



Golf Digest Online Inc.  
[www.golfdigest.co.jp](http://www.golfdigest.co.jp)

GDO Group Mid-term Business Plan 2021-2023

- *Lead the way* -

- lead the way for the next generation golf business -

# ゴルフで世界をつなぐ

## Golf Links the World

All people who enjoy golf are GDO's customers

Regardless of your golf level or your age, regardless of where you live, what language you speak, or your view of life, we want golf to be far-reaching and more accessible, to allow more people to enjoy and enrichen their lives through golf

GDO aims to be the best supporter to all our customers, to realize a world where people mutually understand each other through golf

I

GDO Mission

II

History of GDO

III

World Golf Market

IV

2021-2023 Mid-term Business Plan

1

Business Plan by Business

2

2023 Numerical Plan

3

Financial Strategy

4

Organizational Strategy to Increase Effectiveness

# History of GDO



## Start-up

Double-digit growth period

Domestic Golf Industry  
Early days of the Internet

## Reborn Period

New / overseas business

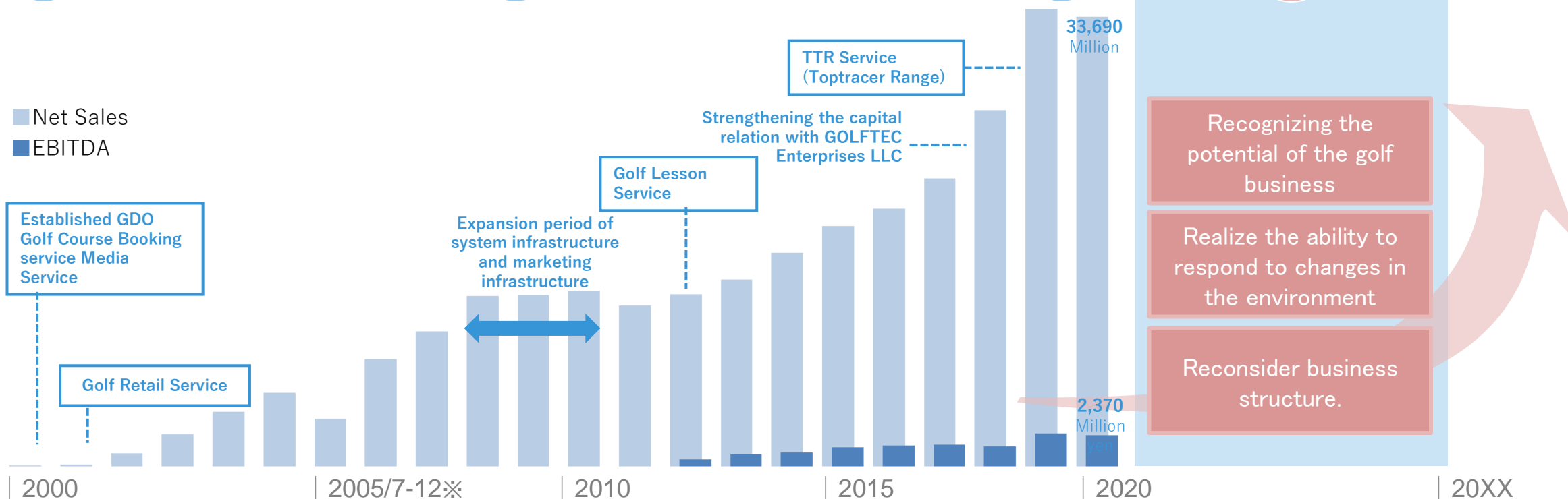
Domestic Golf Industry  
development period of the Internet

## Challenge to Global Market

Lay the groundwork → Growth / Development

2020  
with covid-19

Global Golf Industry  
Diversification



## Golf is a universal sport

### America is the largest market in the world



U.K.

No. of golfers **3.9**million  
No. of golf course 2,800  
Equipment market USD440million



Japan

2nd

No. of golfers **7.8**million  
No. of golf course 2,270  
No. of rounds 90million  
Equipment market USD2.078million



USA

1st

No. of golfers **23.8**million  
No. of golf course 14,800  
No. of rounds 475million  
Equipment market USD3.585million



China

No. of golfers **0.6**million  
No. of golf course 380  
Equipment market USD110million



Korea

No. of golfers **2.9**million  
No. of golf course 450  
Equipment market USD562million



Canada

No. of golfers **5.5**million  
No. of golf course 2,300  
Equipment market USD387million

\*Source: "2019 World Golf Market Report"(Yano Research Institute)

## – *Lead the way* –

lead the way for the next generation golf business

Lead the way for the digital transformation of golf services in both the Japanese and US markets.

# Three pillars of the mid-term business plan

## 01 // Next Growth Stage

We will catapult new golf demand by strengthening our existing core business as well as driving our new growth businesses

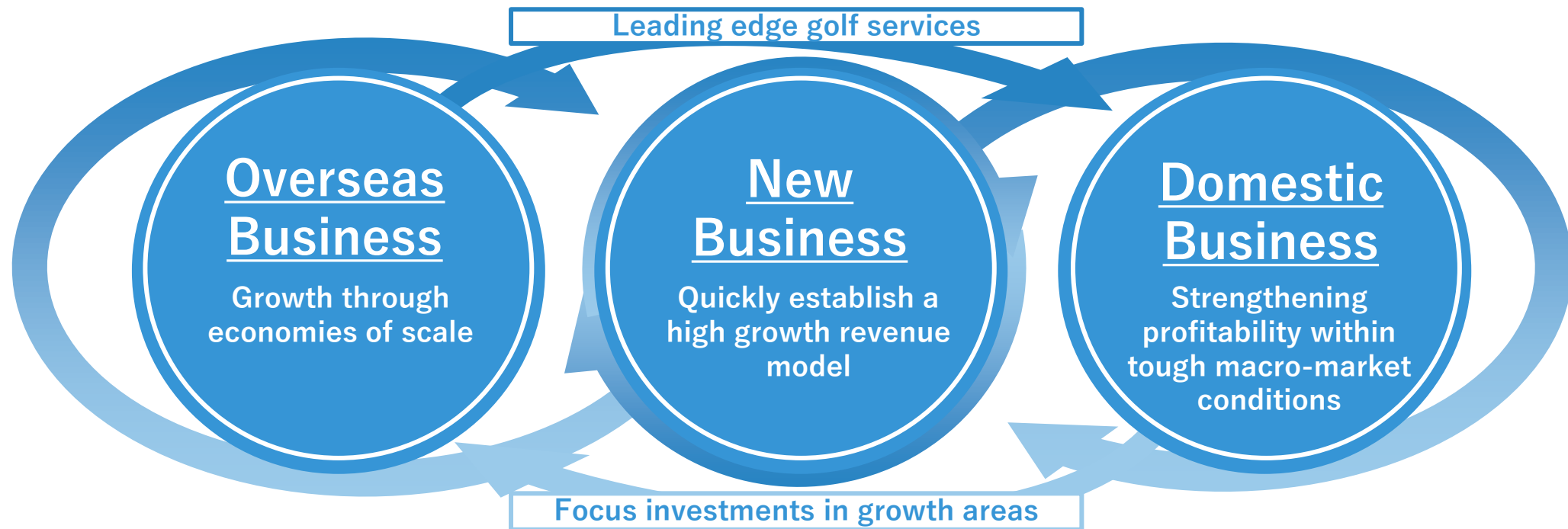
## 02 // Focused Differentiation

With the concept of holistic golf services, we will differentiate in marketing, content, and uses of technology to capture the hearts and minds of our customers

## 03 // Growing our profitability

We will grow bottom-line profits through our core businesses and invest in our continued future growth

# Overview of the mid-term business plan



## Fundamental base to support the GDO group

Maximizing effective marketing strategies

Content as king

Strengthening IT / technology

Pursue operational excellence through organizational strength



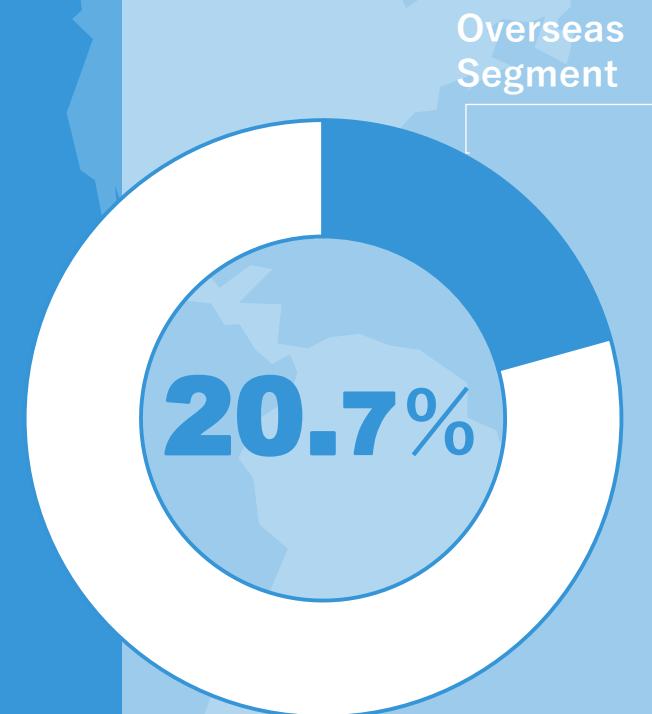
# Overseas Segment / Overseas Business

(U.S. Subsidiary GTE, Local Subsidiary GDOS)

Impact the golf industry with  
the Golf Improvement Business \*  
to establish market position and market share

※Golf Improvement Business :

Indoor/outdoor golf instruction, technology enhanced indoor practices, club fitting and custom golf club sales. A service centered around indoor golf instruction that holistically helps people to play better golf.



2020 results Sales composition ratio

## Goal

# Continue to lead the U.S. golf improvement industry

## External factors 2020

- Interest in golf and willingness to play is expanding (\*Rounds of golf increased by 50 million rounds(~14%) in 2020 despite a drop during the initial spring shut down due to the pandemic.
- Golf has withstood the potential negative impact of COVID-19.
- Remote work has become the new norm, and more people are now taking golf instructions at both centrally located areas as well as suburbs.



## Strategy and Action Plans

### 1. Center Growth

- Open new centers and acquire franchise locations to be corporately owned

### 2. Acquire new customers and improve the utilization rate of existing customers

- Enhance the overall experience (Utilize further technology)
- Expanded club fitting/club sale offerings
- Aggressive marketing activities

### 3. Explore New Revenue streams

#### Targets

**Increase corporate footprint : 22 centers or more each year**

(As of the end of 2020 : 116 corporate / 91 franchise)  
※We estimate US market size is up to 375 centers

## Future outlook for the GDO Group

- Expand global market opportunities for further dynamic growth
- Expansion into the #1 US market to accelerate our growth and innovation

## Why GOLFTEC

- GOLFTEC has led the golf improvement market with technology for 25 years and this makes a great fit for the GDO group who has grown with a focus on utilizing technology for holistic golf services
- The leader in golf improvement with continued high growth potential

## About Goodwill

Total goodwill and intangible assets : Approx. 4.1 billion yen

Balance sheet consolidation from September 2018

10-year straight-line amortization (up to September 2028)

## GOLFTEC Enterprises, LLC



A leading company in the indoor golf improvement business

**Cumulative number of lessons: 10 million+**

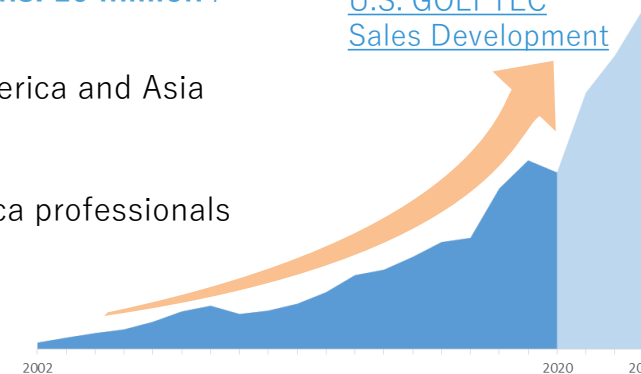
U.S. GOLFTEC  
Sales Development



Expanding mainly in North America and Asia

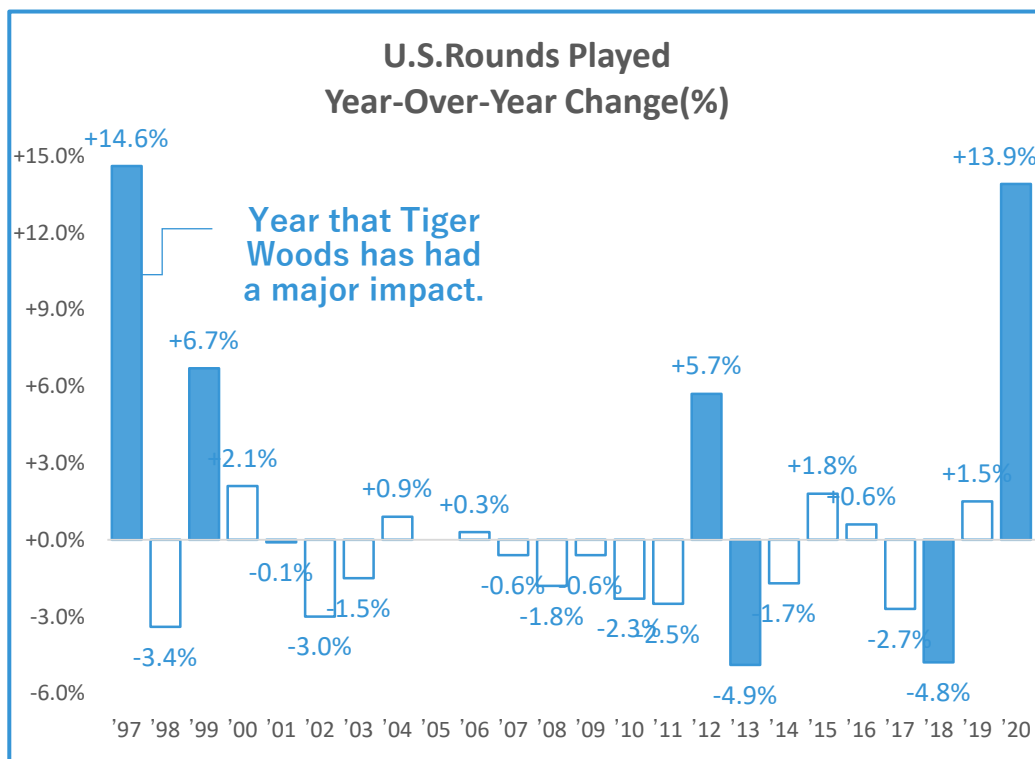
**200+ stores worldwide**

No.1 employer of PGA of America professionals



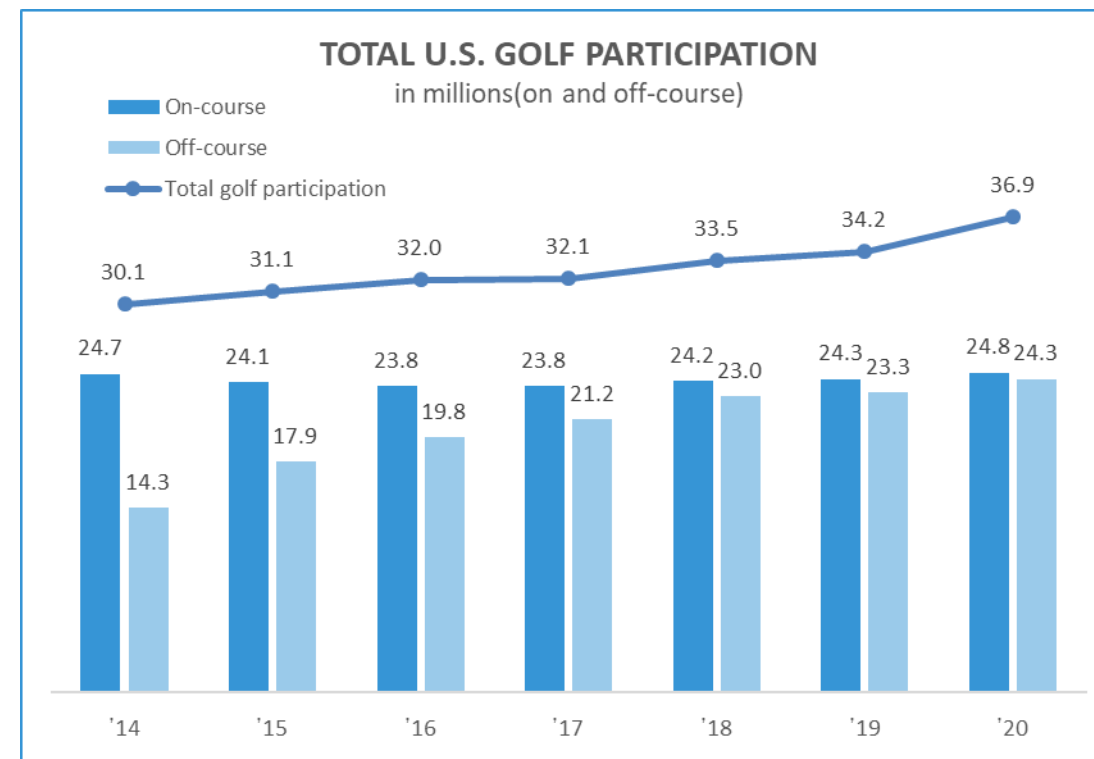
## Rounds Played Year over Year

COVID-19 stay home requirements and stable weather positively impacted growth of over 14% YOY.



## Changes in Golf Population

The number of new golfers, especially younger age groups and female golfers increased.



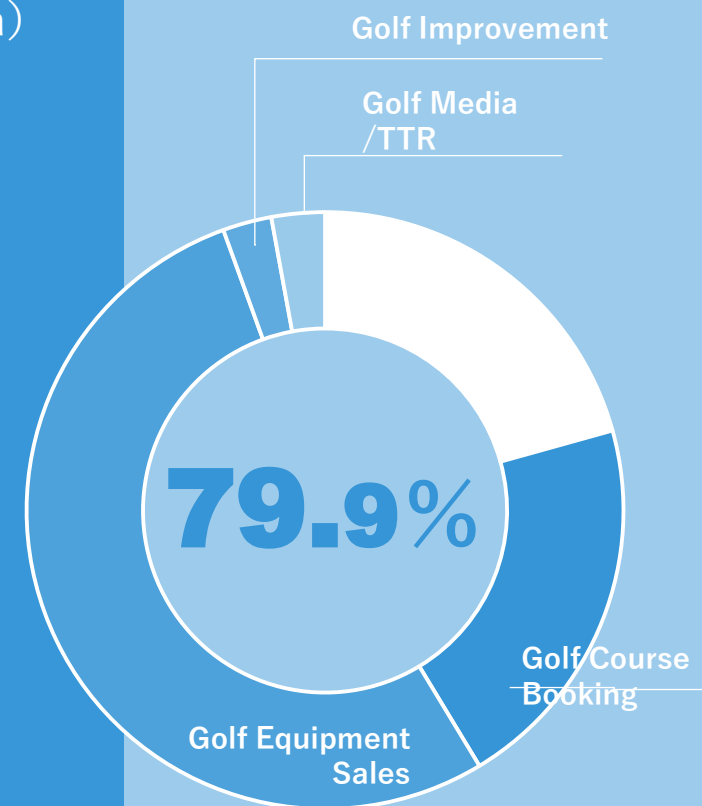
# Domestic Segment / Domestic business • New business

(Golf course services, golf goods sales, golf improvement, golf driving range, golf media)

A focus on the core businesses of online tee time bookings and online golf goods sales.

Top Tracer Range drove new business.

Re-focused on strengthening the value of our media business.



2020 results Sales composition ratio

## Goal

# Focus on tee time bookings

### External factors 2020

#### Golfer

- Diversification of golf playing styles
- Revitalization of young people and beginners
- Popularization of golf course reservations online

#### Golf course

- Changes in management style
- Expansion of internet reservation frame

#### Market

- Intensifying competition in digital marketing
- Intensifying competition to retain customers



### Strategy and action plans

- 1. Respond to changes in consumer behavior**
  - └ Shift further to new GDO marketing strategy
  - └ Improve matching rate of inventory to bookings by improving the quality of products (time frame / plan)
- 2. Focus our resources and investments on tee time booking services.**

#### Targets

**YOY double digit growth in actual booked tee times**

## Goal

## Increase customer base and improve profit margins

### External factors

#### Golfer

- Further increase in EC utilization rate
- Changes in purchasing behavior such as live commerce

#### OEM

- Shift to OEM direct sales (DtoC)
- Strategic changes such as merger / reorganization and production planning

#### Market

- Entering EC of major mass retailers
- Expanding the presence of CtoC.

### Strategy and action plans

1. Re-focus resources to lead innovation in golf goods retail space
2. Extreme focus on customers and changes in consumer behaviors
3. Improving profit margins
  - └ Shift to new GDO marketing strategy
  - └ Innovate new services and improve overall service quality

#### Targets

**Gross profit improvement of 1 percentage point.**

\*versus 2019

# Golf Improvement Business ~ Focus on core businesses ~ GDO

## Goal

## Continue to enhance operational excellence

### External factors

#### Golfer

- Struggled as indoor service by lowering capacity and increasing preventive measures
- Expanding demand for outdoor lessons
- Location of instructions shifted from close to office to close to home



### Strategy and action plan

1. Focus on improving the capacity of existing locations
  - └ Improving lesson quality and coaching skills
  - └ Expansion of products (ticket variations)
  - └ Strengthen marketing activities to acquire new customers
2. Strengthen coach hiring
3. Provide wide-range of instructions

#### Targets

Become profitable in 2021  
Continue to grow profits in 2022-2023



## Goal

Speed up deployment and provide value to customers and clients

### External factors

Golfer

- Behind the increase in demand, some facilities are willing to invest and others want to maintain the status quo.

Market

- High entry-barriers as capex intensive
- Limited competitive landscape

### About TTR...

Formed a partnership with TOPTRACER in 2018. Simulated demand targeted potential golfers and average golfers. Proposing a new source of revenue by introducing “TopTracer Range (TTR)” (devices and software) to golf driving range.



### Strategy and action plans

#### 1. Promotion to driving range

- └ Promotion of introduction mainly in the Kanto / Chubu / Kansai area
- └ Strengthen marketing activities to increase awareness

#### 2. Promote user usage

- └ Stable operation of the system
- └ Customize the service for Japanese

### Targets

**Number of new facilities : 50+ facilities/year**  
(29 facilities as of end 2020)

Goal

## Re-create advertising business

### External factors

Market

- New normal lifestyles
- Changes in consumption behavior such as contact devices and time zones

Client

- Accelerate digitization
- Reduction of advertising budget in depressed industries



### Strategy and action plan

1. Pursuit of narrative marketing
2. Expand client base

- └ Expansion and multifaceted media
- └ Data utilization
- └ Content improvement

Targets

Grow sales by 1.5x 2020 to 2023  
Maintain operating profit margin

## Marketing strategy

**Avoid excessive competitive marketing areas, focus on owned marketing**

### Initiatives

- Strengthening of own media
- Build new channels to reach new customers
- Matched communication strategies based on lifestyle segments of customers. Utilize in-house data platform.

## Content strategy goal

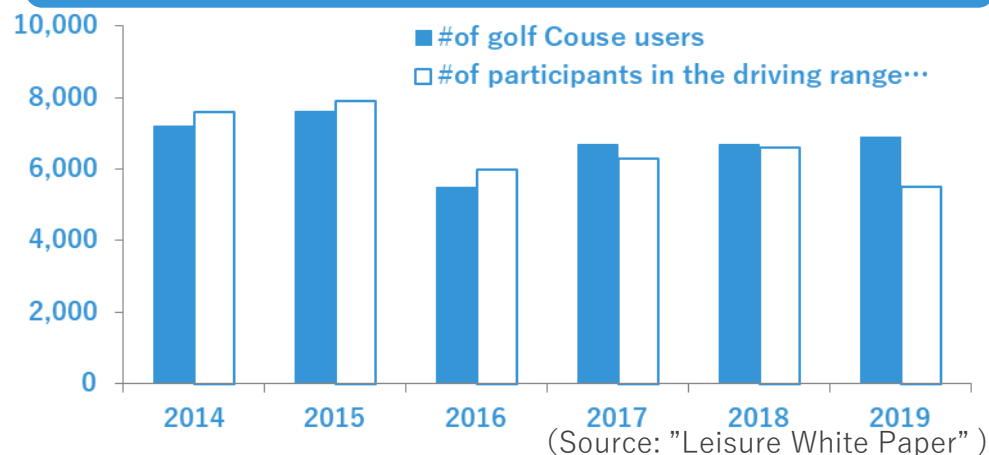
**Focus on improving original content and narrative**

## Technology strategy goal

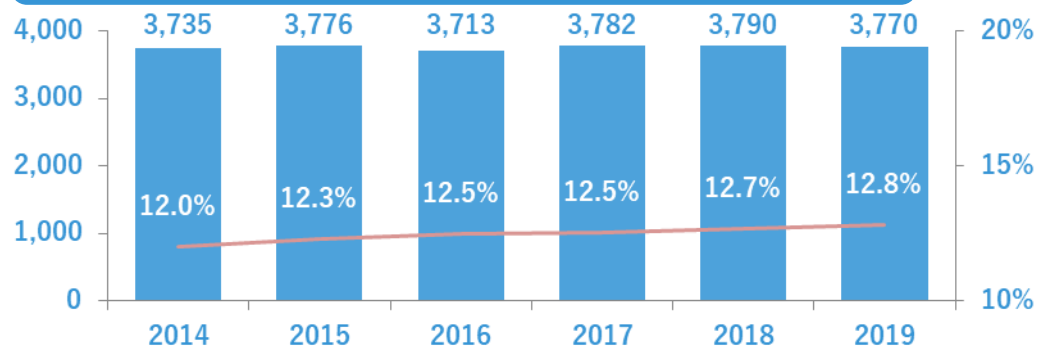
**Constantly utilize latest technology**

# Domestic Golf Market

Changes in the number of golf course users and the number of participants in the driving range

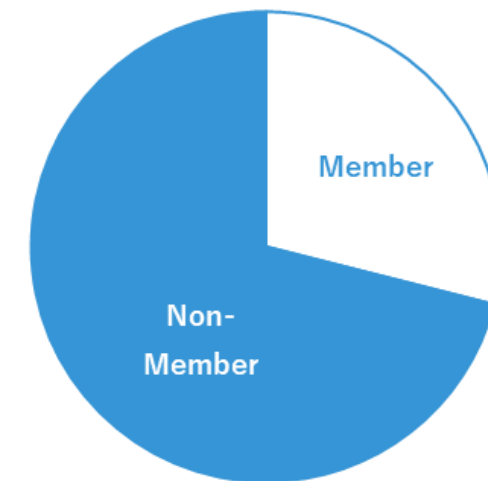
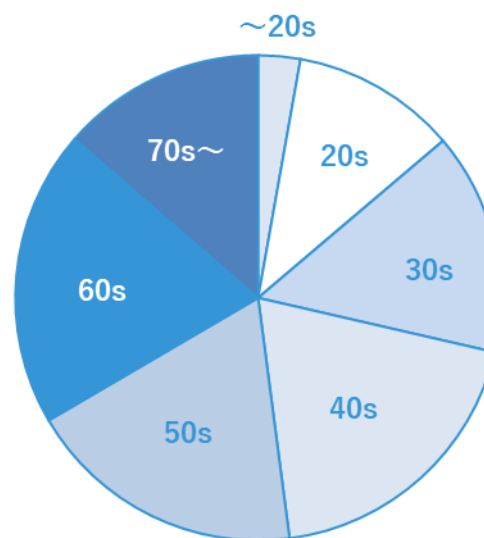


Trends in the golf equipment market and the EC market for golf equipment



(Source: "Golf Industry White Paper" (Yano Research Institute))

Golfer Attributes (Age/Golf course users)



# of Golf Course

**2,227** course

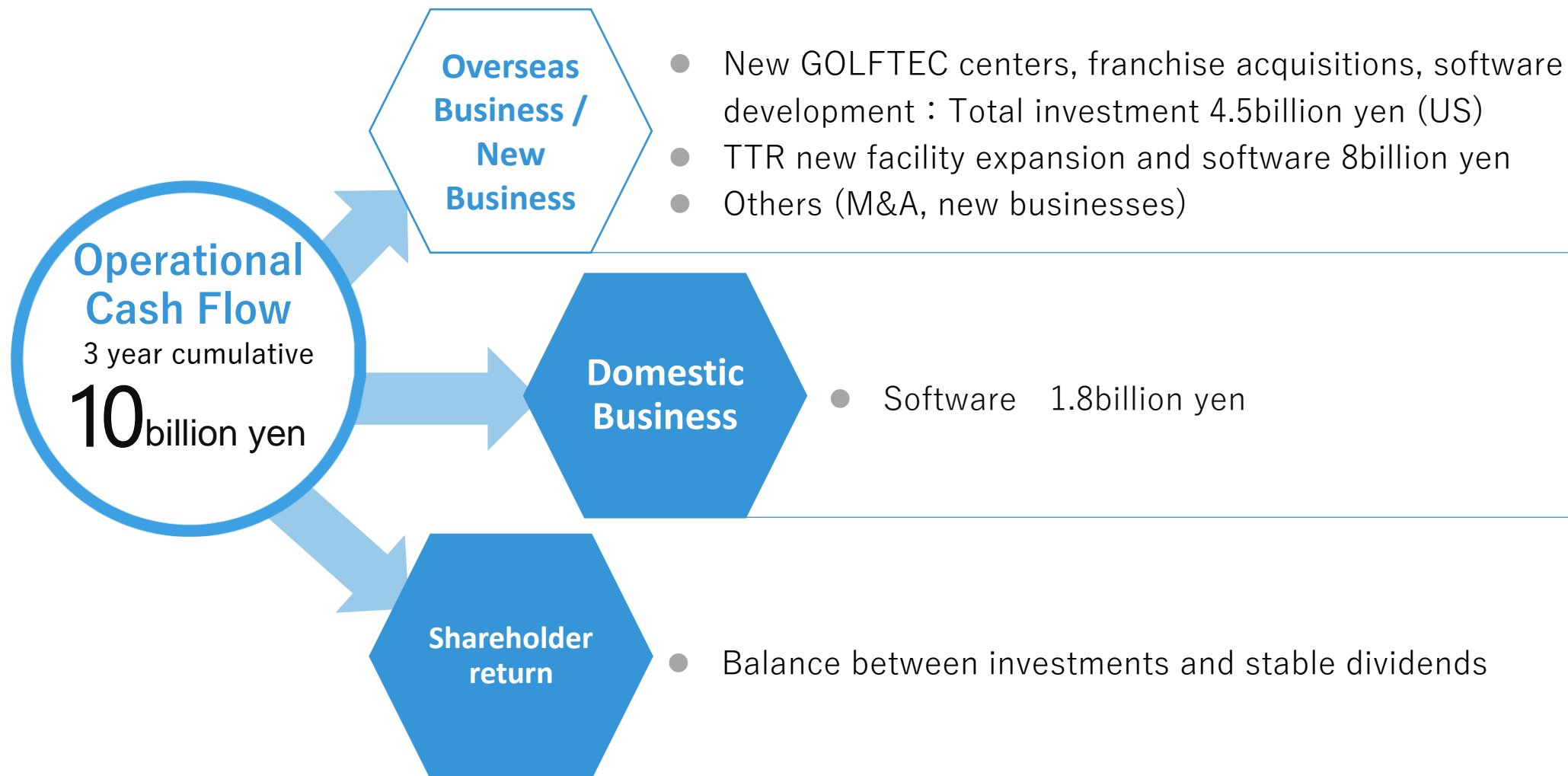
# of Golf Driving Range

**3,445** facilities

# 2023 mid-term financial targets

(billion yen)	2019 (actual results)	2020 (actual results)	2023 (plan)	2021-2023 GAGR
<b>Net Sales</b>	<b>34.27</b>	<b>33.69</b>	<b>46.0</b>	10.3%
(Domestic)	26.84	26.72	32.5	8.1%
(Overseas)	7.43	6.96	13.5	16.2%
<b>EBITDA</b>	<b>2.46</b>	<b>2.36</b>	<b>5.0</b>	32.5%
(Domestic)	2.05	2.30	3.5	29.1%
(Overseas)	0.41	0.06	1.5	41.4%
<b>Operating Profit</b>	<b>0.97</b>	<b>0.83</b>	<b>2.5</b>	50.8%
(Domestic)	1.53	1.78	2.7	34.2%
(Overseas)	-0.55	-0.94	-0.2	—%

- The impact of amortization of goodwill will continue due to new center buildouts in the US
- Expected amortization of goodwill 0.5 billion yen



## CF

- Focused business strategy combined with stable growth in operation CF

## Growth investments

- Invest in GOLFTEC (overseas business) and TTR business (new business)
- IRR threshold of 10% or more for investments
- Consider further investments, including M&A

## B/S Control

- control of B/S with a net D/E ratio of 100% or less

## Shareholder return

- Balance internal cash and continue stable dividend payouts

## Develop and strengthen group organization

- Centralize sales, marketing, customer service departments to enhance knowledge base and internalize advantage of holistic golf services
- Increase productivity and efficiency by switching to WorkFast ver3.0 (GDO hybrid work style for work from anywhere to fully maximize group resources)

## Emphasis on further corporate governance

- Establish nomination / compensation committee
- Speed-up decision making processes and checks and balances with further reinforcement of ERM as well as implementing enhanced management design systems



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