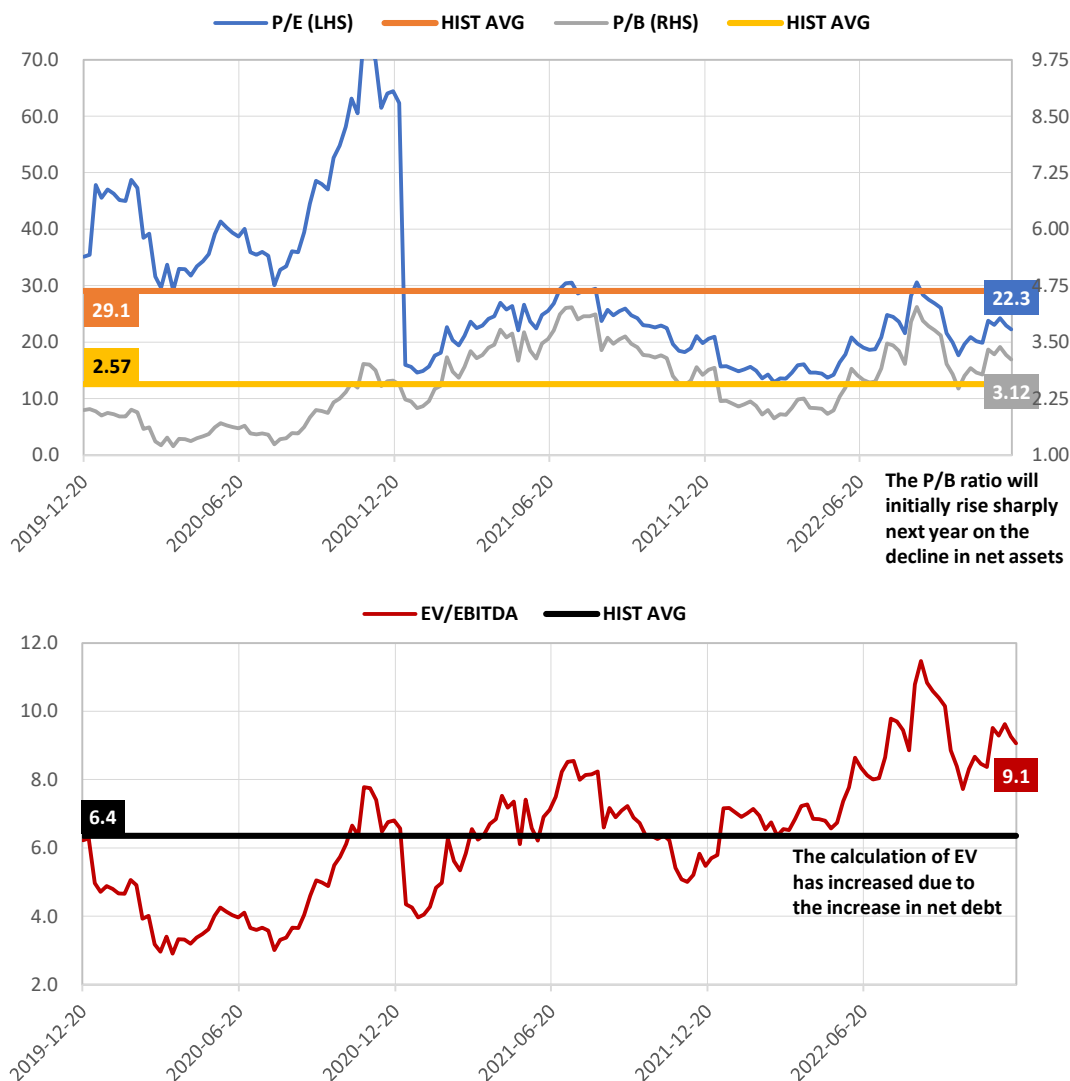


Analyst's view

SESSA Smart Charts: 3-Year Weekly Share Price (13W, 26W, 52W MA) / Volume

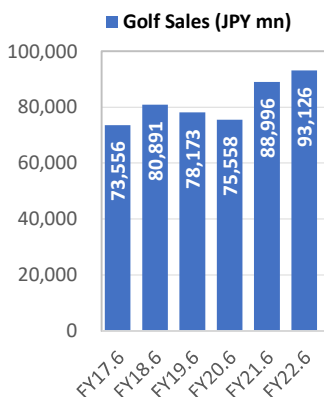


Historical Trend of P/E, P/B and EV/EBITDA (times)



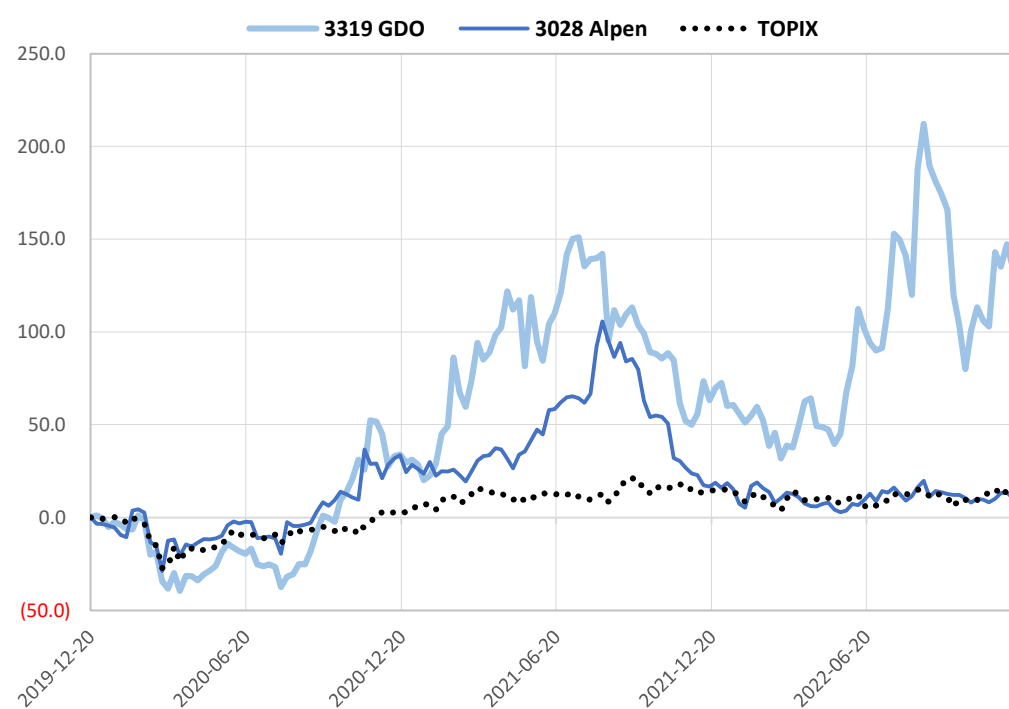
Source: created by SIR from SPEEDA price data. Calculations are based on company estimates.

AlpenGroup Retail Golf Sales



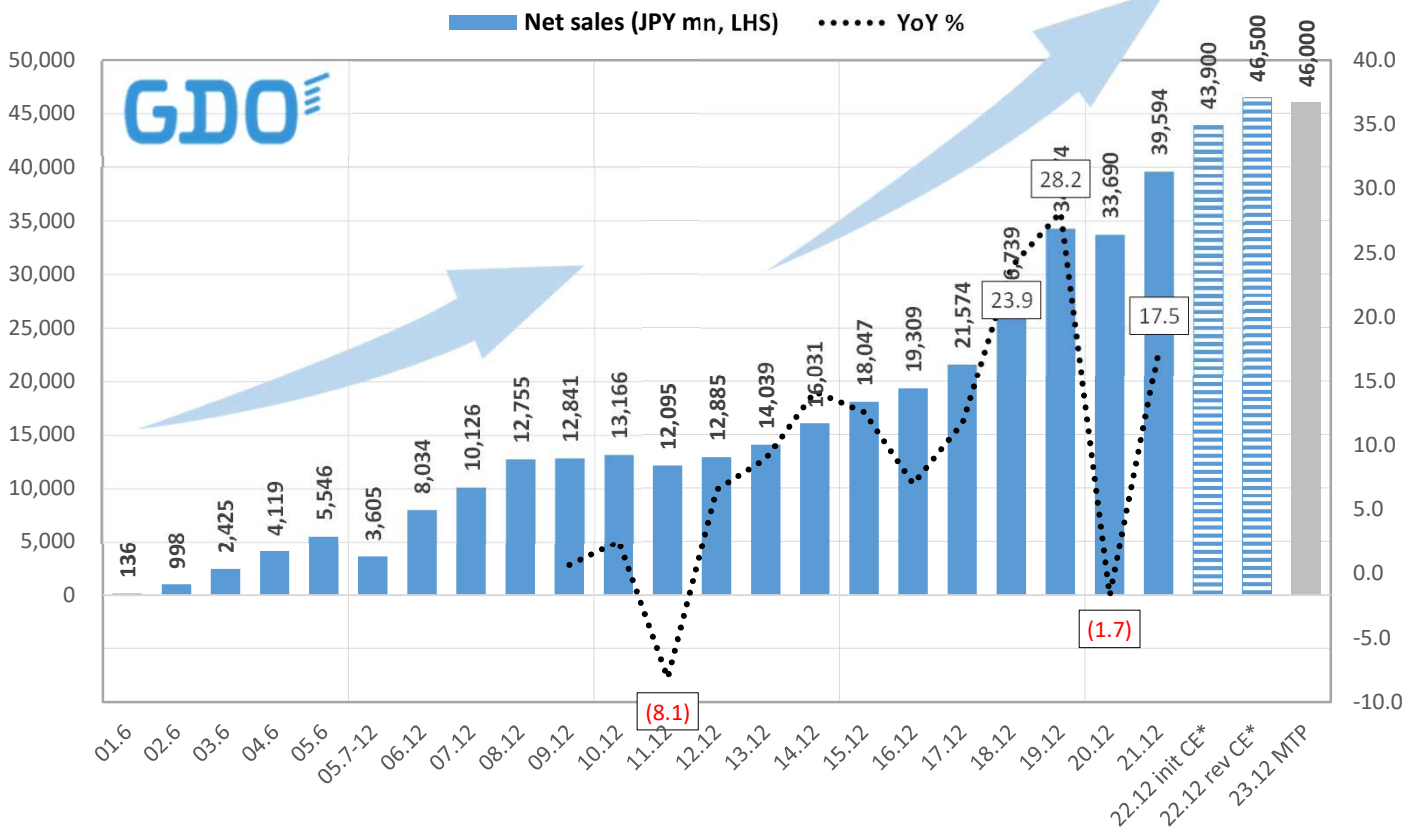
Source: compiled by SIR from Alpen Group company data.

3-Year Weekly Relative Performance



Source: compiled by SIR from SPEEDA price data.

GDO Consolidated Net Sales: Relentless Growth Has 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. Source: compiled by SIR from SPEEDA earnings database, company IR materials, and 2022.09.22 consolidated earnings revision press release.

Next-stage development: Overseas segment incorporating golf improvement and golf entertainment

GDO

PLAY YOUR LIFE



Source: compiled by SIR from GDO website and IR materials.

GOLFTEC



Cutting edge swing diagnosis



One-on-one lessons



Custom club fitting using TECFIT™



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Sessa Partners Inc.

#5a i-o Azabu, 2-8-14
Azabujyuban, Minato-ku, Tokyo
info@sessapartners.co.jp