

Toward Realizing the GOLFTEC ANYWHERE Concept

GDO Group acquires SkyTrak business, raising its stake in GOLFTEC to 97%

SUMMARY

- GDO net sales have only declined twice in its history, -8% in FY11/12 after the Mar-2011 earthquake/tsunami, and -2% in FY20/12 in the wake of the COVID-19 pandemic (see graph on P33). Since FY12/06 with comparable Dec-end FY, even factoring in those 2 declines, **GDO has achieved 15-year net sales CAGR of +11.2% through FY21/12, and 15-year OP CAGR of +31.8%**. More importantly, the decision to acquire a majority stake in GOLFTEC Enterprises in Jul-2018 is now finally paying off, with high growth in high-margin US business entering a new period of accelerating Group earnings expansion.
- When GDO made the decision to acquire a majority stake in GOLFTEC Enterprises LLC (GTE) in 2018, at the time it was viewed as a long-dated, out-of-the-money call option, offering a clean way to enter the enormous US market with a highly recognized blue-chip name. In the first full three 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**. US GOLFTEC business is no longer theoretical, and its contribution is real and measurable, with significant upside.
- Along with 1H results, GDO announced on August 10 that GOLFTEC would acquire SKYTRAK business, the no.1 launch monitor in the US for the affordable consumer home market, offering various accessories to assemble home simulators. The Company expects this acquisition to be accretive to profits from year one. Then on September 22, **GDO announced that it intends to increase its equity stake in GOLFTEC from the current 60% → 97%**, subject to approval at an extraordinary meeting of shareholders on November 24 for the issuance of Type A preferred shares (bond-type, non-convertible). 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 drop from JPY 9.1bn to JPY 3.0bn, GDO expects to rebuild that through Group profit growth over the next several years. **It is worth noting that 3 GDO Board of Directors members collectively own 24.2% of shares outstanding.**

GOLFTEC ANYWHERE initiative takes off



SKYTRAK
ELEVATE YOUR GAME

'GOLFTEC ANYWHERE'

GOLFTEC

- In person with a GOLFTEC coach
- On-the-go at a course or range
- At home with a simulator

Possibilities for golfers everywhere are unlimited to improve their skills and enhance their golfing experience, with large potential Group synergies.

Full Report



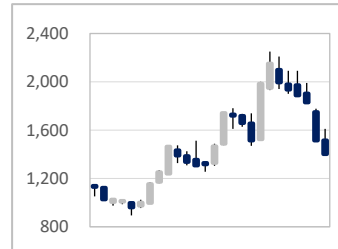
Focus Points:

'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 (10/7)	1,402
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)	25,620
Shr equity ratio (6/30)	37.0%
22.12 P/E (CE)	19.9x
22.12 EV/EBITDA (CE)	5.6x
22.06 P/B (act)	2.82x
21.12 ROE (act)	15.1%
22.12 DY (CE)	0.68%

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.

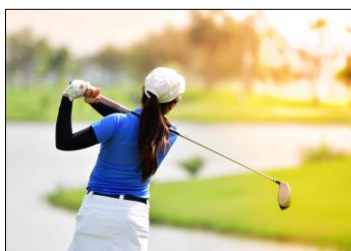


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GDO Group Driving Principle: Golf × Technology

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 SKTRAK 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



GDO

PART ① INTRODUCTION



Online golf gear sales



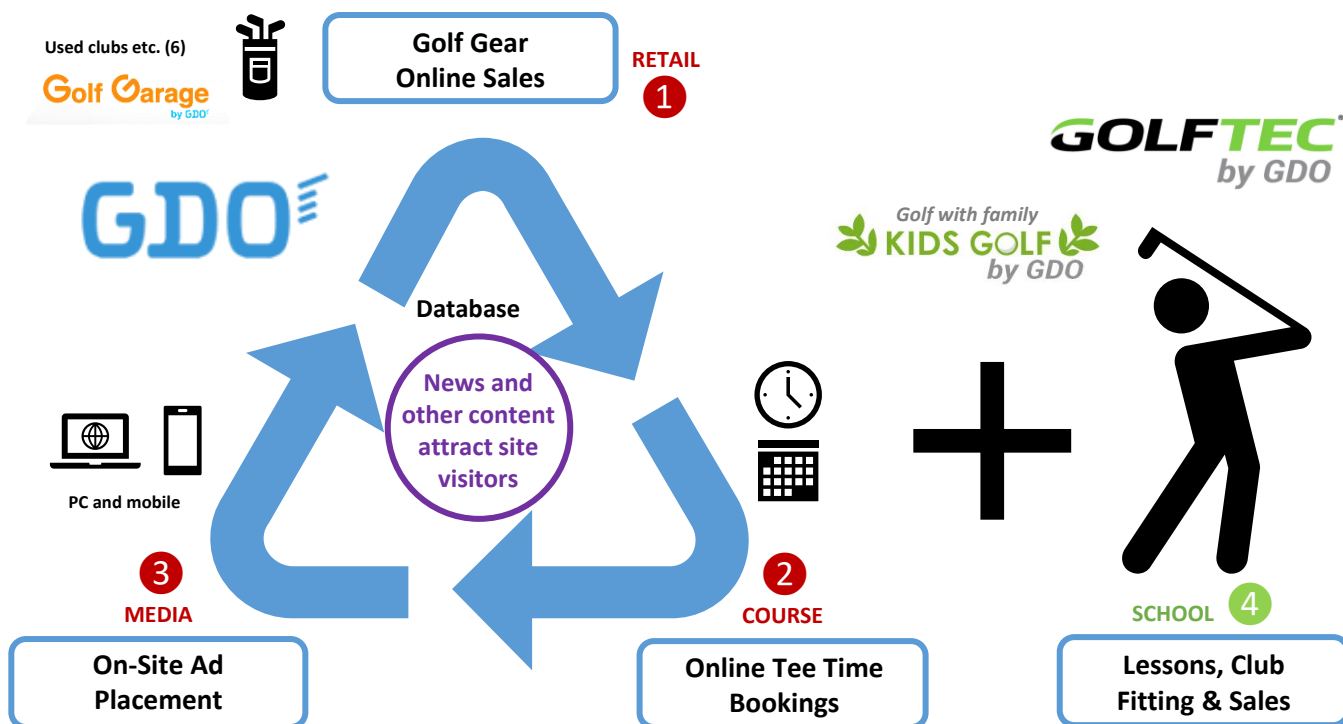
Highly effective and scalable business model: self-reinforcing ecosystem based on IT around core media specialized in all things golf

GDO was established in May-2000 at the height of the 'dot.com' internet bubble. Founder and CEO Nobuya 'Mike' Ishizaka, a veteran of Mitsubishi Corporation and holder of a Harvard Business School MBA, had a simple premise: build a media platform specialized in golf, and develop IT-based businesses revolving around the core media. The graphic below shows the initial 3 main 'tricycle' wheels of RETAIL (golf gear online sales), COURSE (online tee time bookings), and MEDIA (on-site ad placement).

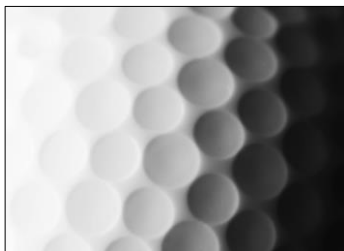
The core media is GDO News, which covers all news, topics and tournament/event related information. The company has a dedicated Editorial Department with staff writers producing proprietary content as well as culling together a myriad of information of interest to golfers. GDO News attracts visitors to the site, creating a powerful platform for various services aimed at golfers. In 2016, 2019, 2020, and 2021, GDO News won the LINE NEWS AWARD Grand Prize in the Sports Category awarded to the media most supported by users (2017 & 2018 winner was soccer's Football ZONE).

The trend of GDO Club Members, shown in the graph on the following page, is a key leading indicator for Japan business. This is the textbook definition of structural growth, driven in large part by the rising EC ratio. GDO club members topped 5 million in 3Q FY12/21. GDO's current best estimate of total golfers in Japan is roughly 7.8 million, so GDO Club Members account for well over half of all golfers. In this report we summarize key trends in the US golf market. For a detailed overview of the golf market in Japan, please refer to our last GDO Full Report dated March 29, 2021, as well as METI monthly industry data in the SUPPLEMENT at the end of this report.

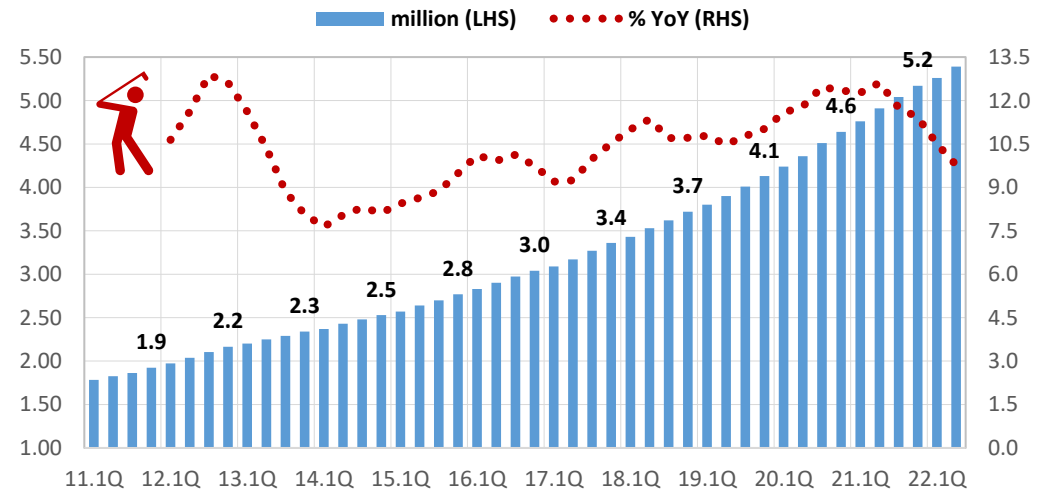
Early-stage development in Japan: at the core is 'only one' GDO golf dedicated portal site



Source: compiled by SIR based on YUHO financial statements and company interviews. Note: KIDS GOLF by GDO was merged with GOLFTEC by GDO in 2020.

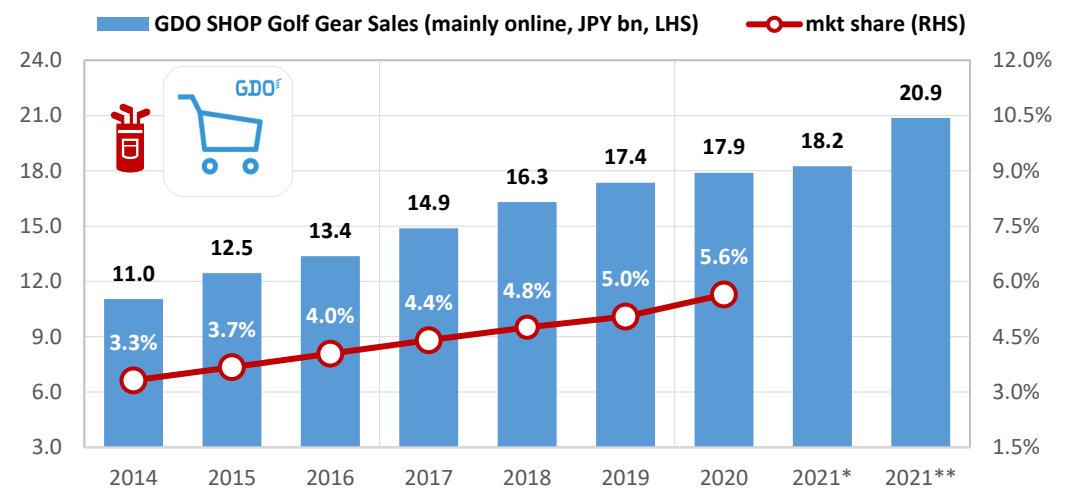


Non-financial KPI: Quarterly Trend of GDO Club Members – topped 5mn in 3Q FY21.12



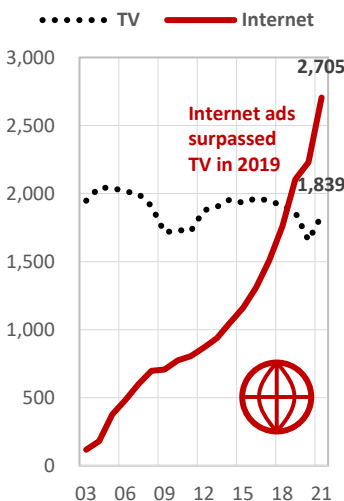
Source: compiled by SIR from GDO IR FactSheet.

GDO SHOP Golf Gear Sales and Market Share



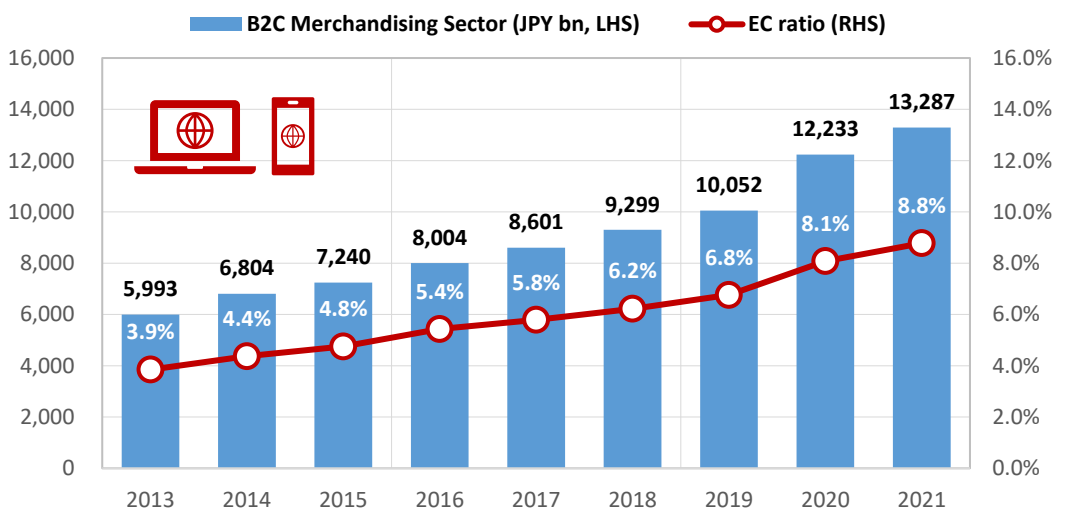
Source: compiled by SIR from share data provided by GDO IR. *Pre- and **post- revenue recognition standard applied.

Dentsu Japan Ad Spending (JPY bn)



Source: compiled by SIR from Dentsu Advertising Expenditures in Japan 2022

METI Annual E-Commerce Market Survey



Source: compiled by SIR from METI's annual 'E-Commerce Market Survey,' August 12, 2022.



GDO is the largest online retailer of golf gear, ranking 5th in overall golf gear sales including brick-and-mortar chains like Alpen Group & XEBIO HD. GDO's market share shown in the middle graph on the previous page mirrors the rise in the EC ratio for overall e-commerce in B2C merchandising. This structural growth driver is ongoing.

While RETAIL business has the highest contribution to sales, COURSE business (online tee time reservations) has the highest margins. The market for online golf course reservations by stand alone platforms with comprehensive nationwide coverage is basically split between Rakuten GORA and GDO. First, a GDO Club member logs on, and inputs the requested date, time, and course, as well as the number of players in his or her party. Then, after the member and party actually visit the course and play, a commission of several hundred yen is paid by the corresponding golf course to GDO **times the number of players**. There is no commission paid in the event of cancellation. The biggest risk factor for this business is weather events and natural disasters like typhoons, flooding, earthquakes etc.

MEDIA business (on-site ad placement) is positioned more as a way to offset costs to operate GDO News, at the core of all business, rather than a priority focus area.

Original three businesses and two new businesses added to the Domestic Segment



GDO Golf Course Reservations

Easy golf course reservations from more than 2,000 courses nationwide, with a large number of special offers.



12 FC training centers in Japan offering lessons and club fitting



GDO Golf Shop

120,000 golf products to choose from! One of the largest golf stores in Japan. You can get popular golf gear at reasonable and convenient prices.



Opened in over 80 facilities nationwide and growing



GDO Score

Easily enter and analyze scores while playing. It assists your golfing experience seamlessly!



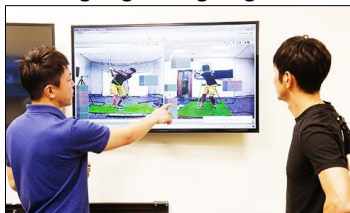
GDO Golf News

Breaking news from domestic and international tours! You can view the latest rankings and player information.



GOLFTEC®

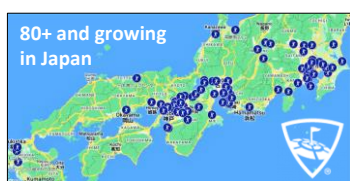
Cutting edge swing diagnosis



One-on-one lessons



Custom club fitting using TECFIT™



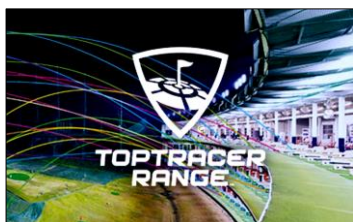
Timeline leading up to acquiring the majority stake in GOLFTEC Enterprises LLC

Having obtained the master franchise for GOLFTEC in Japan, GDO had steadily opened new studios since 2012, and had high confidence in the viability of the business and strength of the proprietary technology. In 2016, in discussions with the management team of the US parent GOLFTEC Enterprises (GTE), GDO agreed to take an 8% stake. While dealing with expected growing pains of any high growth company in securing funding to support ongoing expansion, GTE was faced with a new problem: closure of a golf goods megastore chain forced the company to scramble to find new locations for a portion of studios renting space within those stores. Golfsmith partnered with GTE in 2004 for providing in-store lessons (GTE had space in 57 stores as of Aug-2010). In Sep-2016, Golfsmith filed for Chapter 11 protection, a victim of overly aggressive store expansion (109 stores), and in the wrong mega-size format, in the face of the persistent shift toward online retailing.

When GTE approached GDO in 2018 for another potential round of financing, GDO responded that in that case, it would like to acquire a majority stake. To be sure, the table on P10 highlights the US as the largest market for golf. However, GDO management believed strongly that it would be the epitome of recklessness to try to enter the US market cold, with no name recognition and no prospects for gaining a lasting foothold with its current business portfolio. There are striking similarities to Seven-Eleven Japan acquiring a 69.9% stake in Southland Corporation in Mar-1991, in two key respects: 1) high confidence in the viability of the business model through proven experience, and 2) no other way to gain a lasting foothold in the US market. GDO raised its stake from 8% to 60% in Jul-2018, consolidating GTE's accounts from the 4Q (Oct-Dec). The business model for GTE is explained by CEO Joe Assell in Part Two in the interview on PP18-19. Negative equity will disappear in 4Q 2022.

Around the same time, in August 2018, GDO entered a tie-up to introduce TOPTRACER RANGE in driving ranges in Japan. TOPTRACER (originally named Protracer) was founded in 2006 by a Swedish IT engineer who developed technology to follow the flight path of golf balls in televised international tournaments through on-screen graphics. Then in 2012, the same technology for TV broadcasts was developed to be installed at driving ranges to trace and analyze shots hit by ordinary driving range





patrons, a whole new and large untapped target audience. Topgolf Entertainment Group acquired TOPTRACER in 2016. Topgolf (originally Target Oriented Practice Golf) was founded in 2000 in the UK, introducing proprietary RFID technology and large dartboard-style targets in driving range venues, introducing a new gaming experience. The first TOPTRACER RANGE was installed in 2017, allowing players of any level to experience golf like the pros at local driving ranges through an interactive and social experience, now available in 32 countries. GDO CEO Ishizaka mentions the TOPGOLF global phenomenon in the interview in Part Two. Under the tie-up agreement with TOPTRACER, GDO shares the installation investment expense and revenue from pay-per-use fees based on the number of users from installed driving ranges. As of the end of 1H FY22/12, there were 5,622 bays installed in 69 facilities in Japan, with plans for an additional 982 bays to be installed in 14 facilities from July onward.



GOLFTEC ANYWHERE initiative is launched in August 2022

On August 10, 2022, along with 1H results, GDO announced that GTE established a new subsidiary GOLFTEC ST LLC, which will acquire all business assets of the Skytrak Group related to the sales of golf launch monitors. The press release highlights GDO taking a majority stake in GOLFTEC in July 2018, which operates the No.1 chain of golf lesson training centers in the largest golf market in the US, driven by a suite of proprietary technologies, and is the largest employer of PGA professionals. The SkyTrak Group designs, develops and sells SKYTRAK, the No.1 launch monitor to track and analyze the flight of golf balls for the consumer home market, offering affordable launch monitors and various accessories to assemble complete home simulator systems. Part two

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



Source: compiled by Sessa Partners from GDO website and IR materials.



GOLFTEC Enterprises LLC
25TH Anniversary in 2020



- Total Lessons since '95:
As of 22.09, over 13 million
- 1 million+ students
 - 7 stroke AVG improvement
 - Nearly 1,000 certified personal coaches
 - #1 employer of PGA professionals
 - 235 studios worldwide
 - 37 US states, 6 countries

examines key trends in the US golf market in the wake of the COVID-19 pandemic and the impact on high growth in demand for off-course entertainment, both by golfers looking to improve their skills and casual players interested in a fun social gaming experience (see chart on the top of P12).

A detailed overview of the GOLFTEC ANYWHERE concept is shown on P21, but the summary is that GOLFTEC is aiming for customers being able to improve and engage anywhere in order to: 1) reach a broader segment of golfers around the world, 2) expand the GOLFTEC brand, and 3) build the next generation of GOLFTEC. 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. 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 range, and/or 3) at home with a simulator.

GOLFTEC ranks No.3 in the Top 10 Most Innovative Companies in Sports

Fast Company is a bi-monthly American business magazine published in print and online focused on innovation in technology, business and design, as well as progressive business brands. Every year Fast Company publishes its list of the World's Most Innovative Companies across 52 categories, and in the 2022 edition published on March 8 of this year, GOLFTEC ranked No. 3 among the top 10 most innovative companies in sports. The article featured GOLFTEC's state-of-the-art OptiMotion technology released in July 2021, a unique motion capture and measurement system that uses HD cameras and AI to reproduce swings in 3D, all in a wireless, sensor-less environment, the first in the industry. The article says that GOLFTEC has since used OptiMotion in over 800,000 lessons, adding significantly to the digital library of 14 million swings the company has captured since its founding in Denver, CO in 1995.

GOLFTEC wireless and sensor-less 3D motion capture technology "OptiMotion"



Source: image from GDO website. Original article: <https://www.fastcompany.com/90724478/most-innovative-companies-sports-2022>

Golf Digest Online (GDO) Corporate History

Date	Event / Item
2000.05	Golf Digest Online Inc. established in Minato-ku, Tokyo to provide comprehensive golf services via the Internet. Launched online golf course reservation service and advertising and marketing services.
2001.01	Launched GDO SHOP.com (currently GDO Golf Shop), an Internet sales site for golf equipment.
2001.08	Started golf course management and customer attraction services.
2002.11	Commercialized the Golf Digest Online Card through an alliance with DC Card (now Mitsubishi UFJ NICOS Co., Ltd.).
2003.01	Started used golf equipment purchasing service.
2003.03	Launched GDO Web Pack, an ASP service for golf course reservations.
2004.04	Listed on the Mothers market of the Tokyo Stock Exchange.
2004.11	Established a distribution center in Urayasu City, Chiba Prefecture.
2005.07	Started to distribute original digital contents owned by PGA TOUR, INC. on the Internet.
2006.03	Head office relocated to Toranomom, Minato-ku, Tokyo
2006.08	Logistics Center relocated to Narashino City, Chiba Prefecture.
2007.05	Established TV TOKYO Golf Digest Online LLC, a joint venture with TV TOKYO Corporation
2007.08	Acquired all shares of Eiko Co., Ltd., which purchases and sells used golf clubs under the Golf Paradise brand, making it a consolidated subsidiary.
2007.10	Changed the trade name of Eiko Co., Ltd. to Golf Paradise Co. Ltd.
2009.10	Absorbed through merger subsidiary Golf Paradise Co., Ltd.
2009.11	Acquired a portion of the business from equity method affiliate TV TOKYO Golf Digest Online LLC, and dissolved the company.
2010.05	Acquired all shares of Insight Co., Ltd., which develops and sells software for golf courses, making it a consolidated subsidiary.
2011.10	Launched Golfers Ponta, a point service for golf courses, in partnership with Loyalty Marketing Co., Ltd.
2012.05	Entered a tie-up with GolfTEC Enterprises LLC (GOLFTEC), the No. 1 golf lesson chain in the US, established GOLFTEC by GDO in Japan, and launched golf lessons service.
2012.06	Insight Corporation was newly established and took over non-golf related business from consolidated subsidiary Insight Co., Ltd.
2012.07	Absorbed through merger consolidated subsidiary Insight Co., Ltd., which is engaged in golf-related business.
2014.09	Golf Lesson Service Business is spun off and GOLFTEC by GDO (currently a consolidated subsidiary) is established through a corporate spin-off and establishment of a new company. Changed the name of directly managed stores that purchase and sell used golf clubs from Golf Paradise to Golf Garage.
2015.05	Market listing designation changed to the Second Section of the Tokyo Stock Exchange.
2015.09	Listed on the First Section of the Tokyo Stock Exchange.
2016.04	Entered a capital and business tie-up with GolfTEC Enterprises, LLC
2016.11	Head office relocated to current location (Higashi-Gotanda, Shinagawa-ku, Tokyo). Acquired all shares of Kids Golf Co., Ltd., which operates golf schools for junior golfers, making it a consolidated subsidiary.
2017.01	Absorbed through merger consolidated subsidiary Insight Corporation established in June 2012.
2017.03	GDO Sports, Inc. (GDO Sports) was established in California for the development of golf-related business in the US.
2018.07	Increased the stake in GolfTEC Enterprises, LLC from 8% to 60%, making it a consolidated subsidiary.
2018.08	Entered a tie-up with TOPGOLF SWEDEN AB, and started service for golf driving ranges.
2020.01	Consolidated subsidiary GOLFTEC by GDO absorbed through merger consolidated subsidiary KIDS GOLF by GDO.
2022.08	Consolidated subsidiary GolfTEC Enterprises, LLC established a new subsidiary GOLFTEC ST LLC, which acquired all business assets of the Skytrak Group related to the sales of golf launch monitors.
2022.10	Announced intention to increase the stake in GolfTEC Enterprises, LLC from 60% to 97%.

Source: compiled by SIR from YUHO financial statements and 2022 IR press releases.



PART ②
BACKGROUND

The National Golf Foundation, Inc. (NGF) is a not-for-profit trade association founded in 1936 to promote golf – particularly new golfers and golf courses. It was created as an effort to reverse the game’s decline in the wake of the stock market crash of 1929 and the Great Depression.

Today, the NGF is trusted by the golf industry as the foremost authority of accurate and objective measures of the game’s vitality. Golf companies from every sector rely on the NGF’s data, research, reports and insights to keep them informed on overall industry trends, with expertise delivered by the world’s largest research staff dedicated to the golf business.

Overview of Key Trends in the US Golf Industry

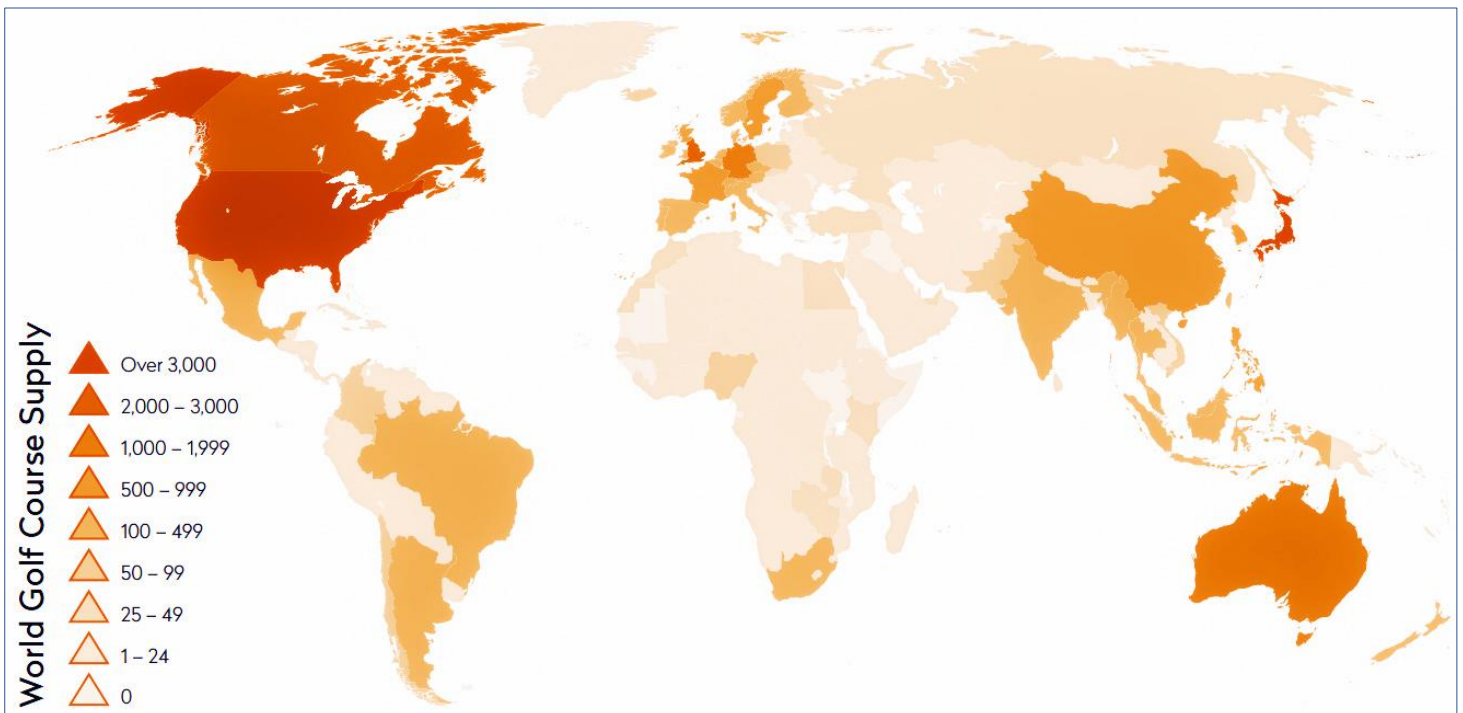
According to data by the National Golf Foundation (NGF), as of the end of 2020, there are 38,000 golf courses around the world spread among 206 out of 251 recognized countries. However, 90% are located in the top 20 countries, and 70% in the top 5, so they are highly concentrated (see map below). North America accounts for half of the total, with the US standing out as the undisputed leader with 42%.

Global Supply of Golf Courses: Top 20

Country	Courses	% World	Holes	Facilities
① United States	16,156	42.4%	240,369	14,139
② Japan	3,140	8.2%	45,165	2,202
③ United Kingdom	3,101	8.1%	46,278	2,660
④ Canada	2,564	6.7%	35,586	2,200
⑤ Australia	1,584	4.2%	23,070	1,501
⑥ Germany	1,054	2.8%	14,175	737
⑦ France	811	2.1%	11,058	645
⑧ South Korea	810	2.1%	9,348	447
⑨ Sweden	650	1.7%	9,150	463
⑩ China	617	1.6%	9,054	402
⑪ Spain	493	1.3%	7,026	408
⑫ South Africa	477	1.3%	6,192	460
⑬ New Zealand	416	1.1%	5,769	399
⑭ Ireland	365	1.0%	5,598	322
⑮ Netherlands	350	0.9%	4,104	241
⑯ Argentina	348	0.9%	4,386	315
⑰ Denmark	347	0.9%	4,464	194
⑱ Thailand	317	0.8%	4,029	235
⑲ Italy	312	0.8%	4,122	264
⑳ India	298	0.8%	3,744	282
TOP 5	26,545	69.7%	390,468	22,702
TOP 20	34,210	89.8%	492,687	28,516
WORLD	38,081	100.0%		

Source: compiled by SIR from “R&A Around The World 2021,” research contributed by NGF.

North America (US and Canada) accounts for HALF of the world’s supply of golf courses



Source: excerpt from “R&A Around The World 2021,” research contributed by NGF.

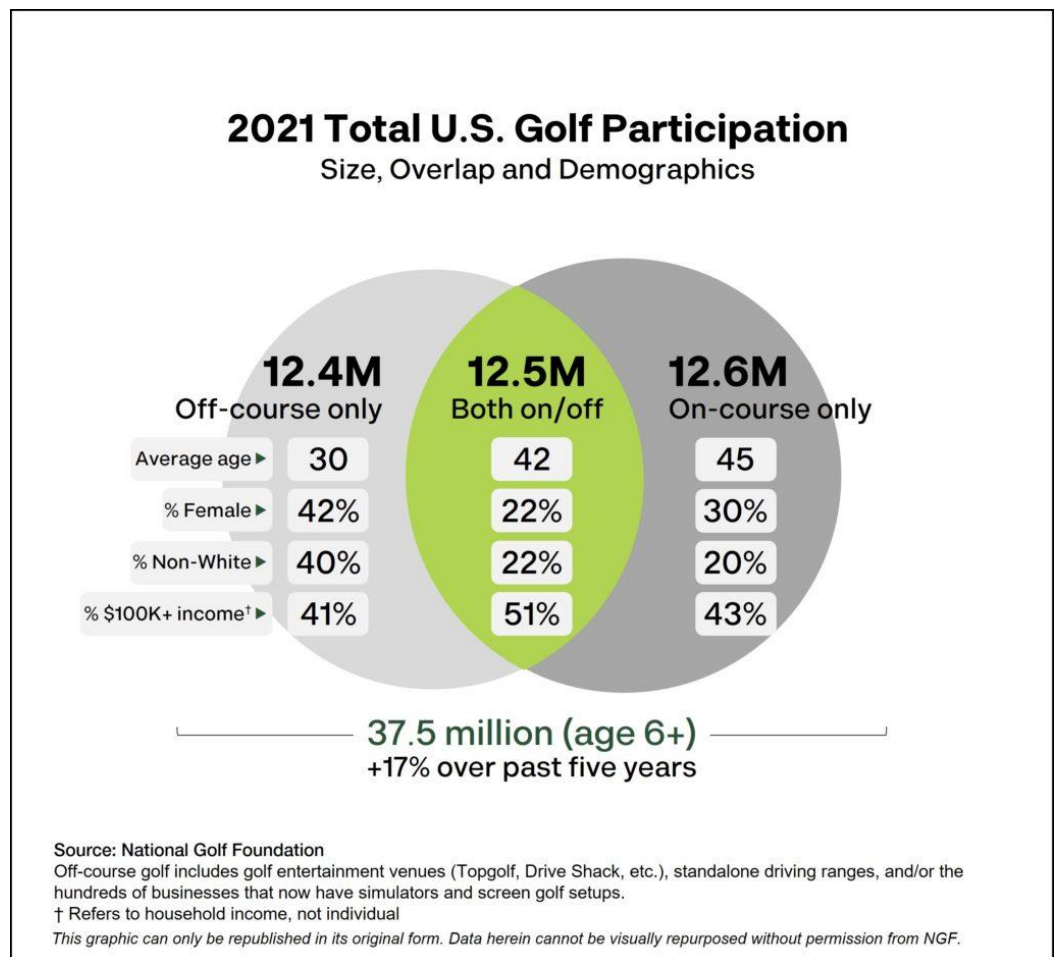


GOLFTEC CEO Joe Assell is a Board Member of NGF

Vibrant growth in the US golf market is being driven by new entrants (beginners)

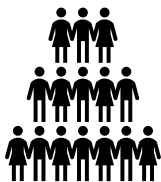
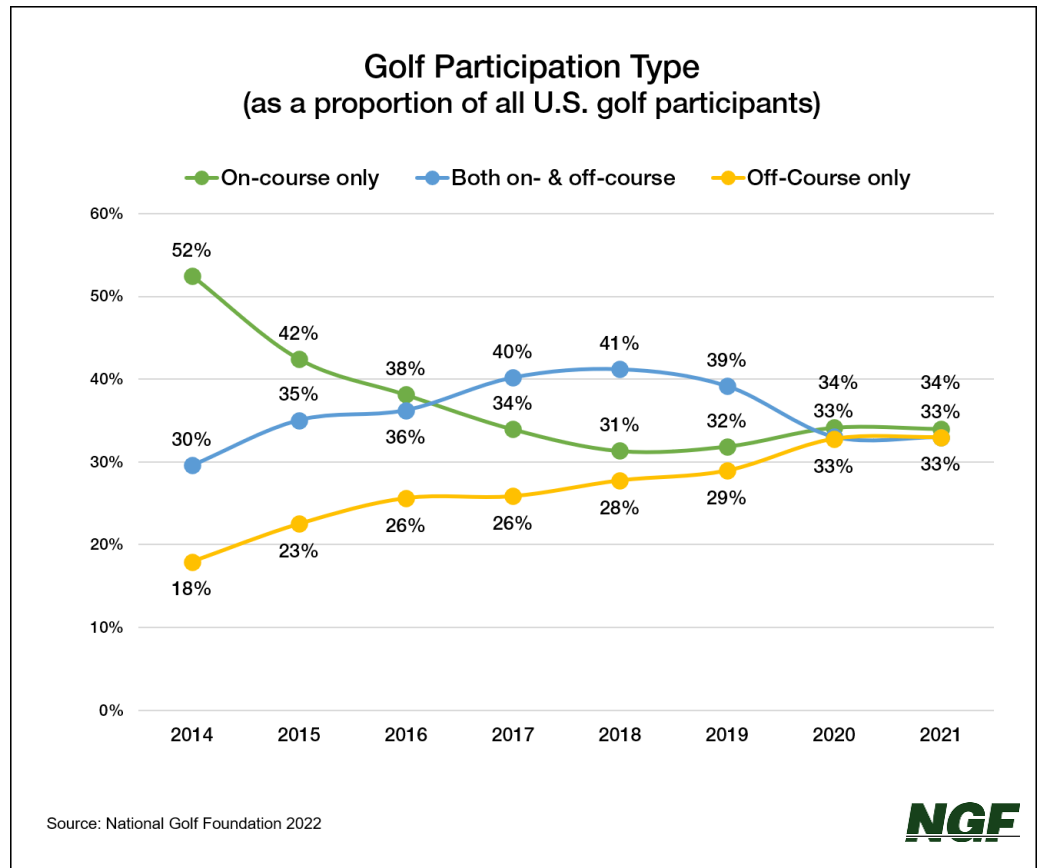
According to NGF, Golf is an \$84 billion (¥11.76 trillion @USD140) industry. Services provided by NGF to a wide range of golf-related businesses and course operators include: 1) Custom Research & Analytics, 2) Precision Marketing and 3) Facility Consulting. In order to put into some perspective GDO’s announcement of increasing its ownership stake in GOLFTEC from the current 60% → 97%, acquisition of SKYTRAK business, and launch of the “GOLFTEC ANYWHERE” initiative, here we summarize 10 key trends in the US golf market presented by NGF in its “Fortnight” Bi-Weekly Golf Business Perspective, which are available to the general public without membership, on NGF’s website (<https://www.ngf.org/fortnight/>). The ten exhibits provided below comply with NGF’s requirement that graphics can only be republished in their original form.

Golf participation is a core measure of golf’s vitality. NGF closely tracks how many people play the game, as well as the demographic composition of America's golf consumer base. NGF’s research shows overall golf participation increased by 600k to 37.5mn in 2021 (+2%), with growth split evenly between on- and off-course. The graph below shows that participation was divided evenly among the three groups of on-course only, both on/off and off-course only. Although size of each group is essentially the same, demographics are quite different. A key takeaway for the off-course only market is that players tend to be younger, and they tend to have high weightings among women and people of color (minorities). **The biggest takeaway here is that overall participation of 37.5mn is up +17% over the past 5 years.**

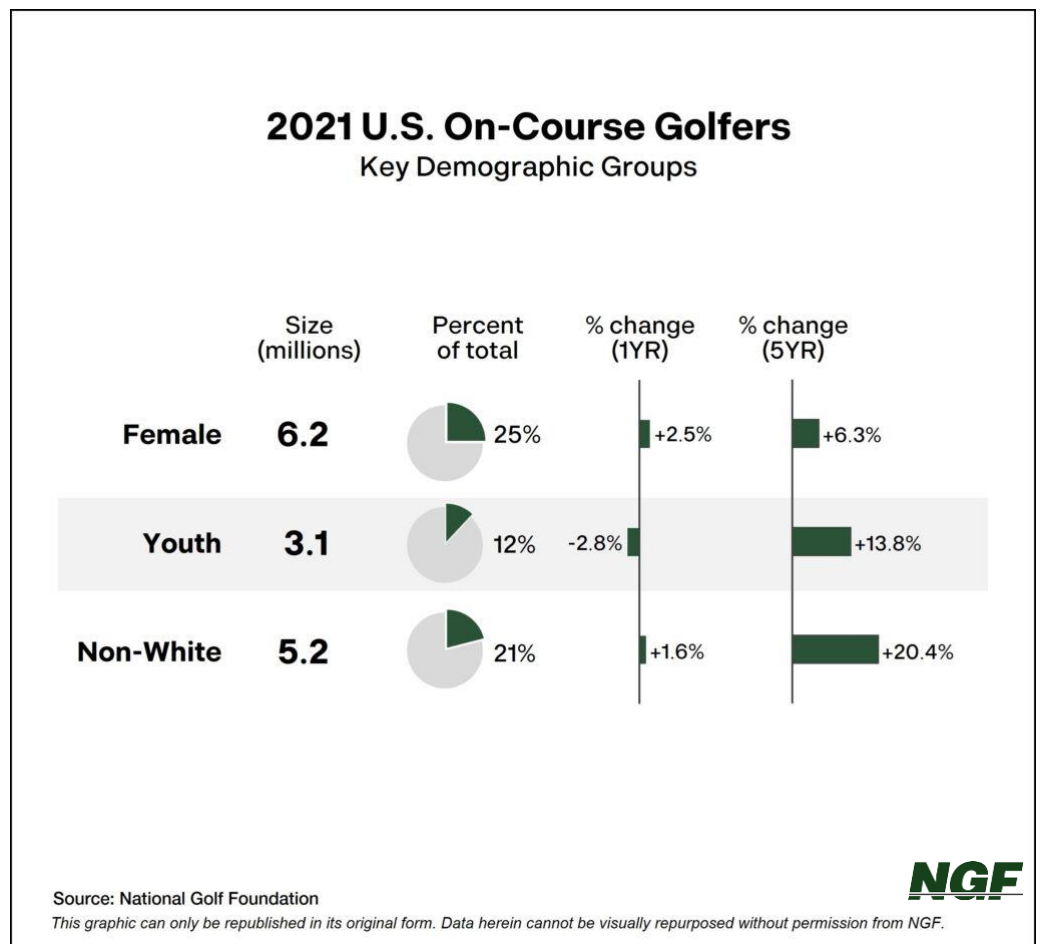




Off-course play has posted high growth over the last 7 years, highlighting growing demand for this satisfying aspect of entertainment, in the form of standalone driving ranges such as TOPGOLF, Drive Shack, etc., as well as a host of businesses that offer simulators and screen setups.



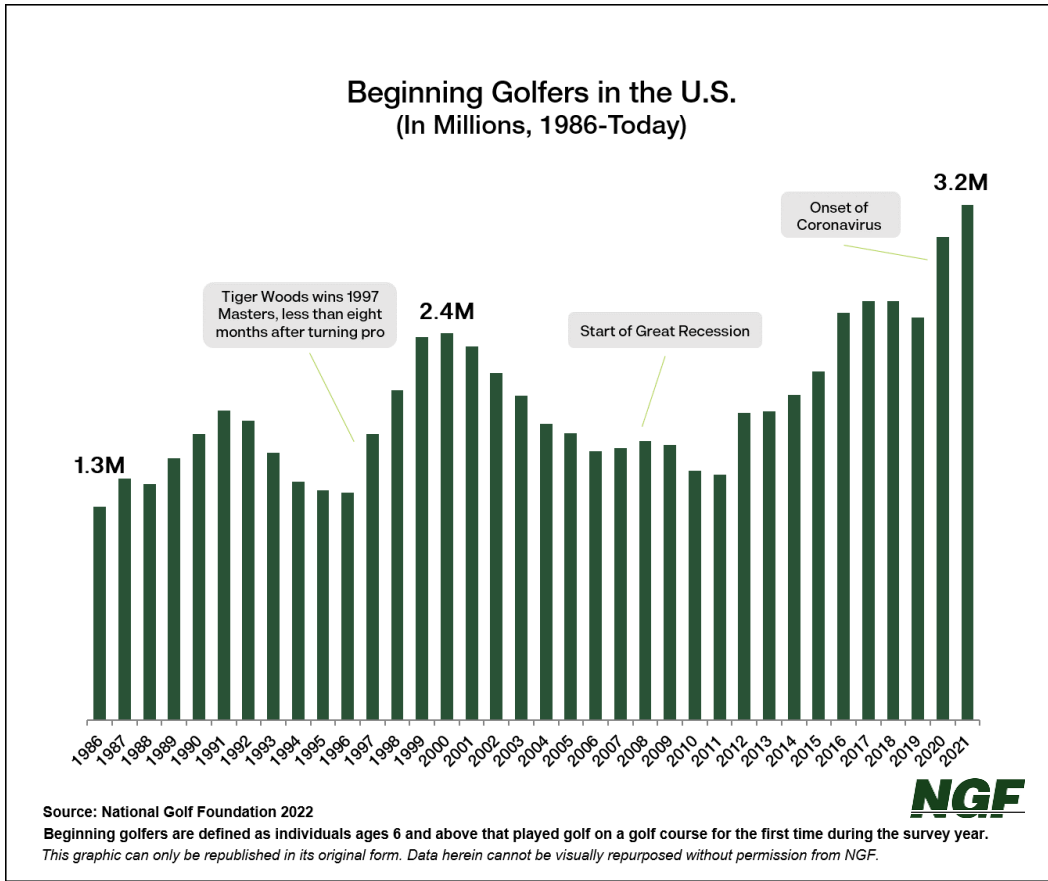
Women, youth and minorities have been key drivers of growth in new entrants for on-course play over the past 5 years. The perception of a mature industry mainly for retirees is simply incorrect and outdated.



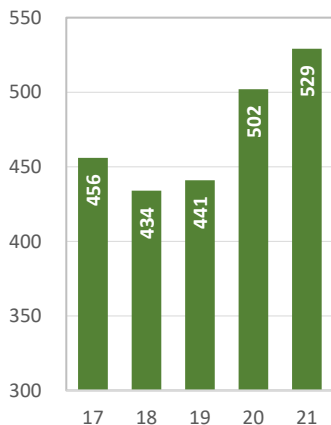


3.2 million beginners in 2021 is 30% higher than in the wake of Tiger Woods' peak popularity, and more importantly, the annual number of rounds played by beginners has doubled over the last decade to over 12 rounds, suggesting the popularity of golf today is more than just a passing fad.

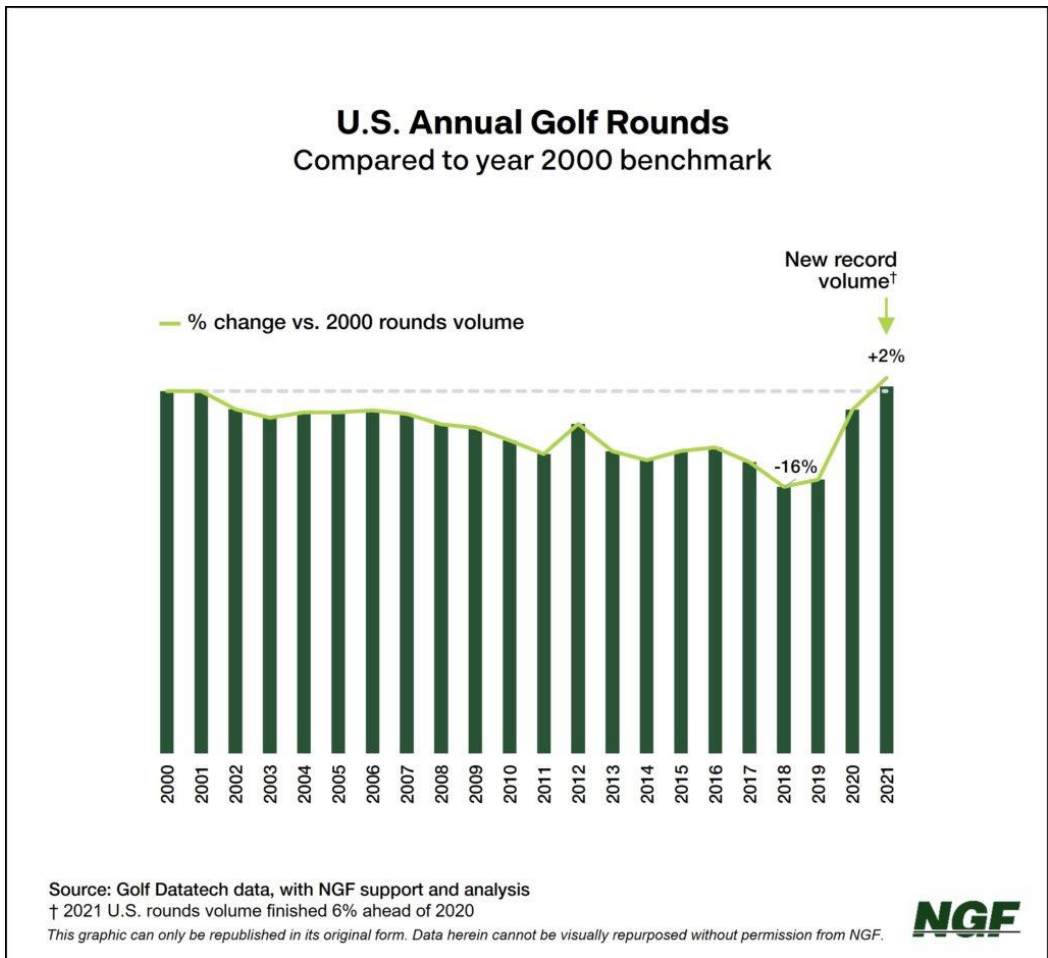
Looking at the lower graph, NGF analysis determined that the number of golfers playing 25 or more rounds in a given year was cut in half from 2000 – 2019, attributing that largely to the proliferation of the internet. Then the pandemic once again broke a pattern of inertia, with +13.9% growth in rounds played, erasing 20 years of decline in six months.



NGF Total US rounds played (million)



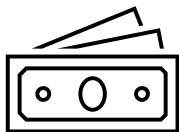
Source: compiled by SIR from NGF data





NGF put the participation of 37.5mn people in perspective. Roughly 1 in 9 Americans are active golfers, from playing on a golf course, hitting balls at a driving range, or enjoying a golf entertainment venue like TOPGOLF with friends.

In addition to active participation, an additional 69mn people had a passive connection to golf watching or streaming tournaments, reading about the game, or following brands or golf personalities on social media platforms. The total 106mn+ is equivalent to one-third of the population over the age of 5.



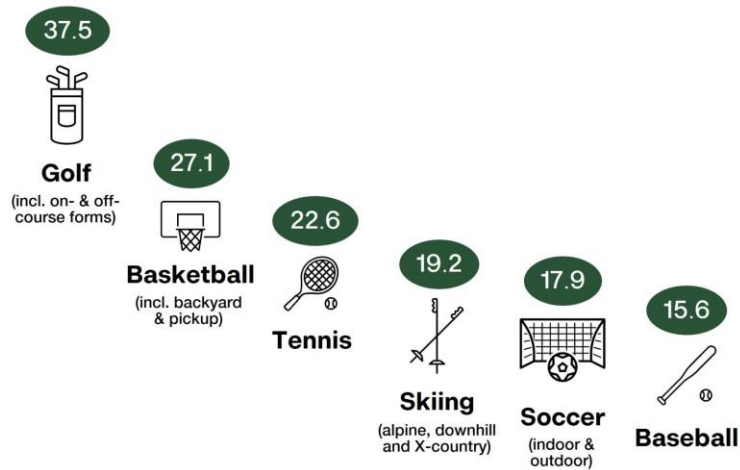
NGF noted last October that more than one-third of public golf courses increased their peak-season weekend greens fees in 2021 by an average of 11%, and that 2 out of 3 course operators increased non-peak rates by 5 to 10%.

Increased demand in rounds was the main contributing factor to greens fee increases, while others cited increased costs related to labor/wages, supplies and maintenance. Some also noted that competitors raised rates and they followed suit.

Strong demand is helping course operators regain some pricing power (lagging inflation for many years).

2021 Participants in Popular U.S. Sports

In millions, ages 6 and older



Source: National Golf Foundation, Physical Activity Council/SFIA data (for 2021) June 2022



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The Cost of Golf

Average 18-hole and 9-hole green fees in the U.S. compared to average ticket cost for other sports and activities with similar time demands

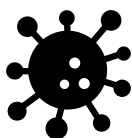


Note: Average public green fees include peak and off-peak rates and are adjusted for discounting

Source: National Golf Foundation 2021

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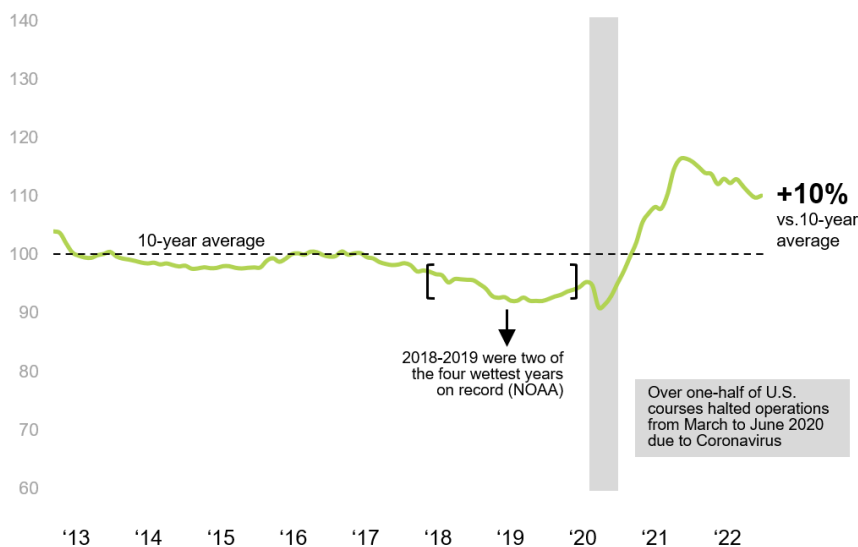
While there clearly was a “COVID effect” over the last two years as people flocked to the safety of the great outdoors on the links to be with friends and family in a healthy recreational activity, record volume of rounds played was driven by new players/groups, including youth, women, non-white etc., suggesting this is not just a passing fad.

The graph on the top of P14 showing the mid-year 2022 update through Jun-2022 of rounds played puts into perspective the unprecedented 2 consecutive years growth outside of the LT average band of +/- 3% annual fluctuation (2020 +13.9%, 2021 +5.5%).

The graph below compiled by SIR from the Golf Datatech Monthly National Golf Rounds Played Report published by NGF shows YOY growth since June has turned positive (Jun +2.7%, Jul +2.5%, Aug +3.9%).

Then, looking at the last 4 months of 2021 as a base for comparison (after the pandemic special effect washed out), the 4-month average was -6.4% (Sep -8.0%, Oct -1.8%, Nov -17.6% and Dec +1.9). Versus initial assumptions for a decline in 2022, the final result may come in down only slightly or even flat, subject to extreme weather events in the 4Q.

10-Year U.S. Rounds Played Index 12-Month Rolling, Thru June 2022

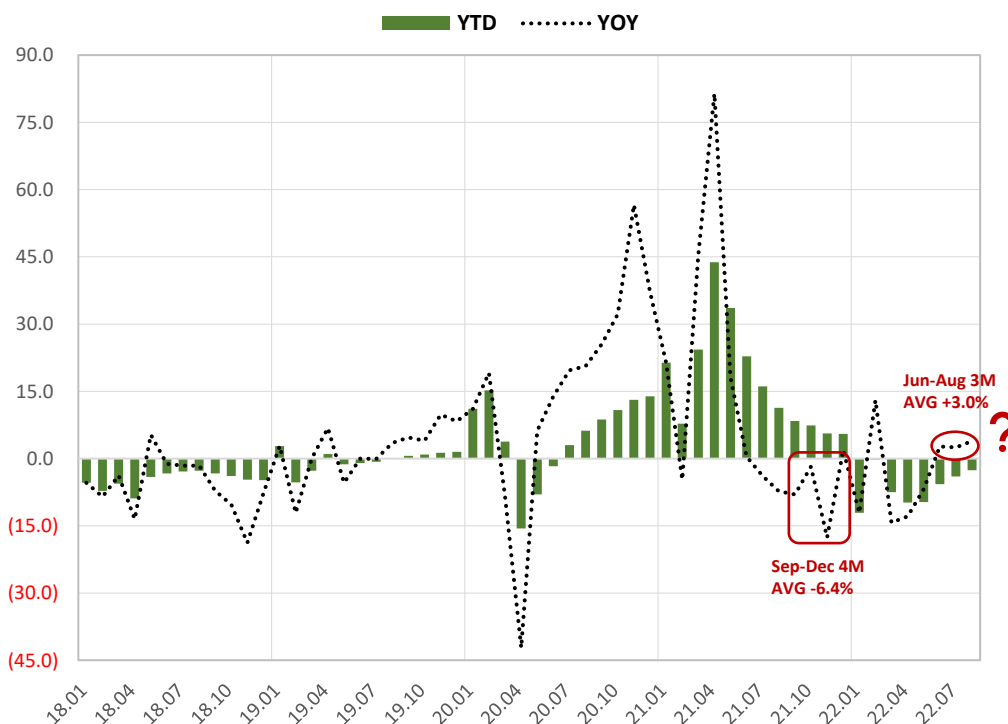


Source: National Golf Foundation analysis of Golf Datatech/NGF rounds data August 2022

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Golf Datatech Monthly National Golf Rounds Played Report

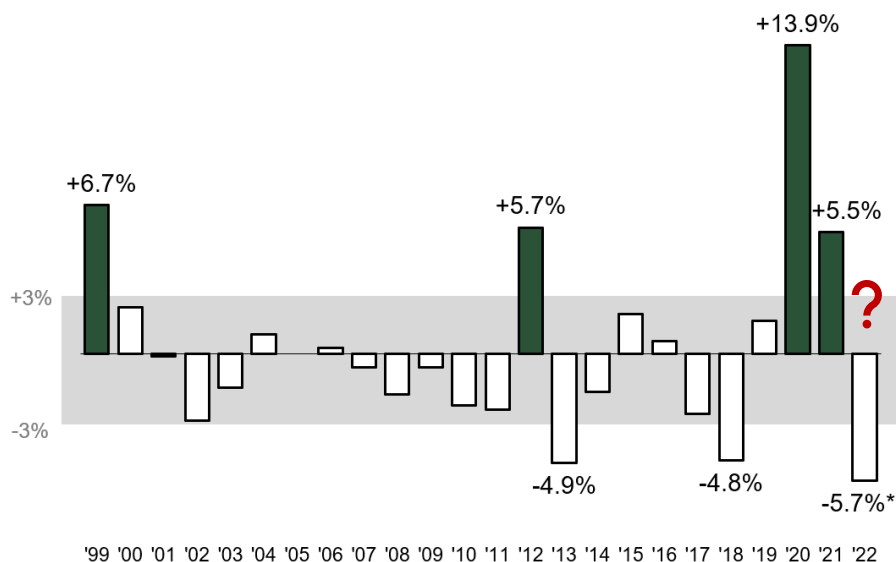


Source: compiled by SIR from monthly Golf Datatech reports published by NGF.



If the analysis on the previous page is correct, at a bare minimum, looking at the lower left-hand graph on P11, 2022 will mark the third consecutive year of over 500 million rounds played, and together with ongoing growth in new entrants (beginners), a case can be made that the boost from the pandemic was not just a blip, rather unleashing pent-up latent demand, and that the new level of 500mn+ rounds played is actually the NEW NORMAL.

U.S. Rounds of Golf Year-over-year changes (%)



Source: Golf Datatech data, with NGF support and analysis
* YTD, thru June

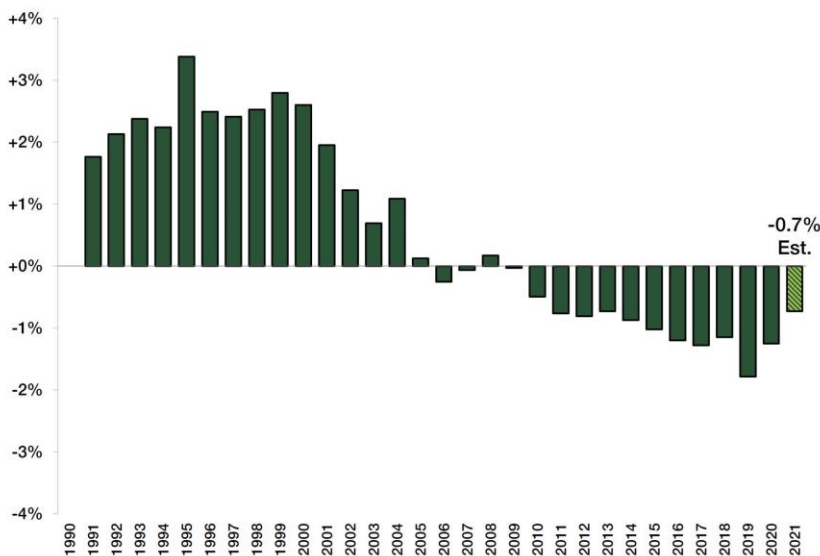
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According to the NGF Fortnight article posted last August, there was a net increase of 2,025 18-Hole Equivalents (18HEQs) over the last 30 years, a net increase of 3,631 18HEQs from 1991 – 2005, and net decline of 1,606 18HEQs from 2006-2020.

NGF attributes this to a 'correction' in response to an overbuild of golf courses over the prior 15-year period. The bulk of the closures has occurred for courses with cheap greens fees, likely reflecting a determination by the property owner there is a more attractive option for developing the property. The key takeaway here is that course supply is leveling out.

Net Changes in U.S. Golf Course Supply Measured as 18-Hole Equivalents (18HEQ)



Source: National Golf Foundation

18-hole equivalent (18HEQ) is a measure of golf supply calculated by taking the total number of golf holes and dividing by 18. For example, one 18-hole golf course equals one 18-hole equivalent. Two 9-hole golf courses equal one 18-hole equivalent.

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GOLFTEC ANYWHERE initiative is launched

Three GDO Group CEOs explain the future vision of ‘GOLFTEC ANYWHERE’

The following is a transcription by SIR of the roughly 12min:46sec video presentation shown in the ZOOM webcast briefing in Japan at 14:00 on Thursday, September 22. While the first roughly 2½ minute introduction by GDO CEO Ishizaka is in Japanese, the remaining 10 minutes by the two US CEOs are in English with Japanese subtitles. The link to the video is:

<https://players.brightcove.net/pages/v1/index.html?accountId=4615932189001&playerId=3d8db387-9923-4fae-9355-6d603a27eacc&videoId=6312589237112&autoplay=true>

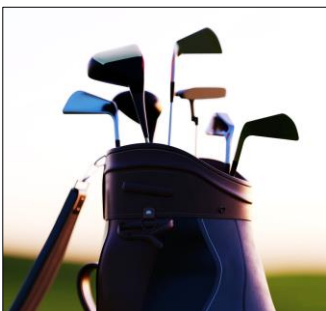


Golf Digest Online Inc.
 Founder and CEO
 Nobuya ‘Mike’ Ishizaka

Nobuya ‘Mike’ Ishizaka, Golf Digest Online, Inc. (GDO) Founder and CEO

I am Ishizaka from Golf Digest Online. Today's video presentation is mainly about the golf market in general, our GOLFTEC efforts in the US in particular, and our future strategy with the recently announced acquisition of SKYTRAK. I will start with Joe Assell, GOLFTEC CEO, and then Jeff Foster, newly appointed CEO of GOLFTEC SKYTRAK, will give his presentation. I would like to share with you a brief overview of the golf market as a whole.

First, even before the pandemic, golf and entertainment were already expanding sharply mainly in the United States, especially in the context of TOPGOLF. This is not only in large driving ranges, but also in the preference toward various types of indoor entertainment that are now very popular in the golf market. And at the same time, leveraging technology to improve golf and the enjoyment of golf is also expanding in various forms. We are looking forward to developing a variety of services that take full advantage of technology and entertainment through our investment in GOLFTEC and the acquisition of SKYTRAK. I am sure the two of you will explain more about that.



Furthermore, as the GDO Group, we will continue to enhance our existing businesses and thereby increase profits, while at the same time investing in this new field of golf, which is known as off-course golf in the US. We are already investing in the development of TOPTRACER in Japan driving ranges, and we will develop this field in the US through GOLFTEC. We will continue to develop innovation in golf as the GDO Group, not only to grow our business, but also to open up new fields and stimulate new demand. That is how I see it. I would now like to ask Joe Assell, CEO of GOLFTEC, to give us an overview of GOLFTEC business.

GOLFTEC



GOLFTEC Enterprises LLC
Co-founder and CEO Joe Assell

Joe Assell, GOLFTEC Enterprises LLC (GTE) co-founder and CEO

Thank you, Mike. I am honored to present today an overview of GOLFTEC and our exciting history and our very exciting future. As a high-level overview, we're the number one provider of golf lessons and golf improvement in the world. By the end of 2022, we'll have approximately 250 bricks and mortar GOLFTEC training centers open around the world, and our revenue segments are: lessons, practice time, club fitting and club sales, and the business of being the franchisor for some of our franchised units.

We employ nearly 1,000 coaches, which makes us the largest employer of PGA teaching professionals in the world. We will give almost 2,000,000 lessons in 2022 and we do this with a combination of proprietary technology and the most well-trained coaches in the world, and data and facts to guide our coaching. We have major scale which allows us to have barriers of entry for anyone else trying to compete with us as we continue to grow.

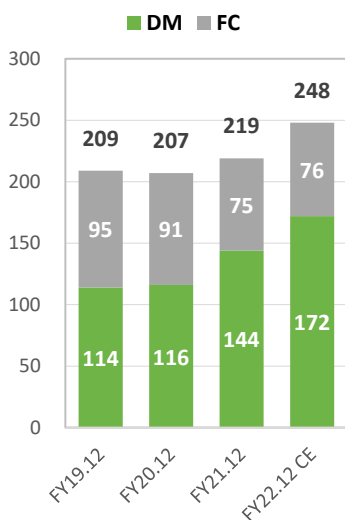
Our estimated cash sales including the franchises for the entire system in 2022 will be about \$190 million and corporately we will exceed \$130 million in cash sales. This is a compound annual growth rate of 23% for our cash sales and I'm very excited to announce that our GAAP EBITDA has been growing at a compound annual growth rate of 37% for the last three years. Some other key KPI's to our business are, we'll have 190,000 unique people come through our doors, of which 130,000 will be at our corporate owned centers this year.

On the growth side, we've been experiencing fantastic growth. We will have 30 new centers open this year and we're forecasting to have 20 new GOLFTEC centers open in 2023. But that still gives us a tremendous amount of room to continue to grow and add more centers. We will be at about 210 centers in the US, but we think the United States can hold 375 centers. We will be at approximately 40 centers outside of the United States and we think the rest of the world can hold about 400 centers. So combined we think the world today can hold about 775 GOLFTEC centers. We will be at about 250 by the end of the year, which gives us room to open over 500 additional GOLFTECs in the years ahead. So, a really unlimited growth rate for us in our core business of bricks and mortar training centers.

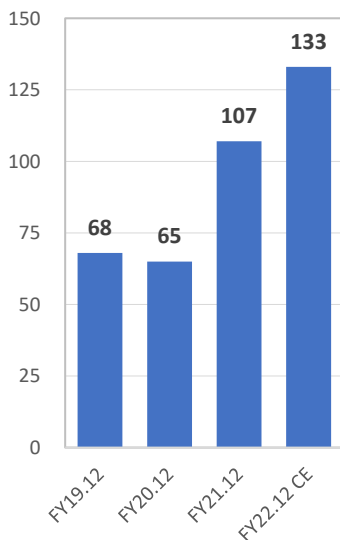
I do want to highlight one accounting difference. When we open a new center, we sell our lessons and practice time in a package or a plan that we typically sell 6 to 12 months-worth of our services that the customer pays for in advance. We have their money, we have their cash, which helps generate an immediate ROI on the capital that we spend to open a new center. We're currently averaging 20 months payback when we build a new center, which is an incredible return on our investment.

However, on a GAAP accounting basis, we do not recognize that revenue until the entire time period of when the student takes their lessons. So, either 1/6 per month over six months or 1/12 per month over 12 months. What you'll see is that delay in their recognition of the revenue. And as you see in this chart as an example (see top of next page), in year one, a typical center will generate \$61,000 in positive cash flow, but on an on a GAAP basis, on an earned revenue basis, they will lose \$34,000 in the first year and then as sales grow and the center grows, the earned revenue start to catch up with the cash revenue. In this example in year two, we'll generate \$155,000 in positive cash flow nearing you know payback on the cost to open the center, but only \$127,000 in GAAP EBITDA on a recognized revenue basis.

GOLFTEC Training Centers
(corporate centers +58)

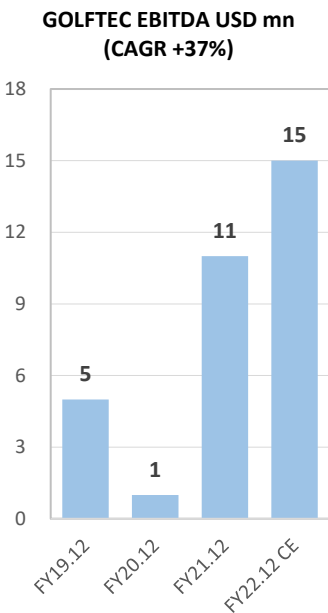


GOLFTEC Sales USD mn
(CAGR +25%)



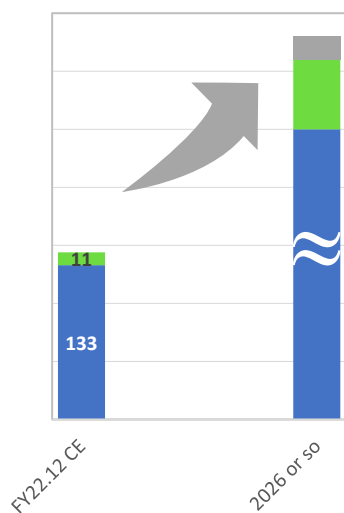


Difference between cash EBITDA based on cash received upfront and GAAP EBITDA based on GAAP revenue recognition timing.



Overseas Segment Sales Potential (USD mn)

- Synergy effects
- SKYTRAK business
- GOLFTEC existing business



GOLFTEC Enterprises EBITDA Comparison
Figures in 000s

	New Center			Mature Center
	Year 1	Year 2	Year 3	
Sales	502	652	749	900
Revenue	382	616	726	897
Expenses	479	553	625	738
Net Income	(97)	63	101	159
GAAP EBITDA	(34)	127	166	201
Cash EBITDA *	61	155	185	205

* GAAP EBITDA adjusting lessons & practice to a cash basis.

Source: GDO Group IR video briefing.

And then finally in the third year the cash EBITDA continues to grow as top line cash sales continue to grow, and the GAAP EBITDA starts to catch up with \$166,000 in GAAP EBITDA as the center normalizes and starts to mature, and the recognition of the revenue that was sold in previous years starts to come in on a consistent basis. So, on a GAAP basis there are some negative EBITDA when we first open a center as we really are investing in our future, but on a cash basis, we quickly start to see an ROI on the capital deployed.

To summarize the GOLFTEC business plan, we have high reoccurring revenue as our students then come in and renew. We have a 47% renewal rate of our students every year and this has been consistent year over year. Every year we also welcome new students into our centers that build on our customer base and build on our database, that then in the next year we're able to renew those students. So, it drives a very predictable business that continues to grow year over year as the student base grows, this gives us a stable base for planning and consistency that we're then able to use to drive our reinvestment in our business on a go-forward basis. One of the key elements to GOLFTEC success is our proprietary technology development. We've built an integrated ecosystem that has our in-center technology, our mobile technology and our back-end software all working together to deliver our great customer experience and great tools for our coaches.

Our software includes TECSWING GO, TECFIT, TECPUTT, our entire mobile app, our caddie master back office and then most importantly we recently released OptiMotion, which is moving from sensor-based technology to measure the golf swing and teach our lessons based on data and facts, to optical-based motion tracking using cameras which will pioneer the future of golf instruction both in-bay and through our mobile app. We have a proven track record of developing technology in a fiscally responsible manner with a built-in customer base ready to adopt our technology and this has been a key ingredient to driving the success and the growth of GOLFTEC.



GDO Group's
newest member



GOLFTEC ST LLC
CEO Jeff Foster

As we continue to grow and evolve as a company, I'm very excited to announce our recent acquisition of SKYTRAK GOLF, and I'm also excited to announce Jeff Foster as the CEO of SKYTRAK and also the Chief Strategy Officer for GOLFTEC. Jeff is a golf industry veteran and will be an incredible asset to our team. I'd like to welcome Jeff now to talk to you about SKYTRAK.

Jeff Foster, GOLFTEC ST LLC (SKYTRAK) CEO

Thanks, Joe. I really appreciate that and so excited to be a part of the SKYTRAK family, and also a part of the GOLFTEC family. You may or may not know, SKYTRAK is the number one consumer launch monitor. Today it has 60,000 customers. It's been the best-selling launch monitor for years. It's incredibly accurate, collects and visualizes your shot shape and ball data. SKYTRAK is also an entertaining way to practice and improve your golf game. Some of those ways are through simulated golf courses, tracking your stats, creating challenges and playing with your friends.

As you may know, golf has had a boom in recent years and one of the attractions that GOLFTEC had to the SKYTRAK business is this off-course participation growth. Off-course participation growth since 2014 has grown over 10 million golfers, or up 174%, which proves to be a really good opportunity for both of our businesses. The opportunities that we are really focused on right now with SKYTRAK in particular are just product improvements, opportunities to innovate, to do great things with the product and take it to market. We also believe those are really a unique opportunity around marketing and just investing more in our marketing approach.

We also are excited about several partnerships that are taking form that we will announce in the coming months. As well, one of the most exciting things and the reason that we're here today is just the combined leadership opportunity, the leadership that we inherited with SKYTRAK, the leadership here with Joe at GOLFTEC, and then the leadership with Mike and team at GDO really put us in a good place to leverage all the resources and grow the business.

And then finally as I mentioned with GDO, there are new markets that we're going to explore. Obviously through the partnership with GDO, and then just internationally as well. So why do we feel like we're the best owner? Why GOLFTEC? You know, as Joe mentioned earlier, GOLFTEC is the world leader in helping people play better golf. Both SKYTRAK and GOLFTEC have had a shared vision of leveraging tech, leveraging data to grow our individual businesses.

And all of that leads to an incredible successful opportunity that's in front of us with several exciting things to come. And so Joe's come back up to join us. We'd like to talk about GOLFTEC ANYWHERE, but where GOLFTEC ANYWHERE is, is really the premise that we've been working on, which is to deliver a world class golf improvement experience anywhere: in person, at a GOLFTEC training center, on-the-go, on your phone and at home and a residential simulator that might look like this. The opportunity is really to improve and engage anywhere. We want to reach a broader segment of golfers around the world. We want to expand the GOLFTEC brand, and we want to build the next generation of what GOLFTEC could be. And I know Joe is so excited about it, and he wants to talk about it.



GOLFTEC ANYWHERE: THE VISION

Deliver a world class golf experience anywhere a golfer seeks improvement



In Person

Work on-on-one with a GOLFTEC Coach at one of over 220+ Training Centers worldwide



On-The-Go

Features like swing analysis and game tracking turn a phone into a golfer's best friend.



At Home

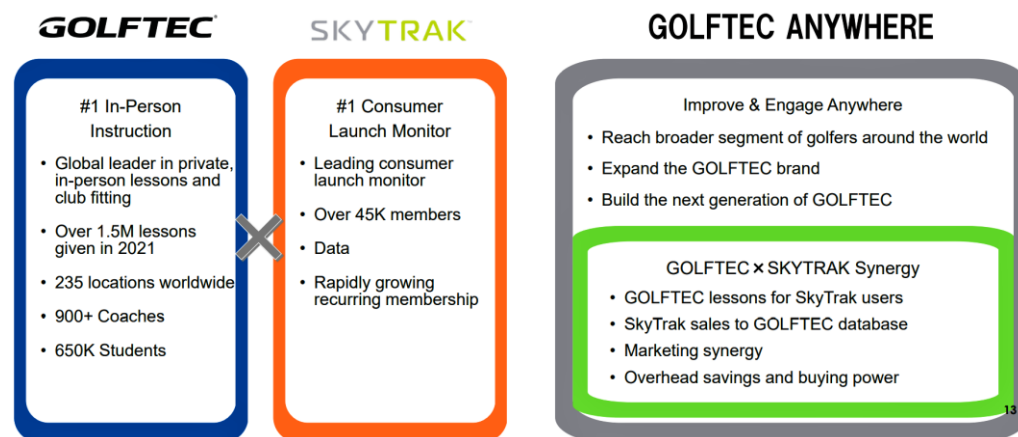
Residential golf simulator are becoming increasingly popular. With UI/UX enhancements, golfers would see faster improvement and additional entertainment.



Joe Assell, GOLFTEC Enterprises LLC (GTE) co-founder and CEO

Well Jeff, it's just exciting. We bring what is GOLFTEC and SKYTRAK together. Then to power our future, you take our great team of GOLFTEC coaches, our bricks and mortar locations, all of our technology history. You bring SKYTRAK and the SKYTRAK data into that. And now we can bring not only improvement, but entertainment to the masses. We'll use our single camera-powered, phone-powered optical motion so we'll have swing data on everyone and then the SKYTRAK ball data which will then really open the world to golfers everywhere to improve with GOLFTEC technology, GOLFTEC coaching and GOLFTEC branding, which will bring instruction to them. We'll bring club fitting, we'll bring fitness, we'll bring challenges, we'll bring fun, we'll bring content. It's really unlimited, the things that we'll deliver to golfers all around the world using the combined technology. I'm very excited about our future together.

GOLFTEC and SKYTRAK Achievable Synergies



Source: both exhibits excerpted from GOLFTEC SKYTRAK Acquisition GDO IR presentation materials, August 10, 2022 https://company.golfdigest.co.jp/files/topics/2089_ext_01_0.pdf



GDO Group CEO bios



Nobuya ‘Mike’ Ishizaka, Golf Digest Online, Inc. (GDO) Founder and CEO

- ▼ Apr-1990 Joined Mitsubishi Corporation
- ▼ Jun-1999 Received an MBA from Harvard Business School
- ▼ May-2000 Established Golf Digest Online Inc. (GDO)
President, Representative Director and CEO (to present)
- ▼ Apr-2016 Director of GOLFTEC Enterprises, LLC (GTE)
- ▼ Apr-2017 President and Representative Director of GDO Sports, Inc. (to present)
- ▼ Nov-2017 Representative Director of Japan Speedgolf Association (to present)
- ▼ Jul-2018 Chairman and Director of GOLFTEC Enterprises, LLC (to present)

Joe Assell, GOLFTEC Enterprises LLC (GTE) co-founder and CEO

- ▼ National Golf Foundation (NGF) Board of Directors
- ▼ PGA REACH – National Trustee
- ▼ PGA of America National Employment Committee
- ▼ PGA of America Innovation Fund – Board of Directors
- ▼ 2021 PGA of America Golf Executive of the Year
- ▼ 2021 Golf Inc. Magazine “25 Most Powerful People in Golf”

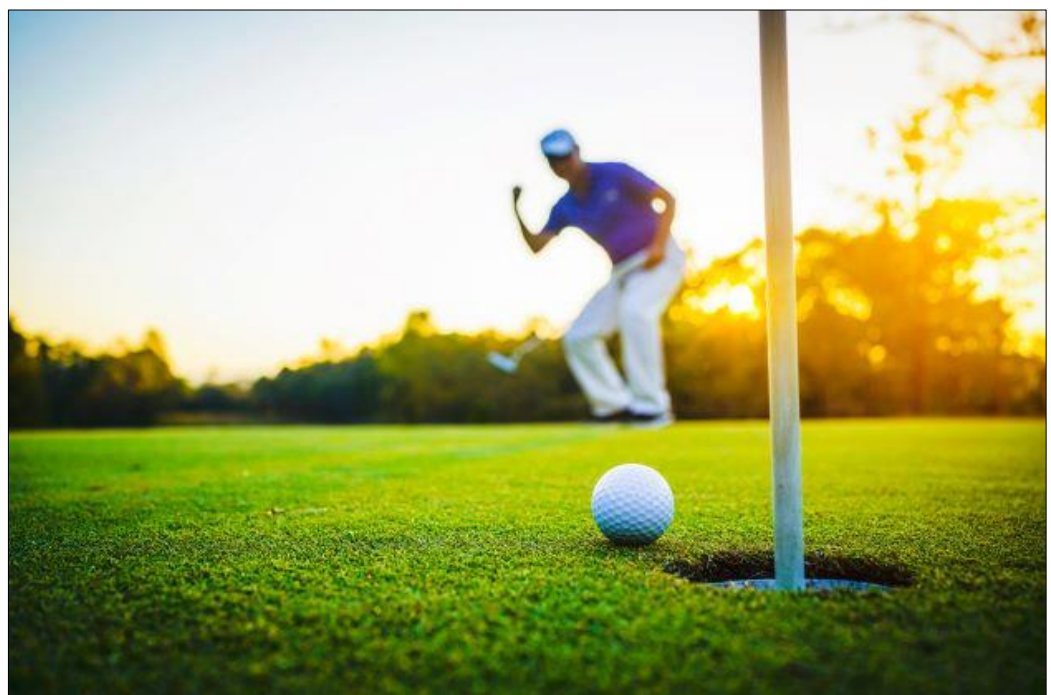
Jeff Foster, GOLFTEC ST LLC (SKYTRAK) CEO

- ▼ CEO of SKYTRAK and CSO of GOLFTEC
- ▼ Promotion of “GOLFTEC ANYWHERE” Concept

Track Record

- ▼ Chief Revenue Officer & President, Buffalo Groupe
- ▼ Golf Channel, SVP, GolfNow & Emerging Business
- ▼ Golf Channel, Vice President, New Media
- ▼ Golf Channel, Vice President, Golf Digital

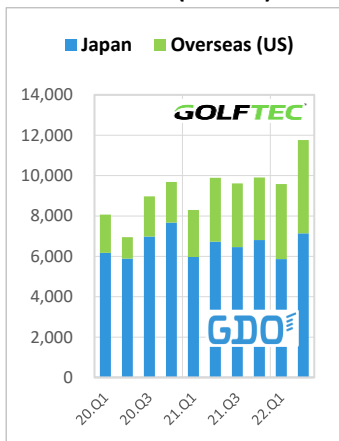
➔ “CEO Dream Team” is executing plans to take the GDO Group to the next level



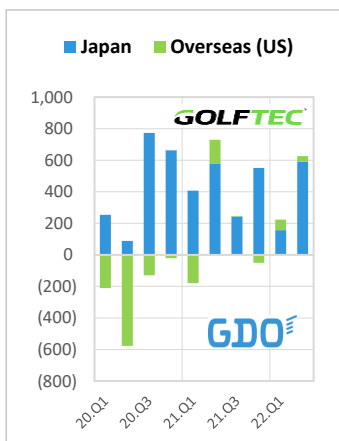
GDO

PART ③ EARNINGS

Net sales (JPY mn)

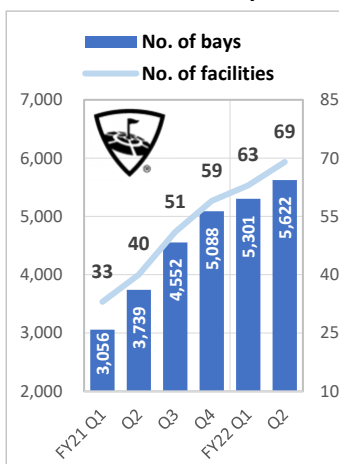


OP (JPY mn)



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

TOPTRACER RANGE installations in Japan



US GOLFTEC contribution steadily rising

GTE is acquiring business assets of the SkyTrak Group

1H RESULTS SUMMARY

- GDO announced FY22/12 2Q consolidated financial results at 12:00 on Wednesday 8/10, and it held an online results briefing via Zoom from 14:00 the same day. 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 1H: net sales +17.4% YoY (Japan +2.4%, Overseas +52.0%), EBITDA +13.8% (Japan -15.2%, Overseas +82.6%), OP -11.2% (Japan -23.9%, Overseas ¥24mn loss → ¥102mn profit) and profit ATOP +121.3% (reflecting the extraordinary gain on debt forgiveness under the US Paycheck Protection Program).
- Key points in the Apr-Jun 2Q include: 1) golf goods sales rose +11.3% YoY, reflecting progress in securing merchandise under supply chain disruptions, as well as disappearance of discounted apparel items the previous year, and 2) golf lessons rose 43.8% in part due to foreign exchange effects but also steady growth in new corporate center openings, 3) Japan 2Q-only net sales rose +6.2%, in addition to solid goods sales, helped by tee-time bookings +0.3% and high growth in new golf driving range business, and 4) Japan OP of +2.6% absorbed strategic marketing exp.

Golf Digest Online Quarterly Consolidated Financial Highlights

[J-GAAP]	FY20/12				FY21/12*				FY22/12	
JPY mn, %	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net sales	8,070	6,955	8,973	9,691	8,301	9,892	9,616	9,908	9,585	11,767
• Japan	6,173	5,892	6,983	7,674	5,972	6,730	6,463	6,809	5,865	7,144
• Overseas	1,896	1,063	1,990	2,016	2,328	3,161	3,153	3,099	3,720	4,622
Ratio to sales	23.5%	15.3%	22.2%	20.8%	28.0%	32.0%	32.8%	31.3%	38.8%	39.3%
• Golf goods sales**					4,915	5,561	5,194	5,196	4,974	6,191
• Golf course booking					1,066	1,402	1,367	1,409	993	1,406
• Golf lessons					1,790	2,327	2,400	2,593	2,910	3,347
• Others					529	600	653	709	707	821
Gross profit	3,138	2,339	3,559	4,039	2,783	3,735	3,444	3,818	3,337	4,303
GPM	38.9%	33.6%	39.7%	41.7%	33.5%	37.8%	35.8%	38.5%	34.8%	36.6%
SG&A expenses	3,095	2,827	2,916	3,397	2,555	3,004	3,197	3,316	3,113	3,677
Ratio to sales	38.4%	40.6%	32.5%	35.1%	30.8%	30.4%	33.2%	33.5%	32.5%	31.2%
Labor cost	1,000	1,004	978	1,118	1,043	1,068	1,073	1,305	1,192	1,262
Marketing-related	524	353	480	661	453	765	801	611	564	835
ratio to sales	6.5%	5.1%	5.3%	6.8%	5.5%	7.7%	8.3%	6.2%	5.9%	7.1%
IT / capex	502	505	485	495	393	419	470	483	491	501
Goodwill	85	85	84	83	85	100	125	132	134	150
Other	982	878	888	1,039	580	651	727	784	730	927
EBITDA	427	(102)	1,023	1,019	617	1,161	767	1,049	784	1,240
Ratio to sales	5.3%	-1.5%	11.4%	10.5%	7.4%	11.7%	8.0%	10.6%	8.2%	10.5%
• Japan	383	219	904	795	538	712	408	717	314	745
• Overseas	44	(322)	119	224	78	449	358	331	469	494
Operating profit	42	(488)	643	641	227	730	246	501	224	626
OPM	0.5%	-7.0%	7.2%	6.6%	2.7%	7.4%	2.6%	5.1%	2.3%	5.3%
• Japan	254	89	773	663	407	576	243	551	157	591
• Overseas	(211)	(577)	(130)	(21)	(179)	154	3	(50)	66	35
GOLFTEC studios	207	208	207	207	211	212	215	219	225	232

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



Launch monitor main units



SKYTRAK app on iPad

ASSET ACQUISITION SUMMARY

- GDO announced on August 10 together with 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>



★ New quarterly disclosure of sales by service category from FY12/22

Until now, the Company has reported segment information on a quarterly basis, both in its IR results briefing materials as well as handy IR FactSheet (Excel) available upon request. However, sales by service category were reported on an annual basis. From 1Q FY12/22, GDO has also begun disclosing sales by service category on a quarterly basis. Sessa Partners applauds this enhanced disclosure as it significantly increases transparency across the consolidated Group. The graphic at the bottom highlights one slight change in classification, which is mainly shifting GOLFTEC club fitting-related sales to golf goods sales for clarity. The table below gives a clear snapshot of Group sales, with the **two main drivers of 2Q sales being the 48% increase in US GOLFTEC lessons**, reflecting the ongoing initiative towards increasing corporate centers, as well as **50% increase in US club fitting-related gear sales**, another MTP focus initiative.

Sales by Service Category

JPY mn, %	FY2021	FY2021	FY2021	FY2021	FY2022	FY2022	Q2
*FY21 restated to reflect rev. recog. std.	Q1	Q2	Q3	Q4	Q1	Q2	YOY
Net Sales	7,301	9,892	9,616	9,908	9,585	11,767	19.0
Japan	2,972	6,730	6,463	6,809	5,865	7,144	6.2
USA	2,328	3,161	3,153	3,099	3,720	4,622	46.2
• RETAIL (golf gear sales)	4,915	5,561	5,194	5,196	4,974	6,191	11.3
Japan (online plus club fitting)	4,310	4,660	4,385	4,600	4,129	4,849	4.1
USA (club fitting gear sales)	605	900	809	595	844	1,342	49.1
• COURSE (reservations, sys sales)	1,066	1,402	1,367	1,409	993	1,406	0.3
Japan	1,066	1,402	1,367	1,409	993	1,406	0.3
USA (not applicable)	0	0	0	0	0	0	NA
• SCHOOL (GOLFTEC lessons)	1,790	2,327	2,400	2,593	2,910	3,347	43.8
Japan	209	224	226	247	238	246	9.8
USA	1,580	2,103	2,174	2,346	2,672	3,101	47.5
• Other (media, TOPTRACER RANGE)	529	600	653	709	707	821	36.8
Japan (incl. Chigasaki Links mgt.)	386	443	483	551	503	642	44.9
USA (FC sales, GDO Sports)	142	157	169	157	204	179	14.0

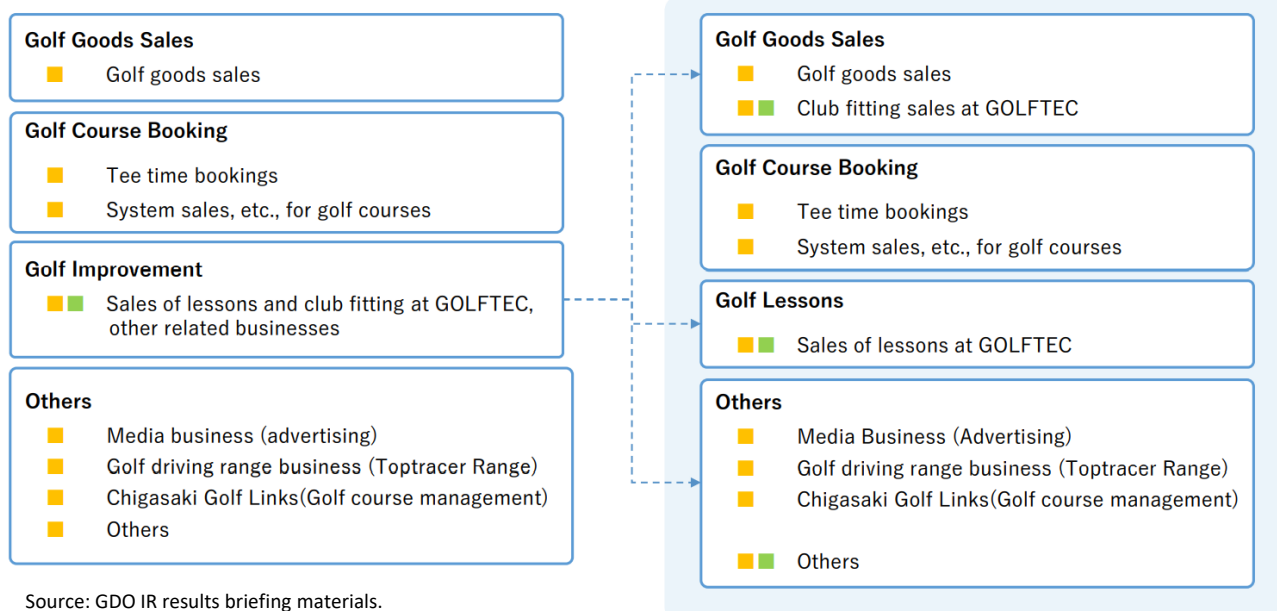
Source: compiled by SIR from IR FactSheet and IR results briefing materials.

Changes in Service Categories

■ Domestic Segment
■ Overseas Segment

Before

After



Source: GDO IR results briefing materials.



Large potential synergies



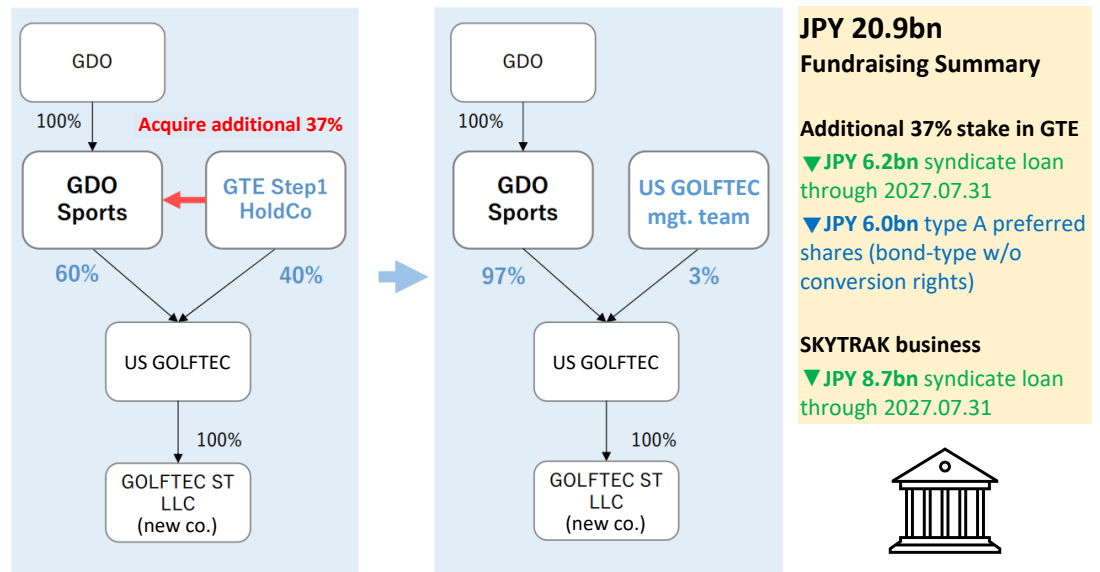
Acquiring additional stake in US GOLFTEC

Large potential synergies with the acquisition of SKYTRAK business

TWO ACQUISITIONS & FUNDRAISING SUMMARY

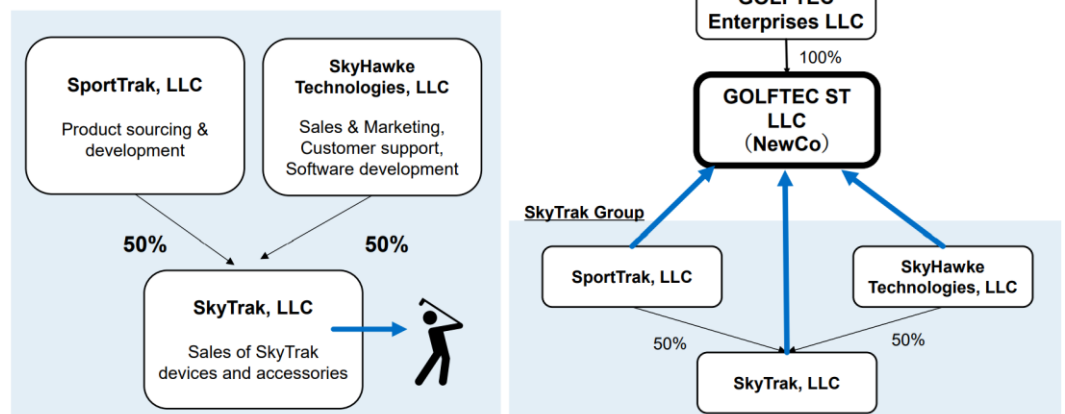
- Announced September 22, the diagram below shows that GDO Sports will acquire an additional 37% stake from GTE Step1 HoldCo LLC. The acquisition price was set at approx. USD 85.7mn (JPY 12.17bn @142), based on EBITDA, no. of centers, etc. Financing will be provided by debt and Class A preferred stock (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% ➔ 97%



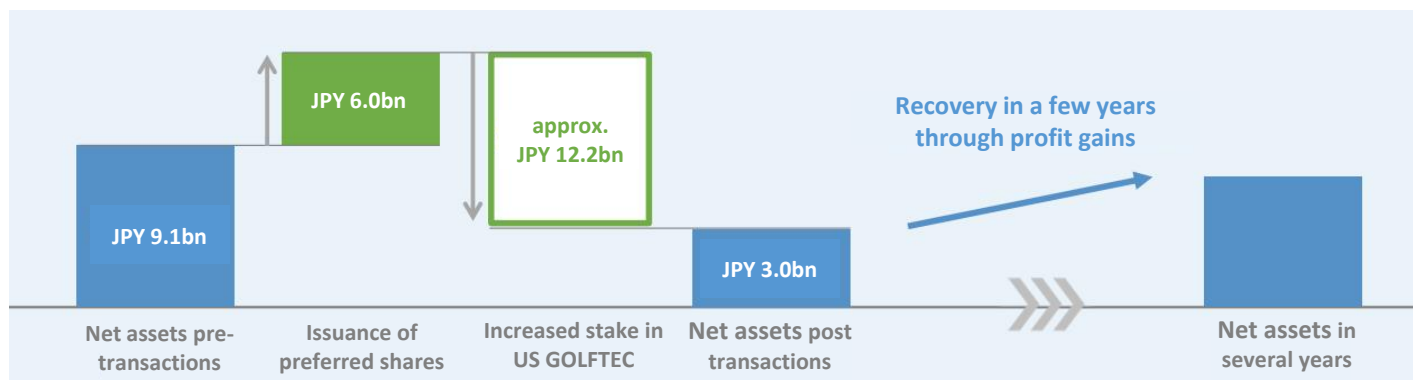
Asset purchase of Sky Trak

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 is scheduled to be 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. 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 range, and/or 3) at home with a simulator (see summary on P21).

Revised FY22.12 Consolidated Earnings Outlook

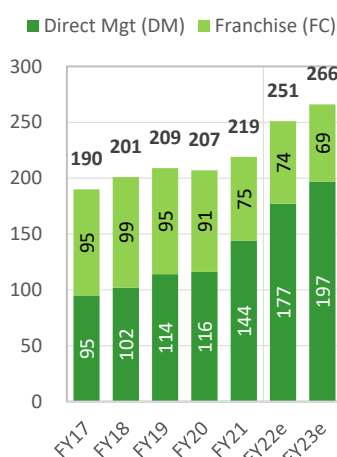
JPY mn, %	FY2021*	FY2022	CHG	YOY	FY2022	CHG	YOY
	act adj.	init CE	AMT	PCT	rev CE	AMT	PCT
Net sales	37,718	43,900	6,182	16.4	46,500	8,782	23.3
Domestic segment	25,976	28,900	2,924	11.3	28,000	2,024	7.8
Overseas segment	11,742	15,000	3,258	27.7	18,500	6,758	57.6
EBITDA	3,595	4,350	755	21.0	4,440	845	23.5
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 corporate centers revised down slightly to 172



Note: initial plan for FY22.12.

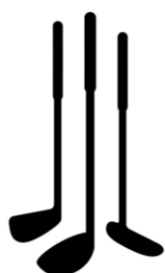
Increase/Decrease Factors in Financial Forecast Revision

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.





PART 4
SHAREHOLDERS



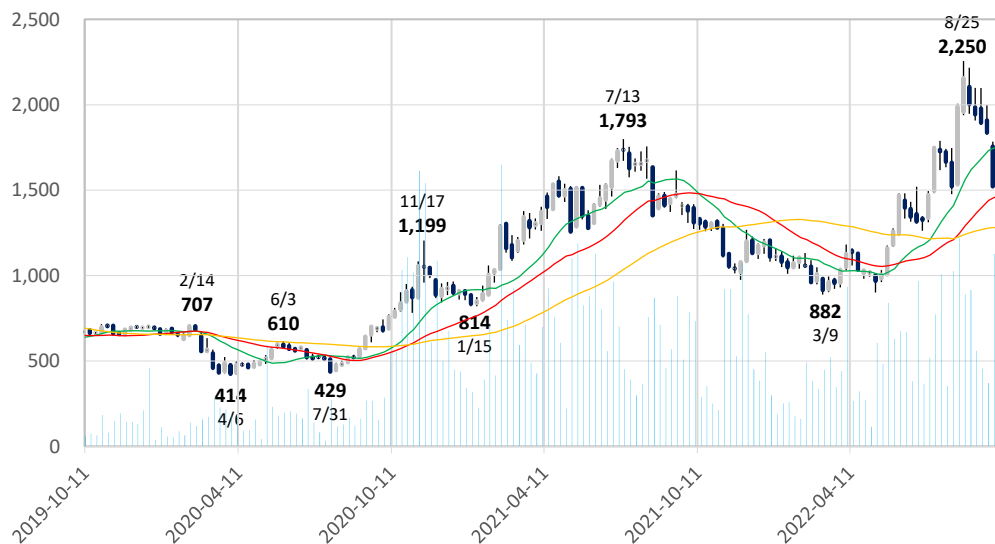
Performance and Valuations:
SESSA Smart Charts

- ✓ GDO's share price at 1,402 puts the P/E of 19.9x on a 33% 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 ¥709mn in FY22/12.
- ✓ However, this extra-ordinary gain is being largely offset by one-time expenses shown on P28 associated with the two transactions of ¥730mn. Therefore, SIR believes it is no longer necessary to adjust the P/E calculation, and the current 33% discount appears attractive.

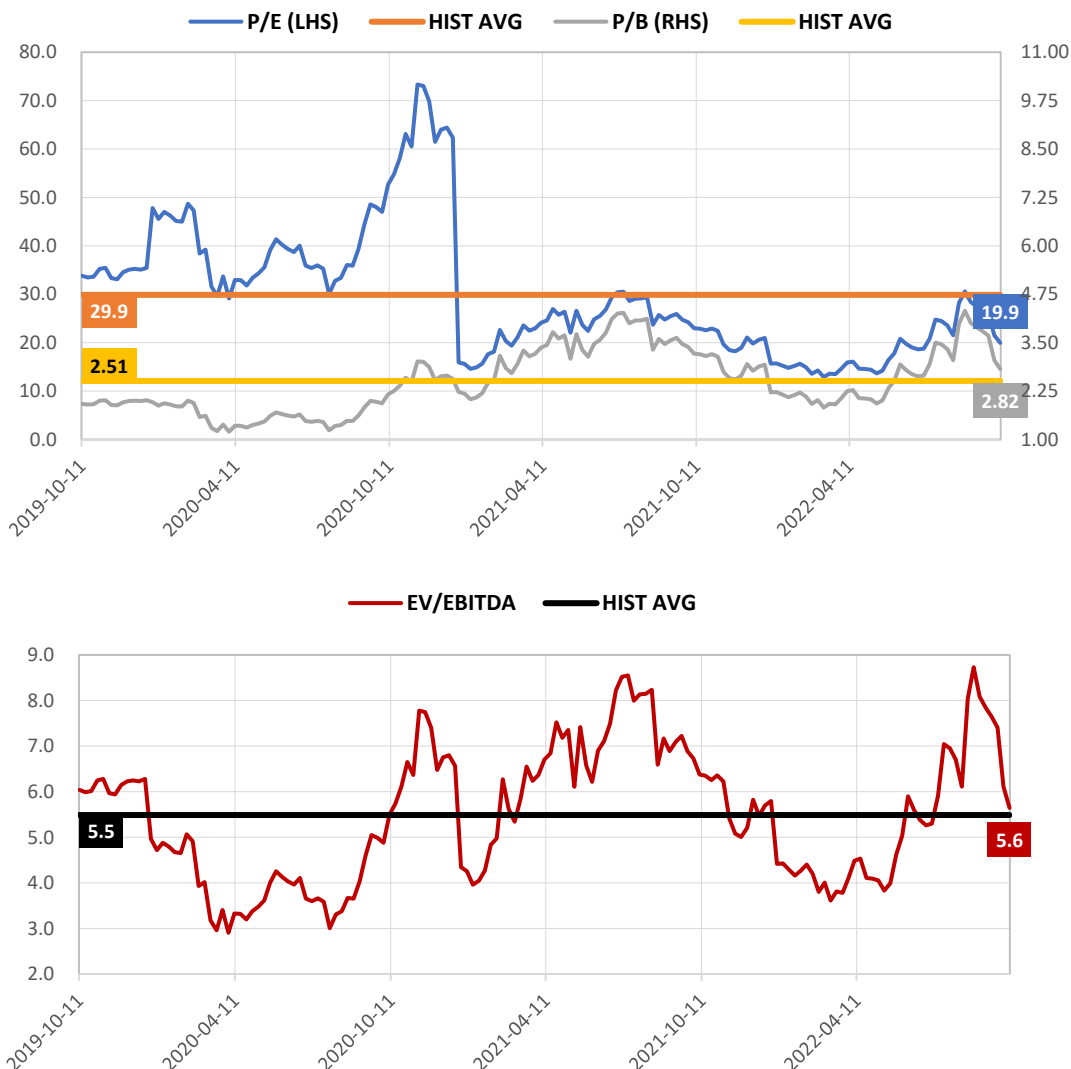


Analyst's view

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

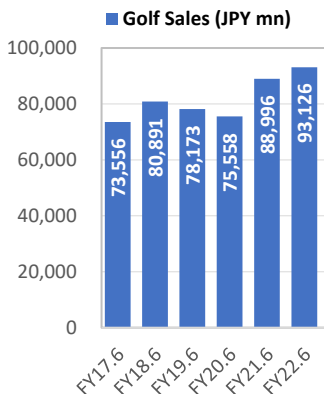


Historical P/E, P/B and EV/EBITDA (times)



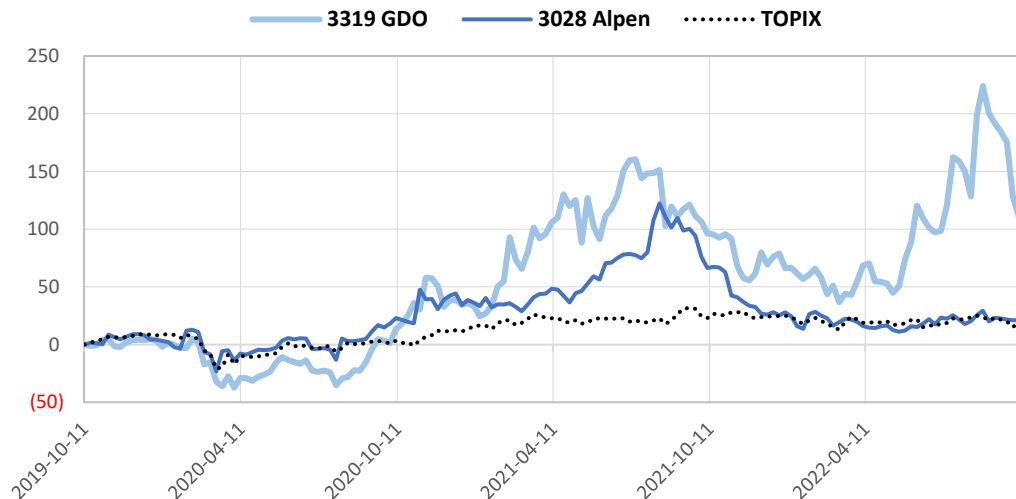
Source: created by SIR from SPEEDA price data. Calculations are based on company estimates.

AlpenGroup Retail Golf Sales



Source: compiled by SIR from Alpen Group company data.

3-Year Weekly Relative Performance



6-Month Daily Share Price Chart



10-Year Monthly Share Price Chart

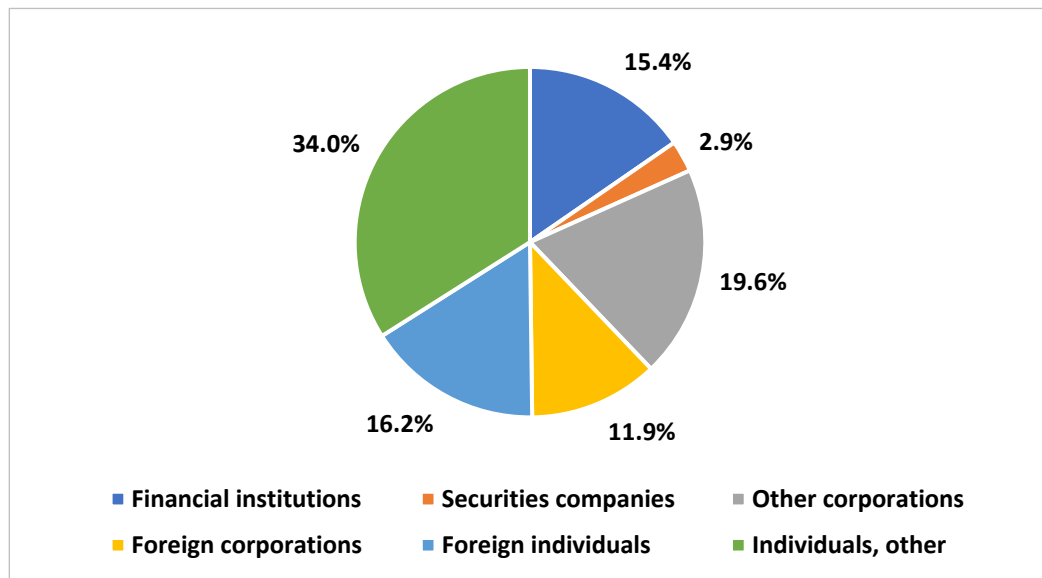


Source: created by SIR from SPEEDA price data.

- ✓ The relative performance chart shows that the thematic COVID-19 driver of golf has largely washed out. While Alpen's share price has tracked TPX since then, **GDO's share price entered a new uptrend driven by strong growth in US earnings plus strong USD.**
- ✓ From the 8/9 close of 1,636 to the 8/30 closing high of 2,185, GDO's share price rose +33.6%. From the 9/21 close of 1,922 to the 10/7 close of 1,402, the share price declined -27.1% (-35.8% from the 8/30 closing high), **wiping out the entire gain from announcing the SKYTRAK M&A.**
- ✓ From a medium-term perspective: **1) MGT chose non-dilutive financing, 2) SKYTRAK is expected to be earnings accretive from year one, 3) GTE negative equity disappears this year, 4) increased share in GTE profit + synergy upside = attractive prospects.**



Shareholder Breakdown by Investor Type (as of 1221.12.31)



Source: compiled by SIR from FY2021 YUHO financial statements.

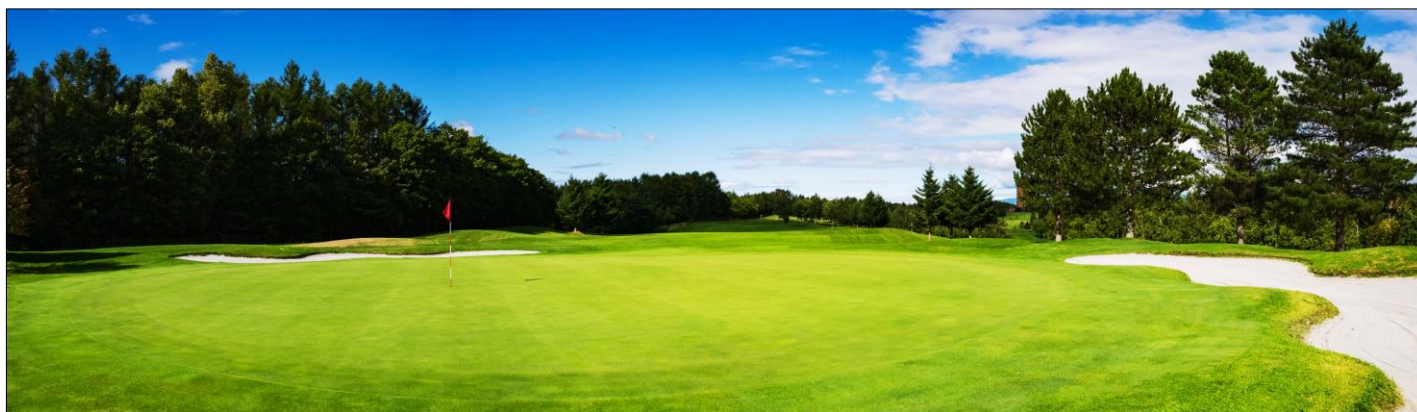


3 GDO board members collectively own 24.2% of total shares outstanding

GDO Top 10 Shareholders (as of 2022.06.30)

Name or designation	No. of shares	% holding*
① Golf Digest	3,250,000	17.78%
② Nobuya Ishizaka	3,241,200	17.73%
③ The Master Trust Bank of Japan, Ltd. (trust acct.)	1,960,900	10.73%
④ The Custody Bank of Japan, Ltd. (trust acct.)	1,257,500	6.88%
⑤ Genichi Kimura	1,150,000	6.29%
⑥ Masahiro Kimura	900,000	4.92%
⑦ STATE STREET BANK AND TRUST COMPANY 505019	278,700	1.52%
⑧ Dai Nippon Printing Co., Ltd.	276,000	1.51%
⑨ BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	249,846	1.36%
⑩ PERSHING-DIV. OF DLJ SECS. CORP.	208,400	1.14%
● Top 10 total	12,772,546	69.89%

Source: compiled by SIR from 1H FY2022 YUHO financial statements. *Calculation excludes treasury stock.



GDO

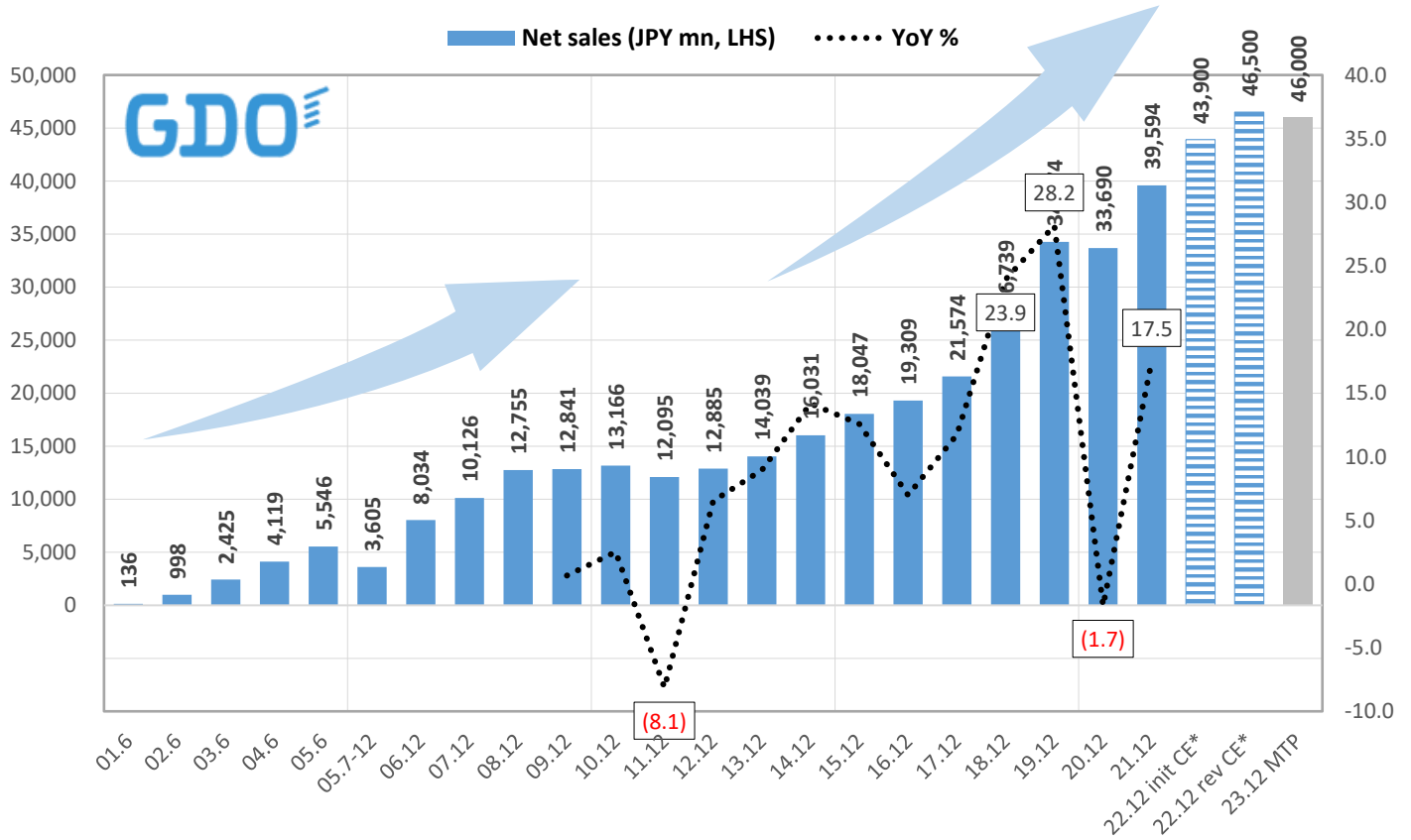
SUPPLEMENT

▼ IR FactSheet Annual Earnings Trend and Key Indicators

JPY mn, %, no. of training centers	FY2016 act	FY2017 act	FY2018 act	FY2019 act	FY2020 act	FY2021* RRS adj.	FY2022 init CE	FY2022 rev CE	YOY vs 21
Consol-parent ratio	1.03	1.03	1.10	1.33	1.30	1.51			
Net sales	19,309	21,574	26,739	34,274	33,690	37,718	43,900	46,500	23.3
Domestic segment	19,309	21,574	25,244	26,842	26,723	25,976	28,900	28,000	7.8
Overseas segment	—	—	1,494	7,431	6,967	11,742	15,000	18,500	57.6
By Service									
Golf Goods Sales	—	14,081	16,300	17,354	17,896	20,868			
Golf Course Business	—	5,806	6,929	7,475	6,962	5,246			
Golf Improvement	—	800	2,529	8,597	7,858	9,112			
Other	—	807	980	846	972	2,492			
Gross profit	8,012	8,849	10,475	13,656	13,075	13,781			
GPM	41.5%	41.0%	39.2%	39.8%	38.8%	36.5%			
SG&A expenses	6,939	7,635	9,670	12,677	12,236	12,074			
ratio to sales	35.9%	35.4%	36.2%	37.0%	36.3%	32.0%			
EBITDA	1,577	1,645	1,537	2,469	2,370	3,595	4,350	4,440	23.5
Domestic segment	1,577	1,645	1,876	2,057	2,304	2,376	2,800	2,620	10.3
ratio to sales	8.2%	7.6%	7.4%	7.7%	8.6%	9.1%	9.7%	9.4%	
Overseas segment	—	—	(338)	412	66	1,218	1,550	1,820	49.4
ratio to sales			-22.6%	5.5%	0.9%	10.4%	10.3%	9.8%	
Operating profit	1,073	1,214	804	979	838	1,706	2,100	1,590	(6.8)
Domestic segment	1,073	1,214	1,387	1,535	1,780	1,778	2,100	1,950	9.7
ratio to sales	5.6%	5.6%	5.5%	5.7%	6.7%	6.8%	7.3%	7.0%	
Overseas segment	—	—	(582)	(556)	(941)	(71)	0	(360)	TR
ratio to sales			-39.0%	-7.5%	-13.5%	-0.6%	0.0%	-1.9%	
Ordinary profit	1,089	1,225	822	971	907	1,715	2,100	1,090	(36.4)
Profit ATOP	611	707	380	358	261	1,035	1,900	1,280	23.7
Div payout ratio	20.7%	23.3%	45.6%	48.4%	38.4%	16.8%			
Total assets	8,712	10,805	18,236	19,564	17,994	21,851			
Current assets	6,153	7,859	9,561	10,711	9,640	10,542			
Merchandise	2,490	3,290	4,235	4,692	2,898	3,219			
Non-current assets	2,558	2,946	8,674	8,853	8,353	11,309			
Current liabilities	3,112	4,589	10,128	12,013	11,078	13,621			
ST and LT loans	—	950	4,437	4,779	2,138	2,025			
Non-current liabilities	182	196	1,900	1,235	559	818			
Net assets	5,417	6,019	6,207	6,315	6,356	7,411			
Equity ratio	62.2%	55.7%	34.0%	32.3%	35.3%	33.9%			
ROE	12.2%	13.0%	6.2%	5.7%	4.1%	15.1%			
GOLFTEC training centers			200	209	207	219	251	248	
Japan FC lesson studios	7	9	12	13	13	12	12	12	



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.



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

YoY (below data)	Total Sales (JPY mn)				Total No. of Users (persons)			Avg. No. Business Days	YoY (below data)	Driving Ranges		
	Total Sales	Play / Use Fees	Caddie Fees	Shops / Dining	Total Users	Member Users	Guests Users			Total Sales (JPY mn)	Total No. of Users	Total No. of Boxes
CY2018	88,832	58,859	15,086	14,886	8,925,758	2,609,821	6,315,937	306.6	CY2018	28,785	19,180,742	14,066
CY2019	91,758	61,776	14,703	15,279	9,296,106	2,690,441	6,605,665	312.3	CY2019	29,103	19,502,580	14,056
CY2020	79,892	55,443	12,185	12,264	8,912,524	2,919,206	5,993,318	304.7	CY2020	30,951	21,281,859	15,491
CY2021	94,427	66,636	13,466	14,325	10,257,560	3,215,867	7,041,693	304.7	CY2021	36,840	25,068,816	15,548
CY2018	(4.6)	(3.4)	(6.7)	(6.4)	(4.9)	(3.6)	(5.4)		CY2018	(5.3)	(3.4)	
CY2019	3.3	4.5	(0.1)	2.0	4.4	3.8	4.6		CY2019	1.6	2.1	
CY2020	(17.3)	(15.2)	(18.1)	(24.9)	(8.4)	3.1	(13.2)		CY2020	(1.3)	2.4	
CY2021	14.3	15.9	9.8	11.5	10.7	6.8	12.4		CY2021	12.8	11.2	
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	15,993	11,097	2,216	2,681	1,733,242	593,377	1,139,865	56.4	2021.Q1	8,498	5,755,509	15,457
Q2	25,412	18,119	3,683	3,611	2,859,930	912,484	1,947,446	84.3	Q2	10,029	6,825,912	15,418
Q3	25,854	18,279	3,904	3,670	2,923,596	887,965	2,035,631	86.7	Q3	9,024	6,223,012	15,416
Q4	27,167	19,141	3,664	4,363	2,740,792	822,041	1,918,751	77.3	Q4	9,289	6,264,383	15,548
2022.Q1	17,032	11,940	2,312	2,780	1,761,341	589,110	1,172,231	55.1	2022.Q1	8,547	5,711,476	15,443
Q2	29,497	20,978	3,994	4,525	3,082,241	926,526	2,155,715	83.8	Q2	9,824	6,648,199	15,575
2020.Q1	(4.1)	(2.7)	(8.2)	(6.7)	(1.7)	2.8	(4.1)		2020.Q1	3.2	5.7	
Q2	(42.2)	(39.6)	(40.8)	(54.5)	(28.1)	(9.8)	(35.3)		Q2	(21.7)	(15.7)	
Q3	(11.0)	(9.2)	(12.2)	(17.1)	(1.2)	10.6	(6.0)		Q3	4.9	9.5	
Q4	(4.5)	(2.2)	(4.8)	(13.5)	1.9	10.0	(1.4)		Q4	10.9	12.3	
2021.Q1	1.5	2.5	(0.1)	(1.7)	3.1	2.2	3.4		2021.Q1	8.4	7.8	
Q2	50.9	50.5	42.0	63.6	34.2	21.9	40.6		Q2	42.5	34.1	
Q3	4.9	7.8	1.0	(3.8)	3.0	0.5	4.0		Q3	3.9	4.5	
Q4	7.1	8.2	2.2	6.5	4.9	3.0	5.6		Q4	2.2	1.7	
2022.Q1	6.5	7.6	4.3	3.7	1.6	(0.7)	2.8		2022.Q1	0.6	(0.8)	
Q2	16.1	15.8	8.5	25.3	7.8	1.5	10.7		Q2	(2.0)	(2.6)	
2021.Apr	7,973	5,618	1,120	1,234	875,917	270,490	605,427	26.6	Apr	3,260	2,238,892	15,464
May	9,022	6,508	1,293	1,221	1,012,533	340,159	672,374	29.2	May	3,579	2,416,130	15,466
Jun	8,418	5,993	1,269	1,155	971,480	301,835	669,645	28.5	Jun	3,190	2,170,890	15,418
Jul	9,147	6,440	1,368	1,339	1,013,184	305,704	707,480	29.4	Jul	2,927	2,017,926	15,409
Aug	7,775	5,461	1,197	1,117	900,742	270,606	630,136	28.6	Aug	2,879	1,996,874	15,413
Sep	8,931	6,378	1,339	1,214	1,009,670	311,655	698,015	28.7	Sep	3,218	2,208,212	15,416
Oct	10,401	7,299	1,499	1,602	1,086,354	324,938	761,416	29.7	Oct	3,283	2,267,342	15,412
Nov	9,287	6,574	1,200	1,513	923,661	277,264	646,397	26.5	Nov	3,210	2,163,680	15,539
Dec	7,480	5,268	964	1,247	730,777	219,839	510,938	21.1	Dec	2,796	1,833,361	15,548
2022.Jan	5,454	3,835	745	875	558,548	196,710	361,838	17.9	2022.Jan	2,833	1,861,461	15,499
Feb	4,618	3,226	647	744	493,525	168,187	325,338	16.0	Feb	2,660	1,748,366	15,470
Mar	6,960	4,880	920	1,161	709,268	224,213	485,055	21.2	Mar	3,053	2,101,649	15,443
Apr	8,609	6,123	1,124	1,362	899,198	277,702	621,496	25.8	Apr	3,235	2,187,014	15,575
May	10,926	7,818	1,452	1,656	1,139,658	344,547	795,111	29.4	May	3,490	2,371,038	15,577
Jun	9,962	7,037	1,418	1,507	1,043,385	304,277	739,108	28.5	Jun	3,099	2,090,147	15,575
2021.Apr	84.3	82.7	68.9	109.8	61.9	39.0	74.6		Apr	66.2	55.4	
May	54.6	51.7	46.0	86.0	31.4	20.9	37.2		May	50.7	37.1	
Jun	26.0	28.3	21.5	20.0	18.5	10.7	22.2		Jun	18.1	15.0	
Jul	23.3	26.4	15.8	17.3	15.7	9.5	18.5		Jul	2.1	1.3	
Aug	(9.3)	(7.0)	(10.5)	(18.1)	(10.3)	(13.2)	(9.1)		Aug	2.0	2.9	
Sep	3.3	6.6	(0.6)	(7.4)	5.3	6.6	4.5		Sep	7.3	9.3	
Oct	12.0	13.9	6.9	8.8	8.4	9.8	7.7		Oct	2.4	3.3	
Nov	3.7	4.6	(0.9)	3.4	2.5	(1.5)	4.3		Nov	4.4	2.4	
Dec	5.0	5.4	(0.6)	7.6	2.9	(0.4)	4.2		Dec	(0.4)	(1.1)	
2022.Jan	17.8	19.5	13.1	14.7	12.5	9.2	14.4		2022.Jan	3.6	2.5	
Feb	(5.9)	(4.6)	(7.3)	(9.8)	(8.6)	(15.7)	(4.4)		Feb	(3.2)	(5.8)	
Mar	7.8	8.3	7.1	6.3	1.8	4.9	0.4		Mar	1.2	0.9	
Apr	8.0	9.0	0.4	10.3	2.7	2.7	2.7		Apr	(0.8)	(2.3)	
May	21.1	20.1	12.3	35.6	12.6	1.3	18.3		May	(2.5)	(1.9)	
Jun	18.3	17.4	11.7	30.4	7.4	0.8	10.4		Jun	(2.9)	(3.7)	

Source: Ministry of Economy, Trade and Industry (METI) monthly releases. Note: METI revised figures for 2021, and YoY figures have been revised accordingly.

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