

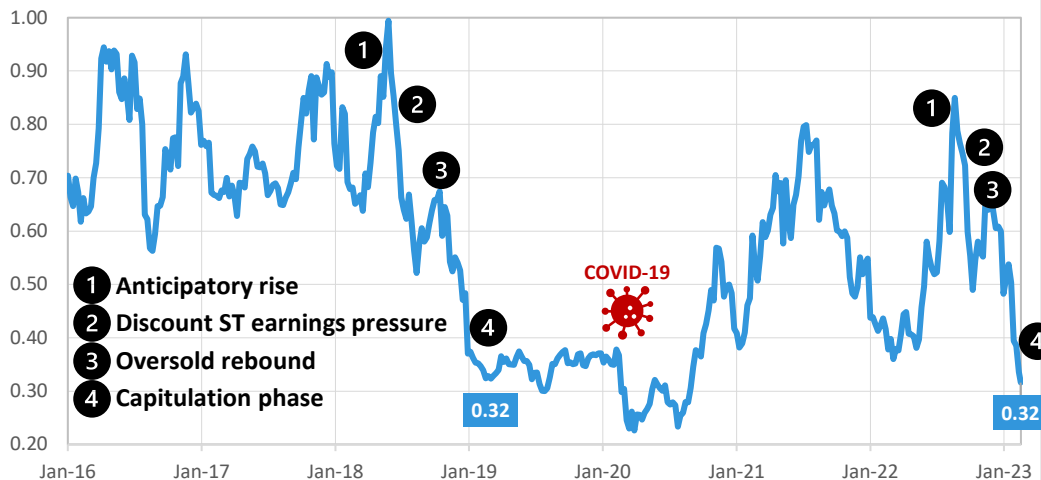
## Rare opportunity presents itself a second time

This time investors have the benefit of a proven track record

### SUMMARY

- Based on the Company's 4Q results briefing and our follow-up interview, the outlook for FY23/12 is for growth to be back-half loaded, not expecting anything noteworthy during the 1H. This term SkyTrak will make a full-term contribution following 4 months in FY22/12. CEO Ishizaka said the Company is aiming for a 1H announcement of the launch of its next generation premium version. GOLFTEC will continue to target opening 20 new lesson centers.
- In Japan, there is good visibility on new installations of TOP TRACER RANGE facilities. In golf goods sales, while there is some concern about the impact of inflation and rising prices cooling demand, GDO will continue new initiatives like subscription service TRY SHOT enabling customers to try out using expensive clubs before purchase, and in golf course reservations, GDO will continue efforts in HOT PRICE special play tickets to boost demand.
- GDO net sales have only declined twice in the past, in 2011 in the wake of the Great East Japan Earthquake and Tsunami, and in 2020 on the initial breakout of COVID-19. In the case of acquiring a majority stake in US GOLFTEC in Jul-2018 (8% → 60%), there were many uncertainties about the length of time required to turn the business profitable. However, in FY19/12, the first full year after acquiring a majority stake, EBITDA for the Overseas segment turned positive.
- The graph below shows the striking resemblance of the current selloff to that after the acquisition of a majority stake in US GOLFTEC in 2018. **The current PSR of 0.32 is at the same level as the capitulation at the beginning of 2019. This time, investors have the benefit of a proven track record of execution by management.**

Trend of GDO's price-to-sales ratio (PSR) surrounding major US acquisitions



Source: compiled by SIR.

## 4Q Follow-up



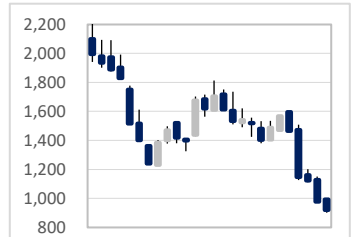
### Focus Points:

'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 (2/24)	919
YH (22/8/25)	2,250
YL (22/3/9)	882
10YH (22/8/25)	2,250
10YL (14/2/4)	168.0
Shrs out. (mn shrs)	18.274
Mkt cap (¥ bn)	16.794
Shr equity ratio (9/30)	3.68%
23.12 P/E (CE)	30.5x
23.12 EV/EBITDA (CE)	7.5x
22.12 P/B (act)	10.63x
21.12 ROE (act)	7.6%
23.12 DY (CE)	1.03%

### 6M stock price (weekly)



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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.








## Likely reasons for the knee-jerk selloff, and why this is a rare opportunity

### SUMMARY

- The first catalyst may be the substantial shortfall to revised full-term guidance announced on September 22, although this was already flagged in an official downward revision announced on January 31, mainly due to recording a foreign exchange loss of ¥560mn on the forward exchange contract in October to fix yen payment for the additional 38% equity interest in US GOLFTec, with the yen subsequently strengthening in November, and recording a foreign exchange loss of ¥250mn on year-end valuation of a USD loan to US subsidiary GDO Sports pursuant to acquisition of SkyTrak business.
- Undoubtedly the biggest immediate concern is deterioration of the financial condition. As a result of the acquisition of SkyTrak business and the additional stake

### Calculation method for per share information

JPY thousand, JPY, number of shares	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
<i>Per share information</i>		
Net assets per share (yen)	405.17	(245.32) 
Basic earnings per share (yen)	56.68	16.44 
Diluted earnings per share (yen)	—	16.43
<i>Basis for the calculation of net assets per share</i>		
Total net assets	7,411,371	1,598,875 
Amount deducted from total net assets	7,536	6,064,540
(Stock acquisition rights)	7,536	25,006
(Amount to be paid in for preferred shares)	—	6,000,000
(Preferred dividend)	—	39,534
Net assets related to common stock at the end of the period	7,403,835	(4,465,665) 
Number of shares of common shares used in the calculation of net assets per share at the end of the fiscal year	18,273,610	18,203,607
<i>Basis for the calculation of net income per share</i>		
Basic earnings per share		
Profit attributable to owners of parent	1,035,822	339,325 
Amount not attributable to common shareholders	—	39,534
Profit attributable to owners of the parent for common stock	1,035,822	299,791
Average number of shares during the period (Shares)	18,273,644	18,231,589
Diluted earnings per share		
Adjustment of net profit attributable to owners of the parent	—	—
Increase in common shares	—	9,776
(Share acquisition rights)	—	9,776
Summary of potential shares not included in the calculation of diluted earnings per share due to absence of dilutive effects	—	—

Source: compiled by SIR from TANSHIN financial statements.

(Notes) 1. The "Net assets per share" for the fiscal year ended December 31, 2022 is calculated by deducting from the total net assets the amount to be paid in for Class A preferred shares, which have different rights from those of common shares and the amount of preferred dividend.

2. The Company has introduced a stock compensation plan, "Board Benefit Trust (BBT)" from the current consolidated fiscal year, and the Company shares held by the trust account are included in the treasury stock deducted from the total number of shares issued and outstanding at the end of the period for the calculation of "net assets per share" (70,000 shares for the current consolidated fiscal year).

3. The Company's shares held by the Trust Account of the Stock Benefit Trust (BBT) are included in treasury stock as a deduction in the calculation of average number of shares during the period for the purpose of calculating "Basic earnings per share" and "diluted earnings per share" (42,018 shares for the current fiscal year).

The cover page of TANSHIN financial statements lists figures for basic EPS and BPS. BPS for FY22/12 is shown as a negative (245.82) yen. As explained in Note 1, this calculation strips out the ¥6.0bn in shareholders' equity from the issue of preferred shares. This is merely an accounting convention, and it does not mean the Company has negative equity.

Basic EPS of 16.44 yen came in substantially below revised 9/22 guidance for 68.28 yen, but this was mainly due to recording non-operating expenses for foreign exchange losses described above.

## GDO Consolidated Balance Sheets

JPY thousand, % of total [J-GAAP]	as of 2021.12.31 end 4Q [A]	as of 2022.12.31 end 4Q [B]	4Q CHG AMT [B - A]	Common Size [A]	Common Size [B]
<b>Assets</b>					
<b>Current assets</b>					
Cash and deposits	2,904,770	2,421,492	(483,278)	13.29	5.57
Accounts receivable - trade	2,689,067	3,063,950	374,883	12.31	7.05
<b>Merchandise</b>	3,219,906	6,214,068	<b>2,994,162</b>	14.74	14.30
Work in process	601	694	93	0.00	0.00
Supplies	72,934	186,183	113,249	0.33	0.43
Other	1,671,120	2,248,574	577,454	7.65	5.17
Allowance for doubtful accounts	(15,871)	(16,022)	(151)	(0.07)	(0.04)
Total current assets	10,542,529	14,118,942	3,576,413	48.25	32.49
<b>Non-current assets</b>					
<b>Property, plant and equipment</b>					
<b>Buildings and structures</b>	4,378,001	6,711,466	<b>2,333,465</b>	20.04	15.44
Machinery, equipment and vehicles	4,301	13,757	9,456	0.02	0.03
Tools, furniture and fixtures	2,033,243	3,054,209	1,020,966	9.30	7.03
Leased assets	13,506	13,506	0	0.06	0.03
<b>Right of use assets</b>	—	7,631,816	<b>7,631,816</b>	—	17.56
Construction in progress	161,585	217,280	55,695	0.74	0.50
Accumulated depreciation	(2,775,756)	(3,970,111)	(1,194,355)	(12.70)	(9.14)
Total property, plant and equipment	3,814,880	13,671,924	9,857,044	17.46	31.46
<b>Intangible assets</b>					
<b>Goodwill</b>	4,059,538	8,479,098	<b>4,419,560</b>	18.58	19.51
<b>Contract based intangible assets</b>	—	2,212,627	<b>2,212,627</b>	—	5.09
Other	2,431,668	4,056,608	1,624,940	11.13	9.33
Total intangible assets	6,491,206	14,748,333	8,257,127	29.71	33.94
<b>Investments and other assets</b>					
Investment securities	10,467	10,519	52	0.05	0.02
Deferred tax assets	252,395	210,436	(41,959)	1.16	0.48
Other	746,957	706,290	(40,667)	3.42	1.63
Allowance for doubtful accounts	(6,925)	(6,974)	(49)	(0.03)	(0.02)
Total investments and other assets	1,002,895	920,271	(82,624)	4.59	2.12
Total non-current assets	11,308,982	29,340,530	18,031,548	51.75	67.51
<b>Total assets</b>	<b>21,851,512</b>	<b>43,459,472</b>	<b>21,607,960</b>	<b>100.00</b>	<b>100.00</b>

Note: common size analysis of a balance sheet displays items as a percentage of total assets, making it easier to spot changes in the capital structure.

(continued from P2)

in US subsidiary GOLFTEC (60% → 98%), total assets effectively doubled from ¥21.9bn to ¥43.5bn, while at the same time, net assets shrank from ¥7.4bn to ¥1.6bn (shareholders' equity ratio declined from 33.9% → 3.7%). Net interest-bearing debt swung from a net cash position of ¥0.9bn to net interest-bearing debt of ¥26.7bn. However, the compression of net assets was also previously flagged in the September 22 briefing (see graph on the top of P7).

- The Consolidated Statements of Changes in Net Assets provided on P5 show what happened to net assets under "Change in ownership interest of parent due to transactions with non-controlling interests." It can also be seen in the Consolidated Statements of Cash Flows under cash flows from financing activities as "purchase of shares of subsidiaries not resulting in change in scope of consolidation." In this case, GDO increased its stake in US GOLFTEC from 60% → 98%, without changing the scope of consolidation. According to CFO Nakamura, normally this would be handled by writing down minority interest, but since GOLFTEC had negative equity, ¥12.2bn was drawn down directly from capital surplus and retained earnings. At the same time, the Company issued ¥6.0bn of preferred shares.

(continued on P7)

## GDO Consolidated Balance Sheets (continued)

JPY thousand, % of total [J-GAAP]	as of 2021.12.31 end 4Q [A]	as of 2022.12.31 end 4Q [B]	4Q CHG AMT [B - A]	Common Size [A]	Common Size [B]
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable - trade	2,244,851	2,893,669	648,818	10.27	6.66
<b>Short-term borrowings</b>	2,025,715	5,603,721	<b>3,578,006</b>	9.27	12.89
<b>Current portion of long-term borrowings</b>	—	1,514,167	<b>1,514,167</b>	—	3.48
<b>Lease liabilities</b>	276	1,322,399	<b>1,322,123</b>	0.00	3.04
Accounts payable - other	1,801,457	1,615,567	(185,890)	8.24	3.72
Income taxes payable	258,382	61,396	(196,986)	1.18	0.14
Deferred revenue	4,751,412	—	(4,751,412)	21.74	—
Contract liabilities*	—	5,562,340	5,562,340	—	12.80
Provision for bonuses	140,000	390	(139,610)	0.64	0.00
Provision for point card certificates	322,183	38,642	(283,541)	1.47	0.09
Provision for shareholder benefit program	29,782	27,787	(1,995)	0.14	0.06
Provision for loss on litigation	69,012	—	(69,012)	0.32	—
Other	1,978,350	1,220,960	(757,390)	9.05	2.81
<b>Total current liabilities</b>	<b>13,621,424</b>	<b>19,861,040</b>	<b>6,239,616</b>	<b>62.34</b>	<b>45.70</b>
<b>Non-current liabilities</b>					
<b>Long-term borrowings</b>	—	12,961,461	<b>12,961,461</b>	—	29.82
<b>Lease liabilities</b>	1,022	7,729,247	<b>7,728,225</b>	0.00	17.78
Provision for retirement benefits for directors (and other officers)	109,002	121,002	12,000	0.50	0.28
Provision for share awards for directors (and other officers)	—	17,486	17,486	—	0.04
Deferred tax liabilities	146,883	120,811	(26,072)	0.67	0.28
Asset retirement obligations	286,779	344,812	58,033	1.31	0.79
Other	275,028	704,735	429,707	1.26	1.62
<b>Total non-current liabilities</b>	<b>818,715</b>	<b>21,999,556</b>	<b>21,180,841</b>	<b>3.75</b>	<b>50.62</b>
<b>Total liabilities</b>	<b>14,440,140</b>	<b>41,860,597</b>	<b>27,420,457</b>	<b>66.08</b>	<b>96.32</b>
<b>Net assets</b>					
<b>Shareholders' equity</b>					
Share capital	1,458,953	1,458,953	0	6.68	3.36
<b>Capital surplus</b>	2,447,104	—	<b>(2,447,104)</b>	11.20	—
<b>Retained earnings</b>	3,466,545	(152,151)	<b>(3,618,696)</b>	15.86	(0.35)
Treasury shares	(422)	(80,253)	(79,831)	(0.00)	(0.18)
<b>Total shareholders' equity</b>	<b>7,372,180</b>	<b>1,226,547</b>	<b>(6,145,633)</b>	<b>33.74</b>	<b>2.82</b>
<b>Accumulated other comprehensive income</b>					
Foreign currency translation adjustment	31,654	347,321	315,667	0.14	0.80
<b>Total accumulated other comprehensive income</b>	<b>31,654</b>	<b>347,321</b>	<b>315,667</b>	<b>0.14</b>	<b>0.80</b>
Share acquisition rights	7,536	25,006	17,470	0.03	0.06
<b>Total net assets</b>	<b>7,411,371</b>	<b>1,598,875</b>	<b>(5,812,496)</b>	<b>33.92</b>	<b>3.68</b>
<b>Total liabilities and net assets</b>	<b>21,851,512</b>	<b>43,459,472</b>	<b>21,607,960</b>	<b>100.00</b>	<b>100.00</b>

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

Source: compiled by SIR from TANSIN financial statements.

**Consolidated Statements of Changes in Net Assets (FY ended December 31, 2021)**

JPY thousand	Shareholders' equity					Accum. other comp. income		Share acquisition rights	Total net assets
	Share capital	Capital surplus	Retained Earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adj.	Total accum. other comp. income		
Balance at beginning of period	1,458,953	2,447,104	2,604,322	(296)	6,510,084	(153,558)	(153,558)		6,356,525
Cumulative effects of changes in accounting policies					—				—
Restated balance	1,458,953	2,447,104	2,604,322	(296)	6,510,084	(153,558)	(153,558)		6,356,525
Changes during period									
• Issuance of new shares					—				—
• Dividends of surplus			(173,600)		(173,600)				(173,600)
• Profit attributable to owners of parent			1,035,822		1,035,822				1,035,822
• Purchase of treasury shares				(126)	(126)				(126)
• Transfer from share capital to other capital surplus					—				—
• Change in ownership interest of parent due to transactions with non-controlling interests					—				—
• Net changes in items other than shareholders' equity					—	185,213	185,213	7,536	192,749
• Total changes during period			862,222	(126)	862,096	185,213	185,213	7,536	1,054,846
Balance at end of period	1,458,953	2,447,104	3,466,545	(422)	7,372,180	31,654	31,654	7,536	7,411,371

**Consolidated Statements of Changes in Net Assets (FY ended December 31, 2022)**

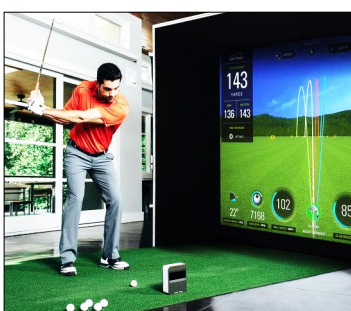
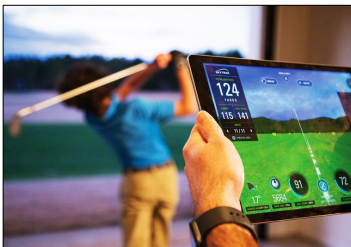
JPY thousand	Shareholders' equity					Accum. other comp. income		Share acquisition rights	Total net assets
	Share capital	Capital surplus	Retained Earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adj.	Total accum. other comp. income		
Balance at beginning of period	1,458,953	2,447,104	3,466,545	(422)	7,372,180	31,654	31,654	7,536	7,411,371
Cumulative effects of changes in accounting policies			(1,790)		(1,790)				(1,790)
Restated balance	1,458,953	2,447,104	3,464,755	(422)	7,370,390	31,654	31,654	7,536	7,409,581
Changes during period									
• Issuance of new shares	3,000,000	3,000,000			6,000,000				6,000,000
• Dividends of surplus			(180,084)		(180,084)				(180,084)
• Profit attributable to owners of parent			339,325		339,325				339,325
• Purchase of treasury shares				(79,831)	(79,831)				(79,831)
• Transfer from share capital to other capital surplus	(3,000,000)	3,000,000			—				—
• Change in ownership interest of parent due to transactions with non-controlling interests		(8,447,104)	(3,776,149)		(12,223,254)				(12,223,254)
• Net changes in items other than shareholders' equity					—	315,667	315,667	17,469	333,136
• Total changes during period	—	(2,447,104)	(3,616,907)	(79,831)	(6,143,843)	315,667	315,667	17,469	(5,810,706)
Balance at end of period	1,458,953		(152,151)	(80,253)	1,226,547	347,321	347,321	25,006	1,598,875

Source: compiled by SIR from TANSIN statements.





Large potential synergies



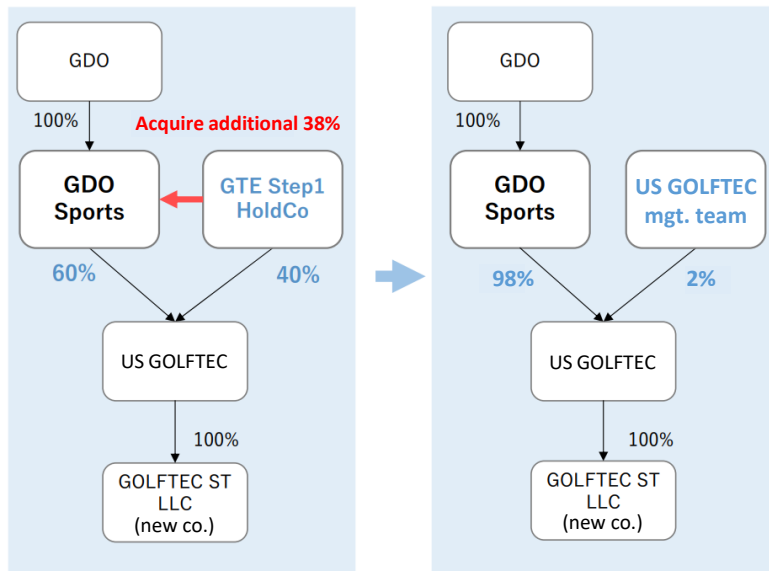
# Acquisition of additional stake in US GOLFTEC

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 has been 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.

Increased stake in GTE 60% → 98%



**JPY 20.9bn Fundraising Summary**

Additional 38% stake in GTE

- JPY 6.2bn syndicate loan through 2027.07.31
- JPY 6.0bn type A preferred shares (bond-type w/o conversion rights)

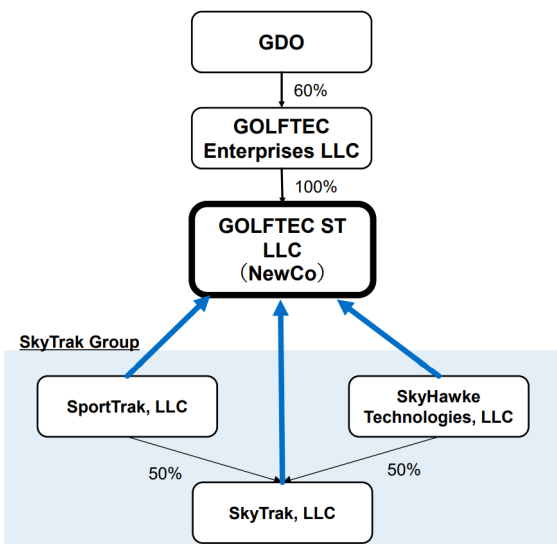
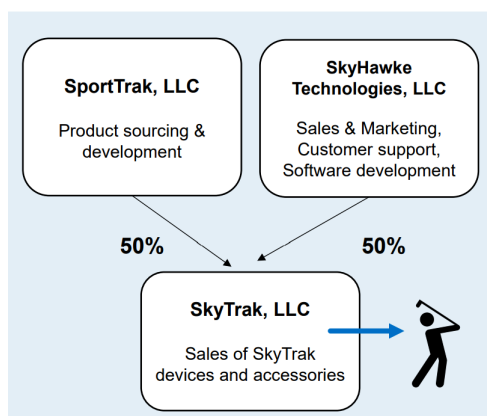
SKYTRAK business

- JPY 8.7bn syndicate loan through 2027.07.31



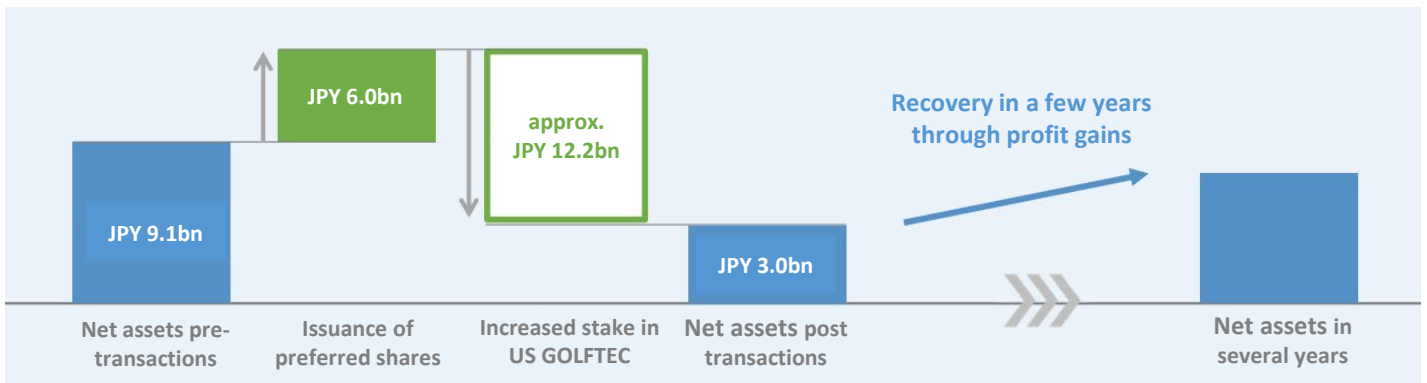
## Asset purchase of Sky Trak

## SKYTRAK GROUP ORGANIZATION



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

Projected impact on net assets and financial position after the two acquisition transactions



Source: excerpt from company IR briefing materials, September 22, 2022.

(continued from P3)



US GOLFTEC GROUP RESULTS SUMMARY

- Golf lesson sales grew due to the new store openings contribution.
- Ticket purchases declined due to the impact of the macro slowdown in the US since September, and Q4 was significantly impacted.
- Club fitting sales were affected by logistics disruptions, but sales grew along with the increase in the number of corporate centers.
- SkyTrak business contributed to sales growth, but it fell short of plan due to a delay in operations transfer.

Aggressive new store opening strategy was successful. New SkyTrak business also contributed to sales expansion.



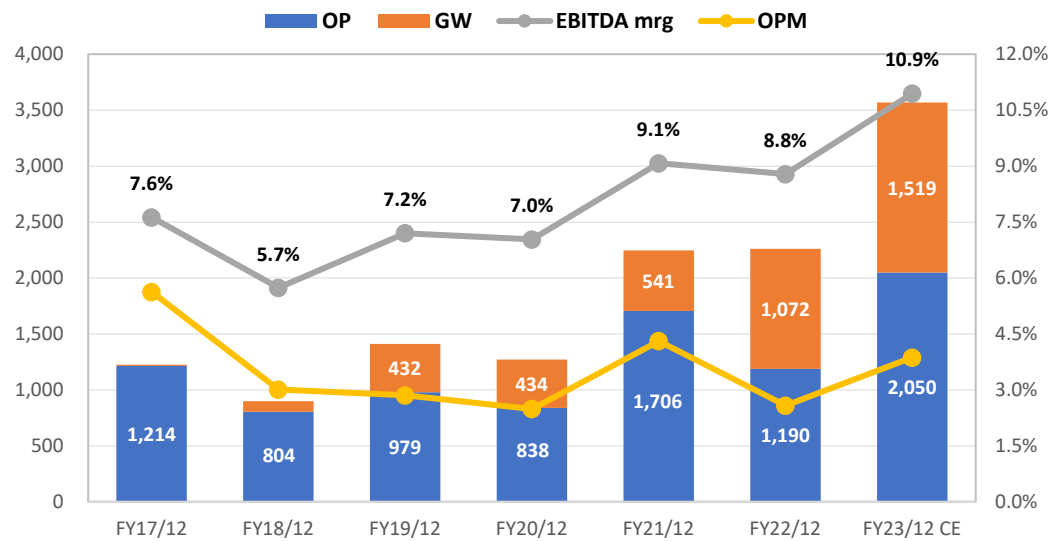
© Golf Digest Online Inc. Avg. exchange rate : 2021 USD = JPY 109.90 2022 USD = JPY 131.63

Source: excerpt from IR results briefing materials.



The point

GDO Trend of Pre-Goodwill Operating Profit and EBITDA Margin

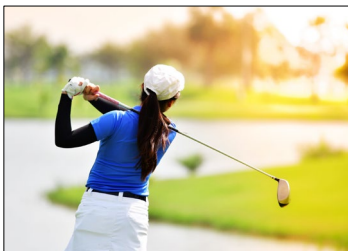
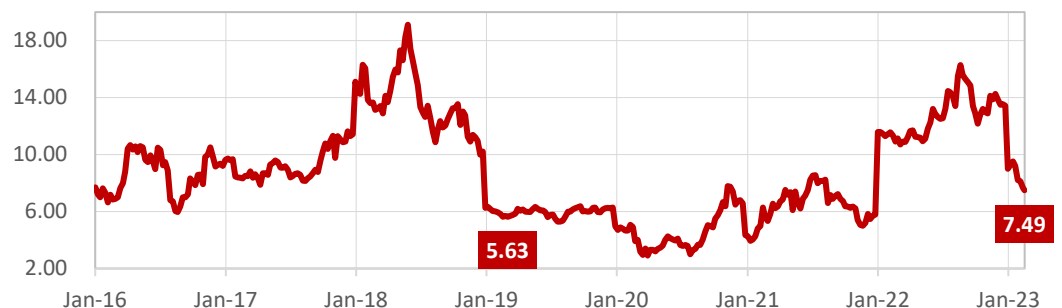


GDO Consolidated Earnings Trend by Segments

[J-GAAP]	FY17/12	FY18/12	FY19/12	FY20/12	FY21/12	FY21/12	FY22/12	FY22/12
JPY mn, %	act	act	act	act	act	act*	act	init CE
<b>Net sales</b>	<b>21,574</b>	<b>26,739</b>	<b>34,274</b>	<b>33,690</b>	<b>39,594</b>	<b>37,718</b>	<b>46,090</b>	<b>53,000</b>
• Japan	21,574	25,244	26,842	26,723	27,851	25,976	27,593	30,000
• Overseas	—	1,494	7,431	6,967	11,742	11,742	18,496	23,000
<i>pct total net sales</i>		5.6%	21.7%	20.7%	29.7%	31.1%	40.1%	43.4%
<i>by Service</i>								
• Golf goods sales	14,081	16,300	17,354	17,896	18,245	20,868	23,161	NA
• Golf course booking	5,806	6,929	7,475	6,962	6,747	5,246	5,375	NA
• Golf lessons	800	2,529	8,597	7,858	12,734	9,112	12,980	NA
• Others	887	980	846	972	1,867	2,492	4,573	NA
<b>EBITDA</b>	<b>1,645</b>	<b>1,537</b>	<b>2,469</b>	<b>2,370</b>	<b>3,595</b>		<b>4,049</b>	<b>5,800</b>
<i>ratio to sales</i>	<b>7.6%</b>	<b>5.7%</b>	<b>7.2%</b>	<b>7.0%</b>	<b>9.1%</b>		<b>8.8%</b>	<b>10.9%</b>
• Japan	—	1,876	2,057	2,304	2,376		2,639	3,150
<i>ratio to sales</i>		7.4%	7.7%	8.6%	8.5%		9.6%	10.5%
• Overseas	—	(338)	412	66	1,218		1,409	2,650
<i>ratio to sales</i>			5.5%	0.9%	10.4%		7.6%	11.5%
<i>pct total EBITDA</i>			16.7%	2.8%	33.9%		34.8%	45.7%
<b>Operating profit</b>	<b>1,214</b>	<b>804</b>	<b>979</b>	<b>838</b>	<b>1,706</b>		<b>1,190</b>	<b>2,050</b>
<i>OPM</i>	<b>5.6%</b>	<b>3.0%</b>	<b>2.9%</b>	<b>2.5%</b>	<b>4.3%</b>		<b>2.6%</b>	<b>3.9%</b>
• Japan	—	1,387	1,535	1,780	1,778		2,015	2,500
• Overseas	—	(582)	(556)	(941)	(71)		(826)	(450)
Ordinary profit	1,225	822	971	907	1,715		(175)	1,226
Profit ATOP	707	380	358	261	1,035		339	550
GW amortization	11	95	432	434	541		1,072	1,519
(Ref.) OP before GW	1,225	899	1,411	1,272	2,247		2,262	3,569

Source: compiled by SIR from IR FactSheet and TANSBIN financial statements.

Trend of GDO's EV/EBITDA ratio surrounding major US acquisitions

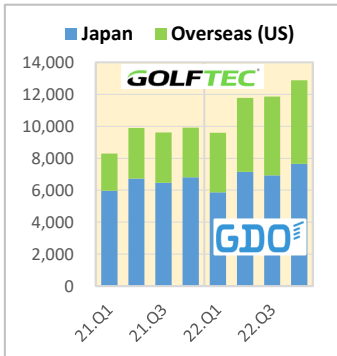


By convention, since the Company makes no estimates for B/S items, this graph only includes the estimate for FY23/12 EBITDA, and still uses the FY22/12 4Q net debt figure, which will decline on debt repayment this term, reducing EV going forward.

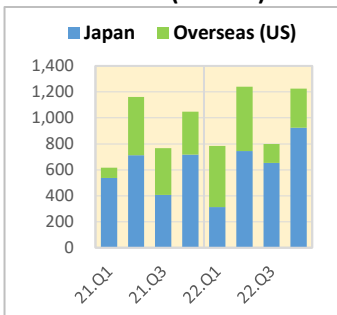




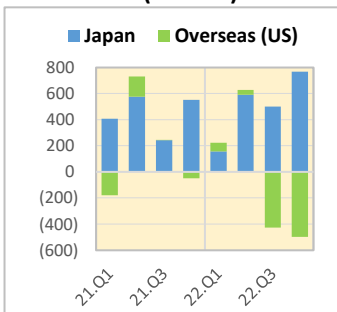
Net sales (JPY mn)



EBITDA (JPY mn)

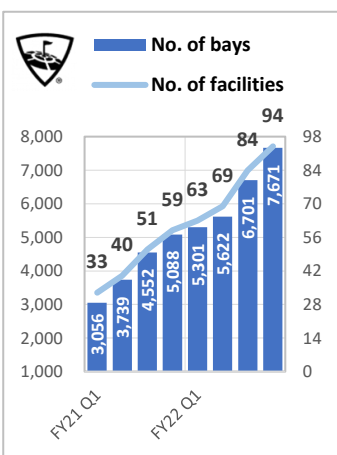


OP (JPY mn)



Source: compiled by SIR from GDO IR Factsheet. TTR from IR briefings.

TOPTRACER RANGE installations in Japan



## Profits dipped on one-off expenses and foreign exchange losses related to the two acquisitions

### RESULTS SUMMARY

- GDO announced FY22/12 4Q consolidated financial results at 12:00 on Tuesday 2/14, and it held a results briefing livestreamed via ZOOM at 16:00 on the same day. Consolidated net sales relative to the previous year's figure adjusted for the adoption of the revenue recognition standard from FY22/12 rose +22.2% YoY, largely driven by US GOLFTEC business including golf lessons, club fitting sales and 4 months-worth of acquired SkyTrak sales, as well as strong growth in driving range business in Japan (in 'Others' below).
- Operating profit declined -30.2% YoY, and ordinary profit posted a loss of (¥175mn). The following 4 expense items largely contributed to the decline in profits: 1) one-time expense of ¥340mn in SG&A for due diligence, etc. related to the acquisition of SkyTrak business and the additional 38% equity interest in US GOLFTEC, 2) one-time expense of ¥400mn in non-operating expense for arrangement fees, etc. related to the fundraising, 3) recorded a foreign exchange loss of ¥560mn on the forward exchange contract in October to fix yen payment for the additional 38% equity interest in US GOLFTEC, with the yen subsequently strengthening in November, and 4) recorded a foreign exchange loss of ¥250mn on year-end valuation of a USD loan to US subsidiary GDO Sports pursuant to acquisition of SkyTrak business.

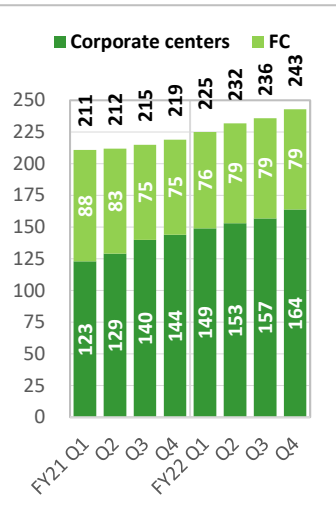
### GDO FY22/12 Consolidated Financial Results Summary and FY23/12 Initial Forecasts

[J-GAAP]	FY21/12	FY22/12	FY22/12	FY22/12	Pct	FY23/12	Pct	FY23/12
JPY mn, %	act**	init CE	9.22 rev CE	act	YoY	init CE	YoY	MTP**
<b>Net sales</b>	<b>37,718</b>	<b>43,900</b>	<b>46,500</b>	<b>46,090</b>	<b>22.2</b>	<b>53,000</b>	<b>15.0</b>	<b>43,500</b>
• Japan	25,976	28,900	28,000	27,593	6.2	30,000	8.7	30,000
• Overseas	11,742	15,000	18,500	18,496	57.5	23,000	24.4	13,500
<i>by Service</i>								
• Golf goods sales*	20,868			23,161	11.0			
• Golf course booking	5,246			5,375	2.5			
• Golf lessons	9,112			12,980	42.4			
• Others	2,492			4,573	83.5			
Gross profit	13,781			15,999	16.1			
GPM	36.5%			34.7%				
SG&A expenses	12,074			14,809	22.7			
ratio to sales	32.0%			32.1%				
<b>EBITDA</b>	<b>3,595</b>	<b>4,350</b>	<b>4,440</b>	<b>4,049</b>	<b>12.6</b>	<b>5,800</b>	<b>43.2</b>	<b>5,000</b>
ratio to sales	9.5%	9.9%	9.5%	8.8%		10.9%		11.5%
• Japan	2,376	2,800	2,620	2,639	11.1	3,150	19.4	3,500
• Overseas	1,218	1,550	1,820	1,409	15.7	2,650	88.1	1,500
<b>Operating profit</b>	<b>1,706</b>	<b>2,100</b>	<b>1,590</b>	<b>1,190</b>	<b>(30.2)</b>	<b>2,050</b>	<b>72.3</b>	<b>2,500</b>
OPM	4.5%	4.8%	3.4%	2.6%		3.9%		5.7%
• Japan	1,778	2,100	1,950	2,015	13.3	2,500	24.1	2,700
• Overseas	(71)	0	(360)	(826)	RE	(450)	RS	(200)
Ordinary profit	1,715	2,100	1,090	(175)	TR	1,226	TB	
Profit ATOP	1,035	1,900	1,280	339	(67.2)	550	62.2	
GW amortization	541	643	1,005	1,072	98.2	1,519	41.7	
(Ref.) OP before GW	2,248	2,744	2,595	2,262	0.6	3,569	57.8	

Source: compiled by SIR from IR FactSheet and IR results briefing materials

\*Includes US club fitting sales. \*\*Adjusted for revenue recognition standard applied from 2022.

**GOLFTEC** Centers



**GDO Group Driving Principle: Golf × Technology**

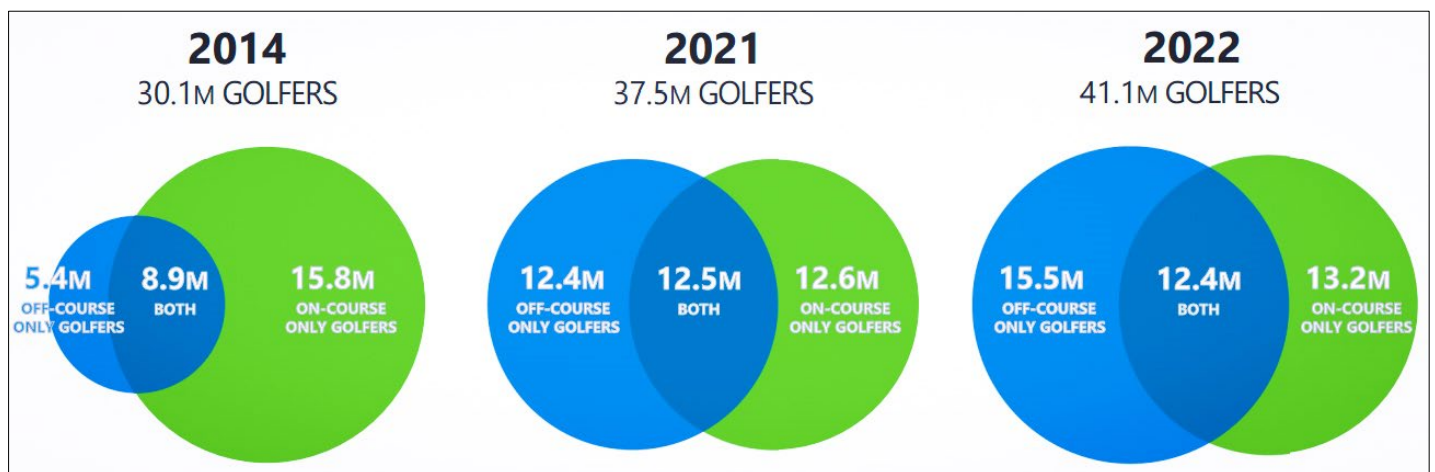
Each of the key GDO Group companies is No.1 in its respective market:

- 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



**The golf population in the US is growing: Off-course golfers exceed on-course golfers in 2022**



Source: excerpt from IR results briefing materials. Physical Activity Council (PAC) activity survey and NGF's Participation and Engagement Survey (PES)

**EXPANDING our FOOTPRINT**

**205**

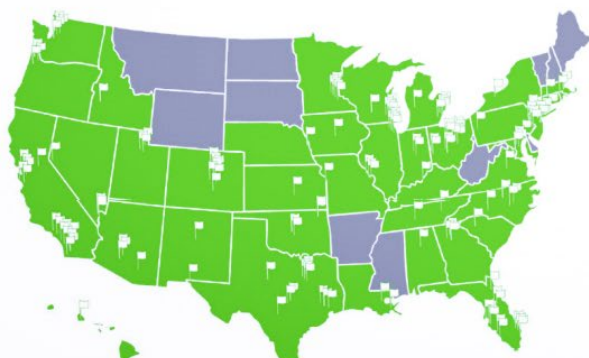
U.S. CENTERS  
(164 Corporate/ 41 Franchise)

**38**

INTERNATIONAL CENTERS

**750+**

POTENTIAL GROWTH CENTERS





**Performance and Valuations:  
SESSA Smart Charts**

✓ As shown on the cover page, at 919, GDO's price-to-sales (PSR) ratio is now at the same capitulation level of 0.32x following the acquisition of a majority 60% stake of US GOLFTEC in 2018.

✓ SIR believes that EV/EBITDA is likely one of the most important benchmarks for GDO, given that EBITDA is a core focus of GDO Group management strategy. However, as noted on the bottom of P8, while current EV/EBITDA of 7.5x uses guidance for FY23/12 EBITDA of ¥5.8bn, EV is still calculated with 4Q-end net interest-bearing debt of ¥26.7bn. Since this will decline during the current FY with repayment, actual EV based on a FY-end value would be lower.

✓ A rare opportunity has presented itself for a second time in our view.

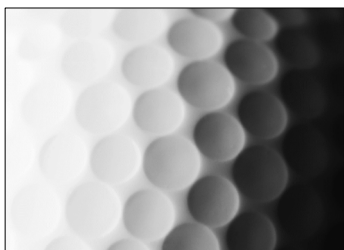
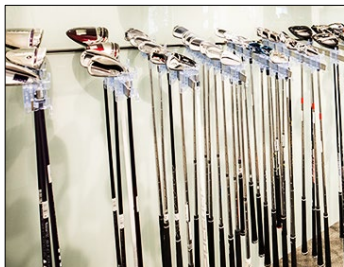


Analyst's view

**3-Year Weekly Share Price (13W, 26W, 52W MA) / Volume and Valuations Trend**

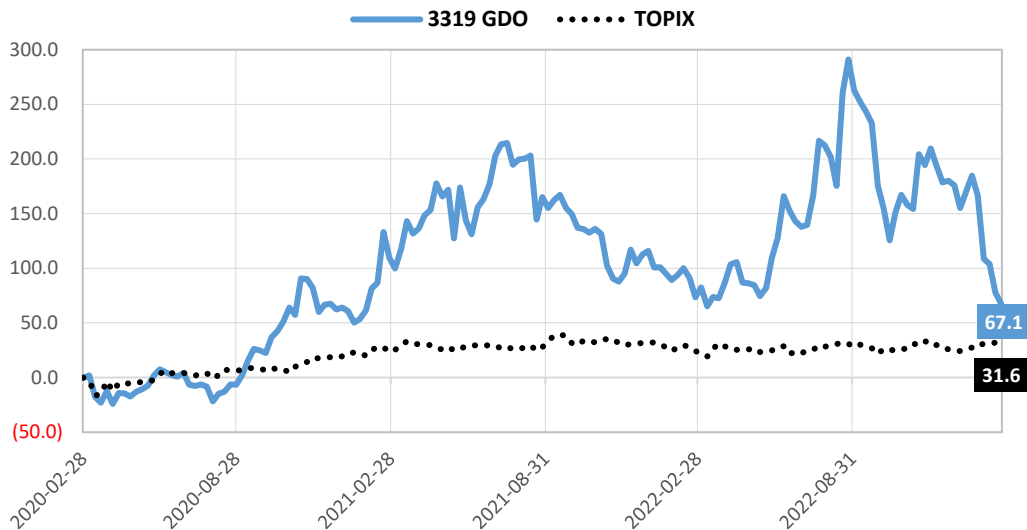


Source: created by SIR from SPEEDA price data. Calculations are based on company estimates.

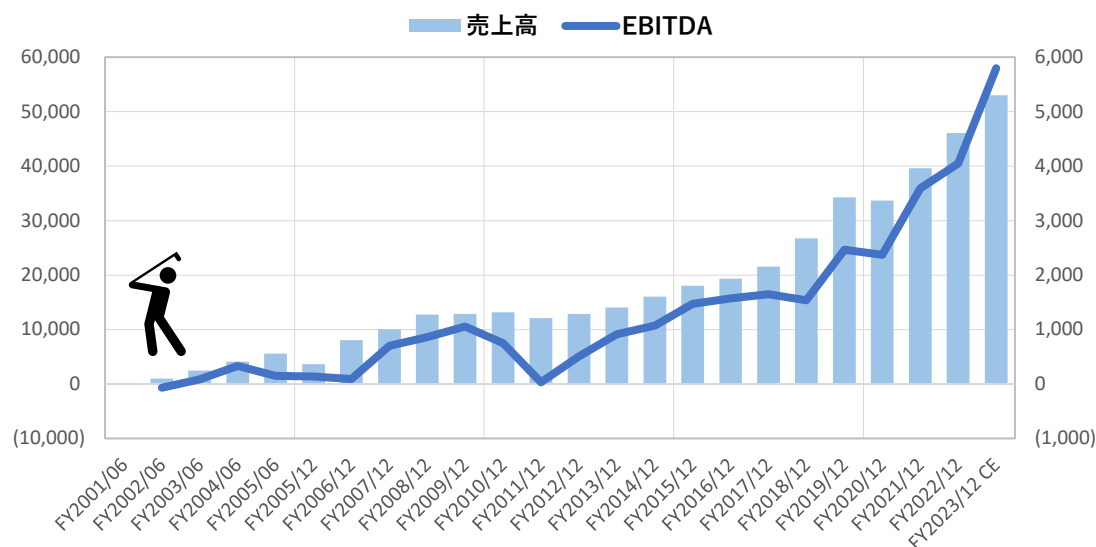


\*Note: GDO Japan domestic net sales applied ASBJ Statement No. 29 Accounting Standard for Revenue Recognition from the start of FY2022/12. Source: compiled by SIR from SPEEDA earnings database.

### 3-Year Weekly Relative Performance



### GDO連結売上高・EBITDA推移(百万円)



### 10-Year Monthly Share Price (6M, 12M, 24M MA) / Volume





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

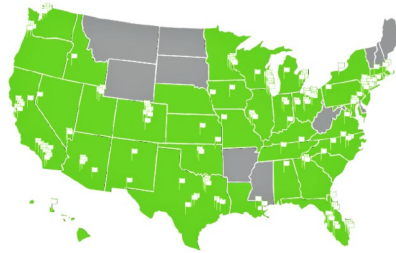
**GDO**

**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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