# 2024/25 ANNUAL REPORT

## HONMA GOLF LIMITED
## 本間高爾夫有限公司

(Incorporated in the Cayman Islands with Limited Liability)

STOCK CODE: 6858

# Contents



# Corporate Information

## Board of Directors

### Executive Directors

Mr. Liu Jianguo (劉建國) *(Chairman and President)*
Mr. Ito Yasuki (伊藤康樹)
Mr. Zuo Jun (左軍)
Mr. Liu Hongli (劉宏立)

### Non-executive Directors

Mr. Yang Xiaoping (楊小平)
Mr. Ho Ping-hsien Robert (何平僊)[1]
Mr. Soopakij Chearavanont (謝吉人)[2]

### Independent Non-executive Directors

Mr. Lu Pochin Christopher (盧伯卿)
Mr. Wang Jianguo (汪建國)
Mr. Xu Hui (徐輝)
Ms. Tian Qing (田青)[3]

## Audit Committee

Mr. Lu Pochin Christopher (盧伯卿) *(Chairman)*
Mr. Wang Jianguo (汪建國)
Mr. Xu Hui (徐輝)

## Remuneration Committee

Mr. Wang Jianguo (汪建國) *(Chairman)*
Mr. Xu Hui (徐輝)
Mr. Zuo Jun (左軍)

## Nomination Committee

Mr. Liu Jianguo (劉建國) *(Chairman)*
Mr. Wang Jianguo (汪建國)
Mr. Lu Pochin Christopher (盧伯卿)
Ms. Tian Qing (田青)[3]

## Company Secretary

Ms. Sham Ying Man (岑影文)

## Authorized Representatives

Mr. Zuo Jun (左軍)
Ms. Sham Ying Man (岑影文)

## Auditor

Ernst & Young
*Certified Public Accountants*
*Registered Public Interest Entity Auditor*

## Company's Website

www.honmagolf.com

## Stock Code

6858

Notes:

(1) Passed away on 18 September 2024.
(2) Appointed as a non-executive director with effect from 29 November 2024.
(3) Appointed as an independent non-executive director with effect from 20 December 2024, and appointed as a member of the nomination committee of the Company (the "**Nomination Committee**") with effect from 26 June 2025.

# Corporate Information

## Registered Office in Cayman Islands

The offices of Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

## Headquarters in Japan

35F Roppongi Hills Mori Tower
P.O. Box #62, 6-10-1
Roppongi
Minatoku
Tokyo, Japan

## Shanghai Office

31 Floor
No. 100, Century Ave.
Pudong New Area
Shanghai, PRC

## Principal Place of Business in Hong Kong

Room 1910, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong[1]

## Cayman Islands Principal Share Registrar and Transfer Agent

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

## Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## Principal Bankers

Mizuho Bank, Ltd., Aoyama Branch
The Tokyo Tomin Bank, Limited, Setagaya Branch
Bank of China Limited, Shanghai Branch, Songjiang Sub-Branch
The Hongkong and Shanghai Banking Corporation Limited

Note:

(1) Changed from 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong to the current address with effect from 10 January 2025.

# Financial Summary

| | For the year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2025** | 2024 | 2023 | 2022 | 2021 |
| | **JPY'000** | JPY '000 | JPY'000 | JPY'000 | JPY'000 |
| **Operating Results** | | | | | |
| Revenue | **21,672,142** | 26,222,857 | 29,494,999 | 28,971,099 | 22,735,119 |
| Gross profit | **11,784,085** | 13,342,688 | 14,988,255 | 15,685,627 | 11,445,205 |
| Gross profit margin | **54.4%** | 51.2% | 50.8% | 54.1% | 50.3% |
| Operating profit | **185,256** | 2,706,208 | 3,856,557 | 5,456,791 | 1,232,820 |
| Net profit/(loss) | **(264,174)** | 4,828,128 | 3,255,605 | 6,191,188 | 1,859,106 |
| Profit/(loss) before tax | **(937,931)** | 5,152,315 | 4,092,869 | 7,560,291 | 2,420,307 |
| Profit/(loss) for the year attributable to owners of the Company | **(264,233)** | 4,828,057 | 3,255,488 | 6,191,197 | 1,859,041 |

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2025** | 2024 | 2023 | 2022 | 2021 |
| | **JPY'000** | JPY '000 | JPY'000 | JPY'000 | JPY'000 |
| **Assets and Liabilities** | | | | | |
| ***Assets*** | | | | | |
| Non-current assets | **10,319,591** | 8,894,695 | 8,208,542 | 8,132,717 | 8,862,108 |
| Current assets | **29,789,309** | 33,650,502 | 32,158,818 | 33,294,755 | 27,631,389 |
| Total assets | **40,108,900** | 42,545,197 | 40,367,360 | 41,427,472 | 36,493,497 |
| ***Equity and liabilities*** | | | | | |
| Total equity | **27,680,137** | 28,672,380 | 26,030,928 | 25,352,602 | 21,321,136 |
| Non-current liabilities | **1,774,634** | 2,190,133 | 2,201,905 | 2,543,336 | 2,355,906 |
| Current liabilities | **10,654,129** | 11,682,684 | 12,134,527 | 13,531,534 | 12,816,455 |
| Total liabilities | **12,428,763** | 13,872,817 | 14,336,432 | 16,074,870 | 15,172,361 |
| Total equity and liabilities | **40,108,900** | 42,545,197 | 40,367,360 | 41,427,472 | 36,493,497 |
| Net current assets | **19,135,180** | 21,967,818 | 20,024,291 | 19,763,221 | 14,814,934 |
| Total assets less current liabilities | **29,454,771** | 30,862,513 | 28,232,833 | 27,895,938 | 23,677,042 |

# Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of Honma Golf Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2025 (the "**Year**").

Over the last twelve months, we have witnessed increasingly heterogeneous competition within the golf industry with competitors shortening product lifecycle and rapidly launching new golf products to continuously appeal to the newer golf populations. In order to maintain solid foothold in such fiercely competitive market, the Group continued implementing its "single brand, multi-categories and Asia-focused" strategy. The Group strategically focuses on the penetration and nurturing its home markets in Asia, namely Japan, Korea and China, with astatically exquisite products, while at the same time, continues to seek new possibilities by exploring and developing new categories and products to meet consumers' evolving needs.

## Focusing on golf clubs, combining Japanese traditional craftsmanship with world standard innovative technology to provide a complete golf lifestyle experience

With the goal of providing a complete golf lifestyle experience with various categories of products, the Group remains committed to applying artisan-style Japanese craftsmanship and world standard innovative technology to the design, manufacturing and development of a comprehensive range of exquisitely crafted and performance-driven golf clubs. Benefiting from such commitment, the latest BERES and TOUR WORLD products, which are designed for affluent and avid golfers, achieved considerable revenue growth during the year ended 31 March 2025. The newly launched SAKATA LAB putters, which have always been favorite to consumers who are looking for extinguished and exquisite cosmetics, also reached a high-double-digit sales growth.

As an important part of the Group's efforts to provide a complete golf lifestyle experience, sales of apparels achieved a revenue growth of 6.4% in China on a year-on-year basis. Similarly, the revenue from accessories in Korea and China increased by 32.0% and 14.7%, respectively. Such comprehensive product offerings cater to both on-course and off-course requirements of golfers and enable the consumers to enjoy a delicate and delightful golf lifestyle in an all-round way under HONMA brand.

The Group is committed to increasing its penetration rate in its home markets and flexibly launching corresponding products based on the needs of consumers in different regions, in order to achieve satisfied sales growth and inventory management.

# Chairman's Statement

## Outstanding operational efficiency by enhancing channel optimization, advertising efficiency and e-commerce promotion

The Group continued to focus on brand communication, retail experience and digital capability to become centurial golf lifestyle brand and the choice of the affluent and avid golfers of this time. During the year ended 31 March 2025, the Group continued to implement its strategy to optimize the channels by focusing on high-profit self-operated channels and steadily increased self-operated stores. As a result, revenue from self-operated stores increased by 2.8% compared to the same period last year, with gross margin of self-operated stores increasing by 7.9 percentage points. Especially, in Korea and Japan, gross margin of self-operated stores increased by 26.2 and 18.6 percentage points, respectively. On the other hand, the Group also gradually reduced the loss-making and low-efficiency wholesale channels. The Group has basically completed the optimization of wholesale channels in Europe and North America, and will continue to develop an efficient business model to enhance channel efficiency in its home markets.

At the same time, the Group has achieved excellent results in branding and marketing by improving the advertising efficiency and e-commerce promotion. During the year ended 31 March 2025, the Group kept improving its customer relationship management system to provide a better product, shopping and golf experience for consumers. In particular, the total number of HONMA registered members in China has been increasing and reached around 150,000 as at 31 March 2025. Furthermore, the consumption conversion rate of newly registered members and the repurchase rate of existing members both improved.

Thanks to the development of its e-commerce strategy, the Group has invested abundant resources to establish a team dedicated to the e-commerce. Leveraging the Group's official accounts on various media platforms around the world, the rise of live streaming sales and standing cooperation with key opinion leaders, the revenue from e-commerce platform increased by 6.3% compared to the same period last year. In the meantime, the Group will seize the strong development momentum of the e-commerce and will increase its investments in e-commerce promotion to obtain higher return on investment from the e-commerce platform.

I would like to take this opportunity to thank the management team and all employees for their hard work and contributions during the past year. I would also like to express my gratitude to the Group's shareholders, business partners and consumers for their support and trust in the Group. I am very optimistic about HONMA's business development in 2025 and beyond. Looking ahead, as a leading golf enterprise, the Group will continue to focus on consumers' needs, undertake its social responsibilities, and apply the highest levels of traditional Japanese craftsmanship and innovative technology to its premium, high-tech and best performing golf products.

**LIU Jianguo**
*Chairman*

26 June 2025

# Management Discussion and Analysis

## Company Profile and Overview

HONMA is one of the most prestigious and iconic brands in the golf industry. Founded in 1959, the Company combines latest innovative technologies with traditional Japanese craftsmanship to provide golfers across the globe with premium, high-tech and high-performance golf clubs, balls, apparels and accessories.

As the only vertically integrated golf company with rich in-house design, development and manufacturing capabilities, extensive retail footprints in Asia and a diverse range of golf clubs and golf-related products, HONMA is perfectly positioned to continuously grow its business in Asia and beyond, benefitting from the return of golfers in mature golf markets such as the U.S. and Japan and from increased participation in new and under-penetrated markets such as Korea and China.

The Company will celebrate its 67th anniversary in 2025. In the past couple of years, HONMA has actively and continuously undertaken brand and marketing campaigns with the ultimate goal to re-define the HONMA brand as a dynamic, relevant and premium golf lifestyle brand among today's golfers. The Group maintained a team of young professional players from Asia whom are considered rising stars or upcoming challengers by the golf industry. The Company also had extensive collaborations with coaches and key opinion leaders in the main Asian markets and made significant investments into its retail distribution network and digital capabilities in Japan and China so as to unify and elevate consumer experiences and purchase journey for its loyal consumers as well as the younger golfing communities.

## Key Operating Results

Since early 2023, the global golf industry has seen downward adjustments in both number of rounds played and purchase interest of golfers at different stages and across different markets. These developments echoed the management's decision to strengthen and streamline its product offering around two consumer segments, namely super-premium and premium-performance consumer segments. The super-premium segment is a consumer segment that HONMA has maintained a leading and strong market position for decades through the development and sales of clubs that combine Japanese astatic beauty with compromising features. The premium-performance consumer segment is dominated by avid golfers, which is the largest segment in terms of participation so far and has enjoyed the strongest growth momentum for years. To increase HONMA's penetration into both segments, the Group streamlined its product strategy by enriching its TOUR WORLD club portfolio offering to include a performance enhancement series and by renewing its legacy BERES club family with a modern and sophisticated design and development approach to appeal to today's golfers.

These consumer-centric product strategy and development efforts will continue to enhance HONMA's brand and product awareness and participation of younger and more avid golfers.

# Management Discussion and Analysis

## Highlights of Major Achievements

For the year ended 31 March 2025, the Company has continued implementing its long-term business strategies while carefully protecting its financial strength and cash flow. Among others, the Company has pursued and focused on the following strategic initiatives which the Company believes will continue to bring satisfactory business advancements and results in the future.

- ***Re-defining the HONMA brand.*** The Company initiated various programs to improve its global brand positioning and communication with target consumers. To re-define the HONMA brand as a dynamic, relevant and premium golf lifestyle brand among internet-savvy younger golfers, the Company has made constant efforts to elevate its global website and social media platforms with regular and relevant visual and content updates to continuously promote its brand and product awareness and to appeal to younger golfers. The rapid uptick in HONMA's digital communications on both earned and paid media has resulted in continued improvements in the organic traffic, conversion and other digital engagement matrixes such as bounce rate, time on site, etc.

  To create an end-to-end digital ecosystem around the re-defined brand and golfers in the super-premium and premium-performance segments, the Company implemented customer relationship management ("**CRM**") systems in multiple markets and added advanced e-commerce capabilities and consumer-centric custom tools thereon, with a view to provide consumers with the ultimate 360-degree brand experience, to strengthen HONMA's direct-to-consumer communication and to eventually increase sales both online and offline.

- ***Focusing on club products that best represent Japanese craftsmanship and world standard innovative technology in pursuit of players in super-premium and premium-performance segments.*** HONMA remains committed to applying cutting-edge technologies and artisan-style Japanese craftsmanship to the design, development and manufacturing of a comprehensive range of exquisitely crafted and performance-driven golf clubs. HONMA applied several of its revolutionary proprietary technologies to the design and development of its latest BERES and TOUR WORLD products, designed for affluent and avid golfers. Following the launch of BERES 09 in early 2024, the Group continuously penetrated into the super-premium and premium-performance consumer segments, especially in Asia. Revenue from BERES golf clubs in Japan rose by 3.0% from the year ended 31 March 2024, reconfirming HONMA's strong brand equity and its ability to withstand economic challenges since HONMA went into the golf business in 1959.

## Highlights of Major Achievements (continued)

- ***Accelerating growth in golf balls business and relaunching apparel business to create a comprehensive range of golf products for golfers in the super-premium and premium-performance segments.*** Unlike its peers, HONMA continues to derive most of its revenue from the sales and distribution of golf clubs. For the year ended 31 March 2025, golf clubs generated 69.5% of the Group's total revenue. In addition, considering the continued and stable contribution in revenue from golf balls over the past years, the Company further prioritized its product development resources and launched golf balls with its own patent in order to meet the HONMA brand positioning and play preferences of its consumers.

  HONMA re-launched its apparel business in 2019. As of now, the apparel collection comprises of a professional and a fashion athletic line, both catering to the distinctive requirements of golfers in China, both on-course and off-course. The year ended 31 March 2025 featured mostly HONMA's 2024 Autumn/Winter collections and 2025 Spring/Summer collections.

- ***Reprioritising HONMA's growth strategies in North America and Europe while improving both markets' financial standing.*** North America and Europe continued to enjoy the largest golfer demographics but with varied market conditions. For the year ended 31 March 2025, the Group continued to reprioritise its distribution strategy in North America and Europe by focusing on a smaller but premier group of accounts that are most capable to represent HONMA's tradition and pursue in the super-premium and premium-performance consumer segments. At the same time, the Group continued optimising its organisational set up and cost base in both markets to properly anchor their near to mid-term growth amidst social, economic and financial uncertainties.

  Following such strategic adjustment, in North America, the Group opened 26 points of sales ("**POS**") during the year ended 31 March 2025, hence increasing its total POSs there to 370 by 31 March 2025. During the same period, in Europe, the Group opened seven new POSs, leading to a modest POS network of 136 locations.

  Despite the shift, the Company continued to make investments into its digital communication and e-commerce activities in both markets to create an important brand touchpoint for consumers researching and searching for HONMA products, local retailers or fitting experience. Various digital marketing efforts have been implemented to drive website traffic and target potential shoppers through re-targeting efforts in social media and search engine marketing. For the year ended 31 March 2025, the Company had seen continued increase in site visits. The strong performance evidences HONMA's brand equity and consumer interest in the North American market.

## Highlights of Major Achievements (continued)

- ***360-degree brand experience built into new retail space and environments.*** The Company retained leading design and marketing agencies to renovate its retail space in order to provide ultimate brand experience and customizable consumer journey in major markets. The Company consistently applied the new retail visual identity, design concept and consumer experience elements using advanced technology. The Company also upgraded multiple shop-in-shops in the U.S., Japan and China using the same design concept to ultimately present the same consumer space and experience in all of its major markets.

- ***Customer events.*** Customer events have always been key to the continued enhancement of HONMA's brand, product awareness and consumer mindshare. During the year ended 31 March 2025, HONMA hosted 3,655 customer days across its main markets, most of which were held on golf courses with dedicated fitters. Number of attendants rose by 12% as compared to the same period last year.

- ***Sponsoring TEAM HONMA players.*** As at 31 March 2025, TEAM HONMA consisted of nine professional golf players. The Company believes TEAM HONMA's image, endorsement and continued success on professional golf tournaments will continue to help drive its sales growth, especially in Japan. The Company will continue to scout and solicit additional and younger players in Asia with visible social media following to anchor brand redefinition and to better appeal to younger and avid golfers.

### Product Design and Development

HONMA utilizes the latest innovative technologies and traditional Japanese craftsmanship to provide golfers across the globe with aesthetically beautiful, technology-based and performance-driven golf clubs. The Group uses cutting-edge proprietary technology to design and manufacture golf clubs primarily for consumers in the super-premium and premium-performance segments who want to hit effortless shots and drive the golf balls further.

HONMA currently offers golf clubs under two major product families: BERES and TOUR WORLD, each targeting specific consumer segments. The Group leverages its innovative research methods and development capabilities to manage the product life cycle, continually generate customer interest, ensure product offerings remain up to date with the latest market trends and meet the preferences of target customers.

## Highlights of Major Achievements (continued)

### Product Design and Development (continued)

Based on extensive market research, HONMA categorises the market into nine key segments according to the importance golfers place on price, design and performance, which are correlated with their respective levels of affluence and enthusiasm towards golf, as illustrated in the chart below:

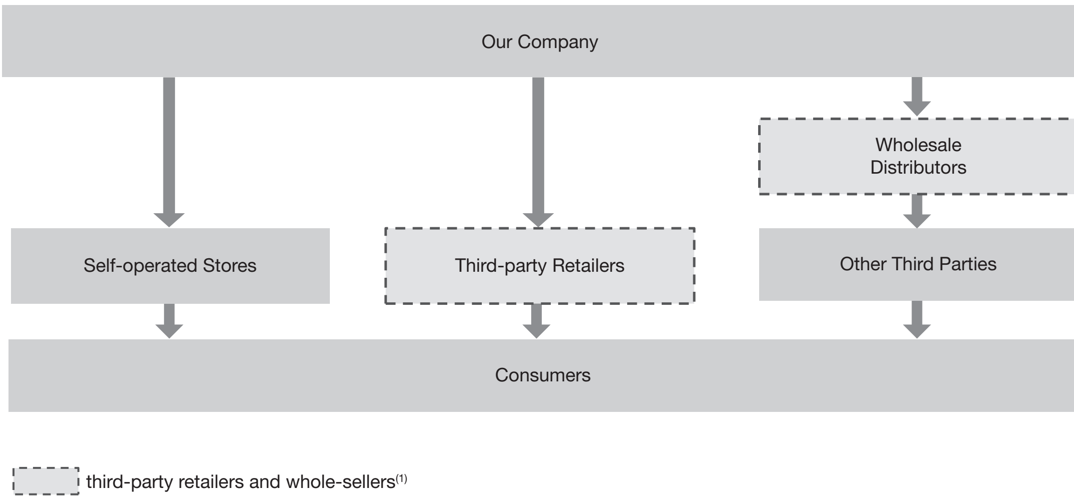
| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 1 | High Price<br>Low Enthusiasm | **Design & Price** | 2 | High Price<br>Middle Enthusiasm | **Primarily Design** | 3 | High Price<br>High Enthusiasm | **Design & Performance** |
| 4 | Middle Price<br>Low Enthusiasm | **Performance & Price** | 5 | Middle Price<br>Middle Enthusiasm | **Performance & Design** | 6 | Middle Price<br>High Enthusiasm | **Primarily Performance** |
| 7 | Low Price<br>Low Enthusiasm | **Primarily Price** | 8 | Low Price<br>Middle Enthusiasm | **Price & Design** | 9 | Low Price<br>High Enthusiasm | **Price & Performance** |

BERES golf clubs target consumers in Segment 2 or the so-called super-premium segment, which is the Company's traditional customer base and comprises affluent consumers willing to pay a premium price for golf clubs that offer excellent performance yet distinctively different from other golf clubs. TOUR WORLD golf clubs was first launched in 2011, target consumers in Segment 6 or the so-called premium-performance segment, which comprises golf enthusiasts who place a higher emphasis on performance. In the 2019 financial year, HONMA made the decision to enrich its TOUR WORLD club family to include a performance enhancement series hence creating stronger focus on the younger and avid golfers. Since then, BERES and TOUR WORLD have been the two main club products for HONMA across all of its markets.

## Highlights of Major Achievements (continued)

### Sales and Distribution Network

The Company's sales and distribution network consists of HONMA-branded self-operated stores as well as third-party distributors which included retailers and wholesalers. The following diagram illustrates the structure of the Group's sales and distribution network:




Note:

(1) The Group's distributors consist of (a) third-party retailers and (b) wholesale distributors that on-sell the Group's products to other third parties.

## Highlights of Major Achievements (continued)

### Sales and Distribution Network (continued)

HONMA operates one of the largest number of self-operated stores among major golf companies. Self-operated stores provide consumers with a 360-degree experience with the HONMA brand and its products. As at 31 March 2025, the Group had 94 HONMA-branded self-operated stores, all of which were located in Asia. The Group aims to continuously upgrade the design, visual display and consumer experience of its self-operated stores to project one consistent brand image and consumer experience. The table below sets forth the number of self-operated stores opened and closed during the year ended 31 March 2025:

| | For the year ended 31 March 2025 | | | |
|---|---|---|---|---|
| | Period start | Opened | Closed | Period end |
| Japan | 29 | 1 | – | 30 |
| China (including Hong Kong and Macau) | 48 | 3 | 5 | 46 |
| Rest of Asia | 18 | – | – | 18 |
| **Total** | 95 | 4 | 5 | 94 |

To better serve avid golf enthusiasts, certain HONMA-branded self-operated stores offer fitting centers equipped with high-speed cameras and launch monitors to capture players' swing data. As at 31 March 2025, the Group had five fitting centers, including one in Japan, three in China and one in Korea.

As at 31 March 2025, the Group had approximately 3,617 POSs. The Group's POSs consist of (a) POS of third-party retailers ("**Retailers**") and (b) POS of wholesale distributors ("**Wholesale Distributors**") that on-sell the Group's products to other third parties and consumers. Retailers include, among others, sports megastores, which are large retailers of sports goods. As at 31 March 2025, the Group's products were sold at 1,283 POSs of sports megastores.

In Japan, the Group mainly sells products to Retailers, including nation-wide sports chain stores such as Xebio and Golf 5. Outside Japan, the Group sells products to both Retailers and Wholesale Distributors.

The Group manages its sales and distribution network on a country-by-country basis to cater for each country's specific retail landscape and consumer demographics. The makeup of its sales and distribution network varies across regions depending on local retail landscape and its go-to-market strategy in that particular region, reflecting on the purchase behaviour of target consumers. To optimise its sales and distribution network, the Group is constantly evaluating its existing channels and exploring new channels.

## Highlights of Major Achievements (continued)

### Updating E-commerce Capabilities and Creating One Digital Ecosystem

The Group has constantly upgraded its website and relaunched its social media platforms in various countries. These efforts aimed to create one consistent and vibrant communication platform and brand image across all markets. The rapid expansion of digital communications generated a month-on-month double-digit growth in the organic traffic, conversion and other digital brand engagement matrixes such as bounce rate, time on site, etc.

The Company also revamped its CRM systems in key markets such as Japan, China and the U.S., and upgraded its e-commerce capabilities to provide consumers with the ultimate 360-degree brand experience and to eventually increase online sales.

### Manufacturing Processes

HONMA utilizes the latest innovative technologies and traditional Japanese craftsmanship to provide golfers across the globe with aesthetically beautiful and high-tech performance-driven golf clubs. The Company is the only major golf products company that utilizes professional handcrafted techniques together with significant in-house manufacturing capabilities. The Group conducts all key manufacturing processes for golf clubs at its campus located in Sakata, Yamagata prefecture of Japan (the "**Sakata Campus**"), while outsourcing non-core processes to its well-respected suppliers. This combination of in-house and outsourced manufacturing processes enables the Group to control core technical know-how and intellectual property and ensure the quality of products while controlling production costs.

Located on an approximately 163,000 square metres of land, the Sakata Campus is staffed with 147 craftsmen, 31 of whom are master craftsmen with approximately 34 years of experience on average. The craftsmen's dedication to product quality enables the Group to maintain the iconic and premium status of the HONMA brand. The Group continually invests in its Sakata Campus to optimise manufacturing processes and to expand its manufacturing capacity in line with sales growth.

### Employees

As at 31 March 2025, the Group had 682 employees worldwide, a majority of whom were based in Japan.

To ensure the long-term future of HONMA, the Group hires people who identify with its core values and the Group helps its employees grow by offering on job training and career progressions within HONMA. For sales personnel in self-operated stores, the Group offers a number of training programs, including an internal golf club fitter certification program. Moreover, the Group has implemented a rigorous apprenticeship program at the Sakata Campus which was instrumental to the retention and continued nurturing of craftsmen in Sakata.

## Highlights of Major Achievements (continued)

### Employees (continued)

The Group offers competitive remuneration packages, including, among others, salaries, performance-based cash bonus and share-based compensation. The Group reviews its remuneration scheme regularly to ensure its consistency with market practice. Employee benefit expenses amounted to JPY4,576.1 million for the year ended 31 March 2025.

The Group adopted its restricted share unit ("**RSU**") scheme in 2015 and post-IPO share option scheme in 2016 to incentivize its directors, management and eligible employees.

### Brand Marketing

Since 1959, HONMA has committed to maintaining the traditional methods and arts used by Japanese craftsmen to make the finest golf clubs in the world. To fully capture HONMA's unique opportunities in super-premium and premium-performance consumer segments, the Group brought a series of actions that helped re-define and transform the HONMA brand in an age of explosive technological innovation.

HONMA has been perceived as the symbol for luxury and was closely associated with super-rich Asians in consumer sentiments. Extensive marketing efforts have been launched to transform this perception into a modern, premium performance focus, rooted in HONMA's unique craftsmanship and superior technology. The launch of GS series and TW767 series, both of which under the TOUR WORLD club family, have generated great media buzz and consumer purchase intent for HONMA among the younger and more avid golfers.

## Outlook

### Business Outlook

The current financial year continues to present operating challenges and business uncertainties for HONMA due to global economic uncertainty and geopolitical tensions that loomed over some of its markets.

Nonetheless, the Group will continue executing its long-term growth strategy to build a world-leading golf lifestyle company leveraging HONMA's brand legacy, its expanding distribution network and innovative technologies and traditional Japanese craftsmanship.

## Outlook (continued)

### Business Outlook (continued)

The Group intends to continue pursuing the following:

- ***Sustainably improve and transform HONMA brand value into customer loyalty.*** Multiple branding and marketing strategies have been executed to reinforce HONMA's brand heritage and its core brand values of premium craftsmanship and performance, allowing HONMA to fully capture its unique opportunities to lead in both super-premium and premium-performance segments. Since a key part of the Group's future growth strategy lies with continuous enhancement of brand awareness and loyalty, HONMA will continue upgrading its offline and online retail experiences based on the updated HONMA brand image, retail and visual guidelines. In Asia, HONMA opened a number of brand experience stores in recent years to present HONMA's new brand experience and customizable consumer journey to consumers in HONMA's home markets, followed by similar store openings in China, Korea, Taiwan, the U.S. and Europe. All these stores will become the centrepiece of HONMA's new consumer touchpoints and hubs and will continuously generate traffic to HONMA's extensive shop-in-shop at third-party retailers, golf courses and its online e-commerce platforms.

- ***Continuously increase the Group's market share in home markets by maintaining its leading position in the super-premium segment while making solid inroads into the fast-growing premium-performance segment.*** Increasing market share in HONMA's home markets, namely Japan, Korea and China, which will be an increasingly important part of the Group's future growth strategy. While the Group already has a strong presence in its home markets, it believes that there is still significant room to increase its market shares in these markets, especially in the premium-performance segment. The Group intends to achieve this by continuously enriching its TOUR WORLD product family, leveraging HONMA's improved tour presence as well as key opinion leaders and influencers network. At the same time, the Group will continuously nurture and foster stronger partnerships with its retail partners while intensifying investments in sales point product promotions that are relevant to these consumer segments.

## Outlook (continued)

### Business Outlook (continued)

- ***Anchoring sustainable growth in North America and Europe based on the updated product and distribution strategy.*** North America and Europe accounts for more than 50% of the global golf market. During the year ended 31 March 2025, HONMA continued to shift its focus on a smaller but premier group of accounts in both markets while continuously implementing its unique direct-to-consumer communication and sales strategy. The said direct-to-consumer communication and distribution approach overlays with HONMA's existing wholesales points of sale and various digital platforms, hence allowing HONMA to effectively increase its brand and product awareness while owning the entire consumer experience and purchase journey.

  Furthermore, the decision to differentiate the TOUR WORLD product offering between tour inspired better players and golfers who look for performance enhancements will provide great support to HONMA's growth strategy in North America, where the market has continued to rebound with the number of golfers increasingly skewed towards premium-performance products.

- ***Nurturing complementary non-club product lines to provide customers with a complete golf lifestyle experience.*** Since 2019, HONMA has actively expanded its apparel business in China, leveraging the rich industry networks and know-how of its strategic partner while promoting HONMA as a "golf lifestyle brand". To support HONMA's apparel growth ambition, the Group has created in-house design, development and sales teams in China and in addition, built a network of quality retail footprints encompassing different channels and addressing consumers of different profiles.

- ***Continue product innovation and development to cater for latest market trends.*** The Group devotes significant resources to new product development to ensure that its product offerings remain up to date with the latest market trends, all with close link with its manufacturing facilities in Sakata, Japan. The Group's research and development expenses amounted to JPY228.9 million and JPY240.4 million for the year ended 31 March 2024 and 2025, respectively. The research and development team of HONMA thrives to incorporate innovations in ergonomics and material sciences in its designs and collaborates closely with professional golf players to optimize product performance.

## Outlook (continued)

### Industry Outlook

The golf industry will continue to face multiple challenges in the year ending 31 March 2026. These challenges include intensified competition within the golf industry due to oversupply in some parts of the world, continued supply chain challenges as a result of labour shortage and increase of raw material price, and global economic and political uncertainties.

For the year ended 31 March 2025, the golf industry experienced intense competition as retailers struggled with inventories and sluggish consumer demand. The Company expects the overall golf industry to rapidly adapt itself to these challenges with short term negative impacts.

The Group also believes that the year ending 31 March 2026 will be a crucial period for it to deliver its business strategies amidst global economic and political uncertainties. The Group is confident in its ability to mitigate the adverse impacts of such uncertainties and will seize every possible opportunity to preserve cash, to optimize its operational efficiencies in order to foster a solid foundation for the mid – and long-term development with respect to its brand, products, distribution channel, employees and supply chain. The Group endeavours to promote sustainable business development and strives to create long-term value for all of its shareholders.

The Group will stay alert to the developments of all external challenges. The Group will also continue reviewing its existing business strategies from time to time and take necessary actions to mitigate business risks while safeguarding the health and safety of its employees and teams.

## Financial Review

The following table is a summary of the Group's consolidated statement of profit or loss with line items in absolute amounts and as percentages of the Group's total revenue for the years indicated, together with the change (expressed in percentages) from the year ended 31 March 2024 to the year ended 31 March 2025:

| | For the year ended 31 March | | | | |
|---|---|---|---|---|---|
| | 2025 | | 2024 | | Year-on-Year Change |
| | *JPY* | *%* | *JPY* | *%* | *%* |
| | *(In thousands, except for percentages and per share data)* | | | | |
| **Consolidated Statement of Profit or Loss** | | | | | |
| **Revenue** | **21,672,142** | **100.0** | 26,222,857 | 100.0 | (17.4) |
| Cost of sales | **(9,888,057)** | **(45.6)** | (12,790,169) | (48.8) | (22.7) |
| **Gross profit** | **11,784,085** | **54.4** | 13,432,688 | 51.2 | (12.3) |
| Other income and gains | **107,367** | **0.5** | 2,673,958 | 10.2 | (96.0) |
| Selling and distribution expenses | **(9,650,939)** | **(44.5)** | (9,180,750) | (35.0) | 5.1 |
| Administrative expenses | **(1,532,961)** | **(7.1)** | (1,389,752) | (5.3) | 10.3 |
| (Provision for)/reversal of impairment losses on financial assets | **(213,132)** | **(1.0)** | 23,330 | 0.1 | (1,013.6) |
| Other expenses, net | **(1,230,554)** | **(5.7)** | (227,851) | (0.9) | 440.1 |
| Finance costs | **(224,430)** | **(1.0)** | (190,436) | (0.7) | 17.9 |
| Finance income | **22,633** | **0.1** | 11,128 | * | 103.4 |
| **(Loss)/profit before tax** | **(937,931)** | **(4.3)** | 5,152,315 | 19.6 | (118.2) |
| Income tax credit/(expense) | **673,757** | **3.1** | (324,187) | (1.2) | (307.8) |
| **Net (loss)/profit** | **(264,174)** | **(1.2)** | 4,828,128 | 18.4 | (105.5) |
| **Earnings per share attributable to ordinary equity holders of the parent:** | | | | | |
| Basic and diluted | | | | | |
| – For (loss)/profit for the year (JPY) | **(0.44)** | | 7.97 | | (105.5) |
| **Non-IFRS Financial Measure** | | | | | |
| Operating profit[1] | **185,256** | **0.9** | 2,706,208 | 10.3 | (93.2) |
| Net operating profit[2] | **618,294** | **2.9** | 2,726,336 | 10.4 | (77.3) |

* less than 0.1%.

## Financial Review (continued)

Notes:

(1) Operating profit is derived from (loss)/profit before tax by (i) subtracting other income and gains and (ii) adding other expenses. For a reconciliation of operating profit to (loss)/profit before tax, see "Management Discussion and Analysis Overview of the Company, Its Key Business Results and Business Outlook – Financial Review – Non-IFRS Financial Measures – Operating Profit".

(2) Net operating profit is derived from net (loss)/profit by (i) subtracting other income and gains, (ii) adding other expenses and (iii) adding impact on tax related to items (i) and (ii) above. For a reconciliation of net operating profit to net (loss)/profit, see "Management Discussion and Analysis Overview of the Company, Its Key Business Results and Business Outlook – Financial Review – Non-IFRS Financial Measures – Net Operating Profit".

### Revenue

The Group's total revenue decreased by 17.4% from JPY26,222.9 million for the year ended 31 March 2024 to JPY21,672.1 million for the year ended 31 March 2025.

### Constant Currency Revenue

On a constant currency basis, the Group's total revenue decreased by 18.9% from the year ended 31 March 2024 to the year ended 31 March 2025. For the purpose of calculating constant currency revenue, the Group has used the average exchange rate of the year ended 31 March 2024 to translate sales recorded during the year ended 31 March 2025, to the extent that the original currency for such sales is not in Japanese yen.

Constant currency revenue is used to supplement measures that were prepared in accordance with IFRS. It is however not a measure of financial performance under IFRS and should not be considered as an alternative to measures presented in accordance with IFRS.

## Financial Review (continued)

### Revenue (continued)

#### Revenue by Product Groups

The Group offers golfers a complete golf lifestyle experience through an extensive portfolio of HONMA-branded golf clubs, golf balls, bags, apparels and other accessories. The following table shows revenue by product groups in absolute amounts and as percentages of the Group's total revenue for the years indicated:

| | For the year ended 31 March | | | | Year-on-Year Change | |
|---|---|---|---|---|---|---|
| | 2025 | | 2024 | | on as reported basis | on constant currency basis(1) |
| | JPY | % | JPY | % | % | % |
| | (In thousands, except for percentages) | | | | | |
| Golf clubs | **15,066,896** | **69.5** | 18,256,619 | 69.6 | (17.5) | (18.8) |
| Golf balls | **2,021,346** | **9.3** | 2,936,347 | 11.2 | (31.2) | (31.3) |
| Apparels | **3,136,258** | **14.5** | 3,157,523 | 12.0 | (0.7) | (5.0) |
| Accessories and other related(2) | **1,447,642** | **6.7** | 1,872,368 | 7.2 | (22.7) | (24.2) |
| **Total** | **21,672,142** | **100.0** | 26,222,857 | 100.0 | (17.4) | (18.9) |

Notes:

(1) For further information, see "—Constant Currency Revenue".

(2) Include golf bags, golf club head covers, footwear, gloves, headwear and other golf-related accessories.

Revenue from golf clubs decreased by 17.5% from JPY18,256.6 million for the year ended 31 March 2024 to JPY15,066.9 million for the year ended 31 March 2025 mainly due to a decline of the golf clubs sales in Korea and China (including Hong Kong and Macau) of 60.4% and 24.8%, respectively. However, club sales grew robustly by 20.7% in Japan for the year ended 31 March 2025. On a constant currency basis, revenue from golf clubs decreased by 18.8% during the same period.

Revenue from golf balls dropped by 31.2% from JPY2,936.3 million for the year ended 31 March 2024 to JPY 2,021.3 million for the year ended 31 March 2025 as golf balls sales in Japan went down by 37.2%, mainly due to fierce market competition and upward retail price adjustment to cope with Japanese yen depreciation over the past few years. Ball revenue went up by 39.1% in Korea yet unable to mitigate the drop in Japan. On a constant currency basis, revenue from golf balls decreased by 31.3% during the same period.

## Financial Review (continued)

### Revenue (continued)

#### Revenue by Product Groups (continued)

Revenue from apparels showed a marginal decline of 0.7% from JPY3,157.5 million for the year ended 31 March 2024 to JPY3,136.3 million for the year ended 31 March 2025. In spite of weak consumer sentiments in China and reduction in total number of stores, apparel sales in China grew by 6.4%. On a constant currency basis, revenue from apparels decreased by 5.0% during the same period.

Revenue from accessories and other related products decreased by 22.7% from JPY1,872.4 million for the year ended 31 March 2024 to JPY1,447.6 million for the year ended 31 March 2025. Japan alone recorded a revenue drop of 50.2% while the rest of the markets showed a decent increase of 6.0%, led by Korea and China who recorded a growth of 32.0% and 14.7%, respectively. On a constant currency basis, revenue from accessories and other related products decreased by 24.2% during the same period. Such decrease was primarily caused by constrained sales in Japan to protect margin. Accessory's gross margin rose by 22.7 percentage points for the year ended 31 March 2025.

#### Revenue by Geography

The Group's products are sold in approximately 50 countries worldwide, primarily in Asia and also across North America, Europe and other regions. The following table sets forth revenue from regions by absolute amounts and as percentages of total revenue for the years indicated:

| | For the year ended 31 March | | | | Year-on-Year Change | |
|---|---|---|---|---|---|---|
| | 2025 | | 2024 | | on as reported basis | on constant currency basis[1] |
| | *JPY* | *%* | *JPY* | *%* | *%* | *%* |
| | *(In thousands, except for percentages)* | | | | | |
| Japan | **9,045,405** | **41.7** | 9,363,144 | 35.7 | (3.4) | (3.4) |
| Korea | **2,666,806** | **12.3** | 5,988,553 | 22.8 | (55.5) | (54.9) |
| China (including Hong Kong and Macau) | **6,618,592** | **30.5** | 7,508,463 | 28.6 | (11.9) | (16.1) |
| North America | **625,342** | **2.9** | 632,957 | 2.4 | (1.2) | (6.4) |
| Europe | **420,968** | **1.9** | 361,792 | 1.4 | 16.4 | 15.7 |
| Other regions | **2,295,030** | **10.6** | 2,367,948 | 9.0 | (3.1) | (6.7) |
| **Total** | **21,672,142** | **100.0** | 26,222,857 | 100.0 | (17.4) | (18.9) |

Note:

(1) For further information, see "—Constant Currency Revenue".

## Financial Review (continued)

### Revenue (continued)

#### Revenue by Geography (continued)

Revenue from Japan decreased by 3.4% from JPY9,363.1 million for the year ended 31 March 2024 to JPY9,045.4 million for the year ended 31 March 2025. The decrease was primarily attributable to the sales decline of 2.5% in Japan's wholesales revenue and a similar decline of 4.2% in Japan's retail revenue as the Group focused on high-profit self-operated channels.

Revenue from Korea recorded a first time full year decline of 55.5% from JPY5,988.6 million for the year ended 31 March 2024 to JPY2,666.8 million for the year ended 31 March 2025, however partially reversing the trend observed in the first half of the year. The Group took a conscious decision to review its distribution network in the first half of the year amidst major industry reshuffle, but sales did recover in the second half. On a constant currency basis, revenue from Korea decreased by 54.9% during the same period.

Revenue from China (including Hong Kong and Macau) experienced a similar decline of 11.9% from JPY7,508.5 million for the year ended 31 March 2024 to JPY6,618.6 million for the year ended 31 March 2025 as overall economy and retail market sentiment in China continued to experience slowdowns and downward adjustment. On a constant currency basis, revenue from China (including Hong Kong and Macau) decreased by 16.1% during the same period.

Revenue from North America decreased by 1.2% from JPY633.0 million for the year ended 31 March 2024 to JPY625.3 million for the year ended 31 March 2025, mainly due to continued negative impacts from last year's adjustment in distribution network. On a constant currency basis, revenue from North America decreased by 6.4% during the same period.

Revenue from Europe increased by 16.4% from JPY361.8 million for the year ended 31 March 2024 to JPY421.0 million for the year ended 31 March 2025. On a constant currency basis, revenue from Europe increased by 15.7% during the same period. Such increase reconfirmed the Group's decision to change its distribution model in Europe to drive profitable sales growth.

Revenue from other regions decreased by 3.1% from JPY2,367.9 million for the year ended 31 March 2024 to JPY2,295.0 million for the year ended 31 March 2025, mainly due to unfavourable local currency depreciation against U.S. dollar and weakened purchasing interest and power. On a constant currency basis, revenue from other regions decreased by 6.7% during the same period.

Revenue from the Group's home markets, namely Japan, Korea and China (including Hong Kong and Macau) accounted for 84.6% of the Group's total revenue for the year ended 31 March 2025.

## Financial Review (continued)

### Revenue (continued)

#### Revenue by Sales and Distribution Channels

The Group has an extensive sales and distribution network that allows the Group to address a broad customer base in its target markets. The Group's sales and distribution network consists of HONMA-branded self-operated stores as well as POSs owned and managed by third-party retailers and wholesalers. The Group's third-party retailer and wholesaler partners include (a) Retailers, including various national and regional sports megastores, and (b) Wholesale Distributors that on-sell the Group's products to other third-party retailers and consumers. The following table sets forth revenue from self-operated stores and POSs in absolute amounts and as percentages of total revenue for the years indicated:

| | For the year ended 31 March | | | | Year-on-Year Change | |
|---|---|---|---|---|---|---|
| | | | | | on as reported basis | on constant currency basis[1] |
| | 2025 | | 2024 | | | |
| | *JPY* | *%* | *JPY* | *%* | *%* | *%* |
| | *(In thousands, except for percentages)* | | | | | |
| Self-operated stores | **11,263,375** | **52.0** | 10,952,237 | 41.8 | 2.8 | 0.2 |
| Third-party retailers and wholesalers | **10,408,767** | **48.0** | 15,270,620 | 58.2 | (31.8) | (32.6) |
| **Total** | **21,672,142** | **100.0** | 26,222,857 | 100.0 | (17.4) | (18.9) |

Note:

(1) For further information, see "—Constant Currency Revenue".

Revenue from self-operated stores increased by 2.8% from JPY10,952.2 million for the year ended 31 March 2024 to JPY11,263.4 million for the year ended 31 March 2025. On a constant currency basis, revenue from self-operated stores increased by 0.2% during the same period. Such increase was mainly due to a robust retail sales performance in China and Taiwan where sales grew by 11.0% and 8.9%, respectively, during the same period.

Revenue from sales to third-party retailers and wholesalers decreased by 31.8% from JPY15,270.6 million for the year ended 31 March 2024 to JPY10,408.8 million for the year ended 31 March 2025. On a constant currency basis, revenue from third-party retailers and wholesalers decreased by 32.6% during the same period. Such decrease was primarily due to wholesales revenue decrease in Japan, Korea and China (including Hong Kong and Macau) as a result of economy slowdown in China and channel optimization decisions in Japan and Korea.

## Financial Review (continued)

### Cost of Sales

Cost of sales decreased by 22.7% from JPY12,790.2 million for the year ended 31 March 2024 to JPY9,888.1 million for the year ended 31 March 2025. The table below sets forth a breakdown of the key components of cost of sales, each expressed in absolute amounts and as percentages of the total cost of sales during the years indicated:

| | For the year ended 31 March | | | |
|---|---|---|---|---|
| | 2025 | | 2024 | |
| | JPY | % | JPY | % |
| | (In thousands, except for percentages) | | | |
| Raw materials | **4,552,936** | **46.0** | 5,263,668 | 41.2 |
| Employee benefits | **832,674** | **8.4** | 1,060,743 | 8.3 |
| Manufacturing overhead[1] | **511,865** | **5.2** | 656,838 | 5.1 |
| Finished goods purchased from suppliers | **3,990,581** | **40.4** | 5,808,920 | 45.4 |
| **Total** | **9,888,057** | **100.0** | 12,790,169 | 100.0 |

Note:

(1) Includes depreciation and amortisation of property, plant and equipment, other manufacturing overhead and cost of services rendered.

### Gross Profit and Gross Profit Margin

Gross profit decreased by 12.3% from JPY13,432.7 million for the year ended 31 March 2024 to JPY11,784.1 million for the year ended 31 March 2025 mainly caused by revenue decrease. Gross profit margin increased from 51.2% for the year ended 31 March 2024 to 54.4% for the year ended 31 March 2025.

## Financial Review (continued)

### Gross Profit and Gross Profit Margin (continued)

### Gross Profit and Gross Profit Margin by Product Groups

The following table sets forth a breakdown of gross profit and gross profit margin by product groups for the years indicated:

| | For the year ended 31 March | | | |
|---|---|---|---|---|
| | 2025 | | 2024 | |
| | JPY | % | JPY | % |
| | (In thousands, except for percentages) | | | |
| Golf clubs | 8,943,957 | 59.4 | 11,005,206 | 60.3 |
| Golf balls | 554,054 | 27.4 | 686,901 | 23.4 |
| Apparels | 1,673,380 | 53.4 | 1,373,520 | 43.5 |
| Accessories and other related[(1)] | 612,694 | 42.3 | 367,062 | 19.6 |
| **Total** | 11,784,085 | 54.4 | 13,432,688 | 51.2 |

Note:

(1) Include golf bags, golf club head covers, footwear, gloves, headwear and other golf-related accessories.

Gross profit for golf clubs decreased by 18.7% from JPY11,005.2 million for the year ended 31 March 2024 to JPY8,944.0 million for the year ended 31 March 2025. Gross profit margin for golf clubs decreased from 60.3% for the year ended 31 March 2024 to 59.4% for the year ended 31 March 2025, primarily due to negative country mix. Gross profit margin of Japan improved by 1.6 percentage points thanks to channel optimisation efforts.

Gross profit for golf balls decreased by 19.3% from JPY686.9 million for the year ended 31 March 2024 to JPY554.1 million for the year ended 31 March 2025. However, gross profit margin for golf balls increased from 23.4% for the year ended 31 March 2024 to 27.4% for the year ended 31 March 2025, primarily due to improved price management efforts albeit continued downward pressure from raw material price increase and unfavourable currency movements.

Gross profit for apparels increased by 21.8% from JPY1,373.5 million for the year ended 31 March 2024 to JPY1,673.4 million for the year ended 31 March 2025. Gross profit margin for apparels increased from 43.5% for the year ended 31 March 2024 to 53.4% for the year ended 31 March 2025, primarily due to improved price management and product sell through at retail point of sales.

Gross profit for accessories and other related products increased by 66.9% from JPY367.1 million for the year ended 31 March 2024 to JPY612.7 million for the year ended 31 March 2025. Gross profit margin for accessories and other related products increased from 19.6% for the year ended 31 March 2024 to 42.3% for the year ended 31 March 2025, primarily due to improved product offerings hence sell through at retail point of sales.

## Financial Review (continued)

### Other Income and Gains

Other income and gains decreased significantly from JPY2,674.0 million for the year ended 31 March 2024 to JPY107.4 million for the year ended 31 March 2025, absent positive foreign exchange revaluation results following an appreciation in the exchange rate between JPY against other currencies.

### Selling and Distribution Expenses

Selling and distribution expenses increased from JPY9,180.8 million for the year ended 31 March 2024 to JPY9,650.9 million for the year ended 31 March 2025. Selling and distribution expenses as a percentage of revenue increased from 35.0% for the year ended 31 March 2024 to 44.5% for the year ended 31 March 2025. The following table sets forth a breakdown of selling and distribution expenses by absolute amounts and percentages of total selling and distribution expenses for the years indicated:

| | For the year ended 31 March | | | |
|---|---|---|---|---|
| | **2025** | | 2024 | |
| | ***JPY*** | **%** | *JPY* | *%* |
| | *(In thousands, except for percentages)* | | | |
| Employee benefits | **3,186,357** | **33.0** | 3,068,260 | 33.4 |
| Advertising and promotion expenses | **2,033,987** | **21.1** | 1,877,853 | 20.5 |
| Depreciation of right-of-use assets | **1,335,902** | **13.8** | 1,315,181 | 14.3 |
| Rental and other related fees | **668,222** | **7.1** | 721,086 | 7.9 |
| Others[(1)] | **2,426,471** | **24.9** | 2,198,370 | 23.9 |
| **Total** | **9,650,939** | **100.0** | 9,180,750 | 100.0 |

Note:

(1) Include distribution costs, depreciation and amortisation of certain tangible and intangible assets, travel expenses, consumables and other expenses.

### Administrative Expenses

Administrative expenses showed a similar increase of 10.3% from JPY1,389.8 million for the year ended 31 March 2024 to JPY1,533.0 million for the year ended 31 March 2025, mainly due to increases in administrative personnel cost.

### (Provision for)/Reversal of Impairment Losses on Financial Assets

Provision for impairment losses on financial assets stood at JPY213.1 million for the year ended 31 March 2025, as compared to a reversal of JPY23.3 million for the year ended 31 March 2024, primarily due to increase in bad debt provisions.

## Financial Review (continued)

### Other Expenses

Other expenses increased from JPY227.9 million for the year ended 31 March 2024 to JPY1,230.6 million for the year ended 31 March 2025, primarily due to currency exchange loss.

### Finance Costs

Finance costs increased from JPY190.4 million for the year ended 31 March 2024 to JPY224.4 million for the year ended 31 March 2025, primarily due to increased borrowing costs in JPY.

### Finance Income

Finance income increased from JPY11.1 million for the year ended 31 March 2024 to JPY22.6 million for the year ended 31 March 2025, primarily due to higher average bank deposit balance.

### (Loss)/Profit Before Tax

As a result of the foregoing, loss before tax for the year ended 31 March 2025 was JPY937.9 million.

### Income Tax Credit/(Expense)

The Company incurred an income tax expense of JPY324.2 million for the year ended 31 March 2024 and recorded tax credit of JPY673.8 million for the year ended 31 March 2025.

### Net (Loss)/Profit

As a result of the foregoing, net loss for the year ended 31 March 2025 was JPY264.2 million.

### Non-IFRS Financial Measures

In addition to the IFRS measures in its consolidated financial statements, the Group also uses the non-IFRS financial measures of operating profit and net operating profit to evaluate its operating performance. The Group believes that such non-IFRS measures provide useful information to investors in understanding and evaluating its consolidated results of operations in the same manner as its management and in comparing financial results across accounting periods on a like-for-like basis.

The use of operating profit and net operating profit has material limitations as analytical tools, as operating profit does not include all items that have impacted loss/profit before tax, the nearest IFRS performance measure, and net operating profit does not include all items that have impacted net loss/profit, the nearest IFRS performance measure.

## Financial Review (continued)

### Non-IFRS Financial Measures (continued)

#### Operating Profit

The Group derives operating profit from loss/profit before tax by (i) subtracting other income and gains and (ii) adding other expenses. Operating profit eliminates the effect of other income and gains and other expenses, which are primarily related to non-recurring events. The following table reconciles operating profit to loss/profit before tax for the years indicated:

| | For the year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | *(In JPY thousands)* | |
| (Loss)/profit before tax | **(937,931)** | 5,152,315 |
| Adjustment for: | | |
| Other income and gains | **(107,367)** | (2,673,958) |
| Other expenses | **1,230,554** | 227,851 |
| Operating profit | **185,256** | 2,706,208 |

#### Net Operating Profit

The Group derives net operating profit from net loss/profit by (i) subtracting other income and gains, (ii) adding other expenses, and (iii) adding impact on tax related to items (i) and (ii) above. Net operating profit eliminates the effect of other income and gains and other expenses, which are primarily related to non-recurring events. The following table reconciles net operating profit to net loss/profit for the years indicated:

| | For the year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | *(In JPY thousands)* | |
| Net (loss)/profit | **(264,174)** | 4,828,128 |
| Adjustment for: | | |
| Other income and gains | **(107,367)** | (2,673,958) |
| Other expenses | **1,230,554** | 227,851 |
| Impact on tax | **(240,719)** | 344,315 |
| Net operating profit | **618,294** | 2,726,336 |

## Financial Review (continued)

### Working Capital Management

| | For the year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| Inventories turnover days[1] | **315** | 321 |
| Trade and bills receivables turnover days[2] | **66** | 53 |
| Trade and bills payables turnover days[3] | **39** | 34 |

Notes:

(1) Inventories turnover days are calculated using the average of opening balance and closing balance of inventories for a year divided by cost of sales for the relevant year and multiplied by 365 days.

(2) Trade and bills receivables turnover days are calculated using the average of opening balance and closing balance of trade and bills receivables for a year divided by revenue for the relevant year and multiplied by 365 days.

(3) Trade and bills payables turnover days are calculated using the average of opening balance and closing balance of trade and bills payables for a year divided by cost of sales for the relevant year and multiplied by 365 days.

Inventories turnover days decreased by six days from 321 days for the year ended 31 March 2024 to 315 days for the year ended 31 March 2025, primarily due to tight inventory control process.

Trade and bills receivables turnovers days increased from 53 days for the year ended 31 March 2024 to 66 days for the year ended 31 March 2025, mainly due to lower sales for the year although receivables decreased compared to last year.

Trade and bills payables turnover days increased by five days from 34 days for the year ended 31 March 2024 to 39 days for the year ended 31 March 2025, primarily due to lower cost of goods sold in the year while payable amount remains stable.

## Financial Review (continued)

### Inventories

The following table sets forth the balance of the Group's inventories as at the dates indicated:

| | As at 31 March 2025 | As at 31 March 2024 |
|---|---|---|
| | *(In JPY thousands)* | |
| Raw materials | **1,545,016** | 2,692,537 |
| Work in progress | **795,947** | 1,285,914 |
| Finished goods | **6,408,205** | 9,611,749 |
| Less: provision | **(1,865,754)** | (3,411,094) |
| **Total** | **6,883,414** | 10,179,106 |

The following table sets forth aging analysis of the Group's inventories as at the dates indicated:

| | As at 31 March 2025 | As at 31 March 2024 |
|---|---|---|
| | *(In JPY thousands)* | |
| Within 1 year | **1,764,519** | 4,126,435 |
| 1 year to 2 years | **2,621,517** | 1,795,347 |
| 2 to 3 years | **994,152** | 2,699,420 |
| 3 to 4 years | **1,503,226** | 1,557,904 |
| **Total** | **6,883,414** | 10,179,106 |

## Financial Review (continued)

### Inventories (continued)

The Group prepares its inventory aging analysis with reference to product launch date, instead of capitalisation date. For example, inventories reported as aged between two to three years in the table above represent inventories relating to products that were launched two to three years before the relevant balance sheet date. Such inventories may have been produced and/or procured and hence capitalised more recently than as shown in the said aging analysis.

The Group adopted this approach of inventory aging analysis because it allows the Group to implement a more effective inventory management process relative to each product's life cycle. The Group typically launches new club, ball and accessory products every 24 months and carries its previous older generation for another 12 months.

### Liquidity and Capital Resources

During the year ended 31 March 2025, the Group financed its operations primarily through cash from operations, net proceeds received from the global offering and proceeds from revolving working capital bank loans. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth, bank borrowings, as well as the net proceeds received from the global offering.

As at 31 March 2025, the Group had JPY17,350.0 million in cash and cash equivalents, which were primarily held in Renminbi, Japanese yen and U.S. dollar. The Group's cash and cash equivalents primarily consist of cash on hand and demand deposits.

A substantial portion of the Group's operation is based in Japan, and a substantial portion of the Group's revenue and expenditures are denominated and settled in Japanese yen. As a result, the Group's currency risk is limited, and the Group did not use any derivative contracts to hedge against such risk as at 31 March 2025.

### Indebtedness

As at 31 March 2025, the Group's interest-bearing bank borrowings amounted to JPY6,518.8 million, mainly of which were denominated in Japanese yen and carry interest at variable rates. All of such borrowings were unsecured and most of them were payable within one year. The effective interest rate for the balance of the Group's interest-bearing bank borrowings as at 31 March 2025 ranged from 0.17% to 3.08%.

### Gearing Ratio

The Group's gearing ratio is calculated by dividing (i) the sum of interest-bearing bank borrowings and lease liabilities by (ii) total equity. As at 31 March 2025, the Group's gearing ratio was 31.9% (as at 31 March 2024, the Group's gearing ratio was 34.1%).

### Capital Expenditures

The Group's capital expenditures for the year ended 31 March 2025 amounted to JPY1,560.9 million, which was used primarily to purchase plant machinery and equipment, office equipment and leasehold improvement. In the year ended 31 March 2025, the Group financed its capital expenditures primarily with cash generated from operations.

## Financial Review (continued)

### Contingent Liabilities

As at 31 March 2025, the Group did not have any significant contingent liabilities.

### Funding and Treasury Policy

The Group adopts a stable, conservative approach on its funding and treasury policy, aiming to maintain an optimal financial position, the most economical finance costs and minimal financial risks. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans.

### Charge on Assets

Pledged deposits of the Group decreased by 72.9% from JPY22.0 million as at 31 March 2024 to JPY6.0 million as at 31 March 2025, mainly due to releasing of pledged deposits for a litigation in relation to a marketing event dispute.

### Material Acquisitions or Disposals and Future Plans for Major Investment

During the year ended 31 March 2025, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the prospectus of the Company dated 23 September 2016 (the "**Prospectus**"), the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

### Use of Proceeds from the Global Offering

The Company was listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 6 October 2016. The net proceeds from the Company's global offering amounted to JPY16,798.0 million, which are intended to be applied in compliance with the intended use of proceeds as set out in the section headed "Net Proceeds from the Global Offering" in the Company's Announcement of Offer Price and Allotment Results dated 5 October 2016.

## Financial Review (continued)

### Use of Proceeds from the Global Offering (continued)

The following table sets forth the status of the use of proceeds from the global offering[1]:

| Intended use of proceeds | Percentage of intended use of proceeds (%) | Intended use of proceeds from the global offering (In JPY millions) | Percentage of used amount as at 31 March 2025 (%) | Percentage of unused balance as at 31 March 2025 (%) | Percentage of amount used during the year ended 31 March 2025 (%) | Expected timeframe for utilizing the remaining unused net proceeds[2] |
|---|---|---|---|---|---|---|
| Potential strategic acquisitions | 29.4 | 4,939 | – | 29.4 | – | –[3] |
| Sales and marketing activities in North America and Europe | 15.1 | 2,536 | 15.1 | – | – | N/A |
| Sales and marketing activities in home markets of Japan, Korea and China (including Hong Kong and Macau) | 15.1 | 2,536 | 15.1 | – | – | N/A |
| Capital expenditures | 13.0 | 2,184 | 13.0 | – | – | N/A |
| Repayment of interest-bearing bank borrowings | 17.3 | 2,906 | 17.1 | 0.2[4] | – | N/A[4] |
| Providing funding for working capital and other general corporate purposes | 10.1 | 1,697 | 10.1 | – | – | N/A |
| Total | 100.0 | 16,798 | 70.4 | 29.6 | – | |

## Financial Review (continued)

### Use of Proceeds from the Global Offering (continued)

Notes:

(1) The figures in the table are approximate figures.

(2) The expected timeframe for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

(3) As at the date of this annual report, the Group had not identified, committed to or entered into negotiations with any acquisition targets for its use of net proceeds from the global offering; hence it has no specific expected timeframe for fully utilizing such proceeds. The Group will continue to prudently evaluate potential acquisition targets within the golf products industry based on, among other factors, their brand recognition, geographic footprint, distribution network, product offerings and financial condition, with a goal of identifying potential acquisition targets that best fit its growth strategies.

(4) As at the date of this annual report, the Group has repaid the interest-bearing bank borrowings intended to be repaid through the proceeds from the global offering in full. The difference between the intended use of proceeds from the global offering and the actual repayment was due to the changes in foreign exchange rates. For the remaining unused net proceeds, the Group plans to use for general corporate purpose. As at the date of this annual report, the Group has not used the remaining 0.2% of the unused balance and will evaluate suitable usage based on its business needs.

As at 31 March 2025, the unused balance of the proceeds from the global offering of approximately JPY4,972.2 million are currently deposited with creditworthy banks with no recent history of default.

### Events after the Reporting Period

There is no material subsequent event undertaken by the Group after 31 March 2025.

### Exchange Rate Conversion

Unless otherwise specified, amounts denominated in USD have been translated, for the purpose of illustration only, into JPY at the exchange rate of USD1.00: JPY151.65. No representation is made that any amount in USD and JPY could have been or could be converted at the above rates or at any other rates or at all.

# Biographies of Directors and Senior Management

## Directors

### Executive Directors

**Mr. Liu Jianguo (劉建國)**, aged 56, was appointed as the Chairman of the Board, President and an executive director of the Company (the "**Director**") on 14 June 2016. He is the chairman of the Nomination Committee. He is also the chairman and representative director of Honma Golf Co., Ltd. ("**Honma Japan**") and a director of Honma Holdings Group Limited ("**Honma Holdings**") and certain subsidiaries of the Company. He is responsible for formulating the overall development strategies and business plans of our Group and overseeing the management and strategic development of our Group. Mr. Liu acquired our Group in 2010 and he has served as chairman of Honma Japan since June 2010. Mr. Liu has over 34 years of experience in business management. He has been the chairman of Shanghai POVOS Enterprise (Group) Co., Ltd. (上海奔騰企業(集團)有限公司), which is engaged in the development, manufacturing and marketing of household appliance products, since January 2002 and has been chairman of Zhejiang POVOS Appliance Co., Ltd. (浙江奔騰電器股份有限公司) since September 2000. From May 1991 to August 2000, Mr. Liu was the general manager of Zhejiang Changjiang Electronic Industry Co., Ltd. (浙江長江電子工業有限公司), where he was responsible for general management and daily operations of the company. Mr. Liu obtained an executive master of business administration degree from Guanghua School of Management, Peking University (北京大學), PRC, in January 2007. Mr. Liu is the father of Mr. Liu Hongli (an executive Director), the husband of Ms. Huang Wenhuan (a controlling shareholder of the Company) and the sole director of each of Kouunn Holdings Limited and Prize Ray Limited (controlling shareholders of the Company).

**Mr. Ito Yasuki (伊藤康樹)**, aged 64, was appointed as an executive Director, Chief Marketing Officer and President of Japan Operations of the Company on 14 June 2016. He is mainly responsible for overseeing the marketing strategies and operations of our Group and overseeing our business in Japan. Mr. Ito has also served as president and representative director of Honma Japan since 21 December 2015, and as the director of the Marketing Division and the Third Overseas Sales Division since 1 February 2016. Mr. Ito joined our Group on 1 April 1985 and has served the Group for more than 40 years, during which he has gained extensive experience in the marketing of golf products. In February 1990, he joined as the senior staff of Ogikubo Office (荻窪營業所), and in April 1997, he became the manager of the Second Section of the First Department of the Sales Division. After that, he served in various positions in the Group, including as the deputy director of the Fifth Department of the Sales Division from May 2002 to March 2006, as the director of various sales and planning departments from April 2007 to April 2011, as the operating director of the Marketing Division from May 2011 to March 2014, and as the managing operating director of the Marketing Division from April 2014 to December 2015. Mr. Ito obtained a bachelor's degree in business from Seikei University, Japan, in March 1985.

## Directors (continued)

### Executive Directors (continued)

**Mr. Zuo Jun (左軍)**, aged 52, was appointed as an executive Director, Chief Administrative Officer and President of China Operations of the Company on 14 June 2016. He is also a member of the remuneration committee (the "**Remuneration Committee**") of the Company. He is primarily responsible for overseeing the administrative management of our Group and overseeing our business in the PRC. Mr. Zuo has been a director of Honma Holdings since 1 November 2016. From June 2015 to June 2021, he served as a director of Honma Japan. Mr. Zuo has nearly 29 years of experience in business management and operations. Prior to joining our Group in February 2015, Mr. Zuo was a vice president of POVOS Electrical Appliance (Shanghai) Co., Ltd. (奔騰電器(上海)有限公司), a comprehensive high-tech enterprise which centres on development, manufacture and distribution of household electrical appliance, from March 2009 to December 2014. He was deputy general manager at TCL Household Appliance (Nanhai) Company (TCL小家電(南海)有限公司) from June 2006 to September 2008. From September 2004 to June 2006, he served as general manager of Shunde Ecom Intelligent Household Appliance Co., Ltd. (順德一家智能電器有限公司), a company engaged in intelligent household appliances manufacturing. He worked at Shunde Gree Household Appliance Company (順德格力小家電有限公司) as deputy general manager from June 2002 to June 2004. Mr. Zuo graduated from Central South University (中南大學, formerly known as Central South University of Technology (中南工業大學)), PRC, with a master's degree in thermal engineering in March 1996.

**Mr. Liu Hongli (劉宏立)**, aged 31, was appointed as an executive Director on 15 September 2023. He is mainly responsible for overseeing the sales strategies and operations of the Group in China. Mr. Liu has been the General Manager for apparel of World Power International Trading (Shanghai) Company Limited (世力國際貿易(上海)有限公司) ("**World Power**") since May 2019. He has over 6 years of experience in business management and operations. Prior to joining the Group, Mr. Liu worked as an intern at advisory department of Ernst & Young (China) Advisory Limited from October 2016 to July 2017. Mr. Liu graduated from Fisher College, the United States, with an associate degree in science in May 2016. He also obtained a bachelor's degree in sports science from Nippon Sport Science University, Japan, in March 2018. Mr. Liu is the son of Mr. Liu Jianguo (the Chairman of the Board, President, an executive Director and a controlling shareholder of the Company) and Ms. Huang Wenhuan (a controlling shareholder of the Company).

## Directors (continued)

### Non-executive Directors

**Mr. Yang Xiaoping (楊小平)**, aged 61, was appointed as a non-executive Director of the Company on 28 May 2018 and is responsible for providing strategic advice on the business development of the Group. Mr. Yang has been the senior vice chairman of Charoen Pokphand Group Company Limited, a substantial shareholder of the Company, since January 2017, an executive director and the vice chairman of C.P. Lotus Corporation (卜蜂蓮花有限公司), a company previously listed on the Stock Exchange (Stock Code: 121) and with its listing withdrawn on 28 October 2019, since April 2000 and January 2012, respectively, and he is also the vice chairman and chief executive officer of the Chia Tai Group (China Area) (正大集團(中國區)). Mr. Yang has been the chief executive officer of CT Bright Holdings Limited (正大光明控股有限公司) since May 2003. He has also been a non-executive director of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), a company listed on the Stock Exchange (Stock Code: 2318), since June 2013 and CITIC Limited (中國中信股份有限公司), a company listed on the Stock Exchange (Stock Code: 267), since August 2015. Mr. Yang has been an independent director of Jingdong Technology Holding Co., Ltd. (京東科技控股股份有限公司, formerly known as Jingdong Digits Technology Holding Co., Ltd (京東數字科技控股股份有限公司)) since June 2020.

Mr. Yang previously acted as the manager of the China Division of Nichiyo Co., Ltd. from 1989 to 1993 and the chief representative of the Beijing Office of Nichiyo Co., Ltd. from 1993 to 2001. Mr. Yang acted as a non-executive director of Tianjin Binhai Teda Logistics (Group) Corporation Limited (天津濱海泰達物流集團股份有限公司), a company listed on the Stock Exchange (Stock Code: 8348), from December 2012 to June 2020. He was also the vice-chairman of the board of directors of China Minsheng Investment (Group) Corp., Ltd (中國民生投資股份有限公司) from April 2014 to August 2023. Mr. Yang was also a non-executive director of Chery Holding Group Co., Ltd (奇瑞控股集團有限公司) from December 2019 to December 2021. He was also a non-executive director and the vice chairman of the board of directors of True Corporation Public Company Limited, a company listed on the Stock Exchange of Thailand (Symbol: TRUE), from July 2021 to March 2023. Mr. Yang was a member of The Twelfth National Committee of the Chinese People's Political Consultative Conference and the associate dean of the Institute of Global Development of Tsinghua University (清華大學全球共同發展研究院). He is the vice president of the China Institute for Rural Studies of Tsinghua University (清華大學中國農村研究院), the deputy director of the management committee of the Institute of Global Development of Tsinghua University (清華大學全球共同發展研究院) and the president of Beijing Association of Enterprises with Foreign Investment (北京外商投資企業協會). Mr. Yang holds a bachelor's degree from Jiangxi Institute of Technology (江西省工學院) and obtained a certificate for completing a doctor program in Tsinghua University (清華大學) and he also has experience studying in Japan.

## Directors (continued)

### Non-executive Directors (continued)

**Mr. Soopakij Chearavanont (謝吉人),** aged 61, was appointed as a non-executive Director of the Company on 29 November 2024. He is responsible for providing strategic advice on the business development of the Group. Mr. Chearavanont is the chairman of Charoen Pokphand Group Company Limited, which is a substantial shareholder of the Company. He is a director and the chairman of CP ALL Public Company Limited (a company listed on The Stock Exchange of Thailand (Stock Code: CPALL)) and Charoen Pokphand Foods Public Company Limited (a company listed on The Stock Exchange of Thailand (Stock Code: CPF)); the chairman and a non-executive director of Chia Tai Enterprises International Limited (正大企業國際有限公司) (a company listed on the Stock Exchange) (Stock Code: 3839)); a non-executive director of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司) (a company listed on the Stock Exchange (Stock Code: 2318) and the Shanghai Stock Exchange (Stock Code: 601318)); and an executive director and the chairman of C.P. Pokphand Co. Ltd. (a company previously listed on the Stock Exchange (former Stock Code: 43) and with its listing withdrawn on 18 January 2022). Mr. Chearavanont was previously a director of True Corporation Public Company Limited (a company listed on The Stock Exchange of Thailand (Stock Code: TRUE)) from February 1993 to June 2019; and an executive director and the chairman of C.P. Lotus Corporation (卜蜂蓮花有限公司) (a company previously listed on the Stock Exchange (former Stock Code: 121) and with its listing withdrawn on 28 October 2019) from April 2000 to November 2024. He obtained a Bachelor of Science degree from the College of Business and Public Administration of New York University, United States, in October 1987, and has extensive multinational investment and management experience in various industries.

### Independent Non-executive Directors

**Mr. Lu Pochin Christopher (盧伯卿)**, aged 66, was appointed as an independent non-executive Director of the Company on 18 September 2016 and he is also the chairman of the audit committee (the "**Audit Committee**") and a member of the Nomination Committee of the Company. Mr. Lu worked at Deloitte Touche Tohmatsu for approximately 35 years from 1981, where he served in various positions, including chief executive officer of Deloitte Huayong Certified Public Accountants, managing partner of Eastern China Region, co-chairman of China Service Group, and the managing partner of the client and market strategy department. Since March 2015, Mr. Lu has served as an executive director of FIT Hon Teng Limited (incorporated in the Cayman Islands under the name of Foxconn Interconnect Technology Limited), a company engaged in the manufacture, sales and service of information technology products which became listed on the Stock Exchange on 13 July 2017 (Stock Code: 6088), and he has also been its global chief operating officer and chief financial officer. From August 2015 to February 2022, Mr. Lu served as an independent director of Greenland Holdings Corporation Limited (綠地控股集團股份有限公司), a real property development company which is listed on the Shanghai Stock Exchange (Stock Code: 600606). He served as an independent non-executive director of Pantronics Holdings Limited (桐成控股有限公司) (currently known as New Huo Technology Holdings Limited (新火科技控股有限公司)), a manufacturer in the electronic manufacturing services industry which is listed on the Stock Exchange (Stock Code: 1611), from October 2016 to October 2018. Since August 2020, Mr. Lu has served as an independent director and chairman of the audit committee of Weibo Corporation (微博股份有限公司), a leading social media in China which is dual-listed on NASDAQ (Stock Code: WB) and the Stock Exchange (Stock Code: 9898).

## Directors (continued)

### Independent Non-executive Directors (continued)

Mr. Lu has been a member of the American Institute of Certified Public Accountants since November 1988, and he is also a member of the Shanghai Institute of Certified Public Accountants. Mr. Lu graduated from the University of Illinois at Urbana-Champaign, USA, in January 1980 with a bachelor's degree of science majoring in accountancy, and in January 1981 with a master's degree in accounting science. He was presented with the Magnolia Silver Award by the Shanghai Municipal People's Government in 2003, and the Magnolia Gold Award by the Shanghai Municipal People's Government in 2005.

**Mr. Wang Jianguo (汪建國)**, aged 64, was appointed as an independent non-executive Director of the Company on 18 September 2016 and he is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr. Wang has been the chairman of Five Star Holdings Group Co., Ltd. (五星控股集團有限公司) since February 2009. Since June 2012, Mr. Wang has been concurrently the chairman of Kidswant Children Products Co., Ltd. (孩子王兒童用品股份有限公司), a company engaged in the sales and service of maternal and children products, which was listed on the National Equities Exchange and Quotations (Stock Code: 839843) from 9 December 2016 to 23 April 2018 and was listed on the Shenzhen Stock Exchange (Stock Code: 301078) on 14 October 2021. Since November 2015, Mr. Wang has been the chairman and a non-executive director of Huitongda Network Co., Ltd., a company listed on the Stock Exchange (Stock Code: 9878) on 18 February 2022. Since 19 November 2019, Mr. Wang has served as an independent non-executive director of Simcere Pharmaceutical Group Limited, a company listed on the Stock Exchange (Stock Code: 2096) on 23 October 2020.

From July 1981 to April 1993, Mr. Wang worked at Department of Commerce of Jiangsu Province (江蘇商業廳), and from April 1993 to June 2002, Mr. Wang served as general manager of Jiangsu Wujinjiaodian Corporation (江蘇省五金交電化工總公司), a state-owned company mainly engaged in the sales of home appliances, where he was primarily responsible for its overall management. From December 1998 to February 2009, Mr. Wang served as the chairman and president of Jiangsu Five Star Appliance Co., Ltd. (江蘇五星電器有限公司), a company engaged in the sales of appliances.

Mr. Wang graduated from the Australian National University, Australia, in July 2004 with an executive master's degree in business administration. He also obtained a Ph.D. in Business Administration in Global Finance from Arizona State University, U.S.A. in May 2018. He was the vice chairman of Jiangsu General Chamber of Commerce from December 2014 to July 2022. Mr. Wang was awarded the Service Industry Professional Special Contribution Award by Jiangsu Provincial People's Government in October 2014. Mr. Wang was granted the Outstanding Achievement Award by the China Chain Store & Franchise Association in November 2012. He was elected as the Model Worker of the National Business System (全國商務系統勞動模範) by the Ministry of Personnel and the Ministry of Commerce of the PRC in 2007.

## Directors (continued)

### Independent Non-executive Directors (continued)

**Mr. Xu Hui (徐輝)**, aged 52, was appointed as an independent non-executive Director of the Company on 18 September 2016 and he is also a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Xu has been the chief executive officer and executive director of Qingdao AInnovation Technology Group Co., Ltd. (青島創新奇智科技集團股份有限公司), a company listed on the Stock Exchange (Stock Code: 2121) on 27 January 2022, since February 2018 and April 2018, respectively. Mr. Xu served as vice president of Wanda Internet Technology Group (萬達網絡科技集團) from November 2016 to February 2018. He served as the vice president of Greater China, general manager of Enterprise & Partner Group (EPG) (企業與合作夥伴事業部), general manager of Customer Service and Support (CSS) (客戶服務與支持集團) of Greater China and supervisor of cloud computing support of Asia Pacific at Microsoft Corporation from March 2013 to November 2016. From November 2009 to March 2013, he served as vice president of Greater China and the general manager of East and Central China in SAP Beijing Software System Co., Ltd, a multinational software company. Mr. Xu had also served as general manager of insurance and securities industry and deputy general manager of banking industry in China of Financial Services Sector, general manager of service product line and alliance in Greater China of Global Technology Service Department and general manager of geographic expansion in China at IBM China Company Limited, from November 1996 to November 2009, successively.

Mr. Xu obtained his bachelor's degree in communications engineering from Shanghai Jiao Tong University (上海交通大學), PRC, in July 1995 and his executive master of business administration degree from Peking University (北京大學), PRC, in January 2007. He has served as an entrepreneurship mentor at Shanghai Jiao Tong University and Tongji University (同濟大學) since 2015 and at Fudan University (復旦大學) School of Management since 2016.

**Ms. Tian Qing (田青)**, aged 40, was appointed as an independent non-executive Director of the Company on 20 December 2024 and she is also a member of the Nomination Committee. She has served at Commerce & Finance Law Offices (通商律師事務所) since April 2007, where she currently takes the role as consultant. Ms. Tian has also worked at Konpeidou Co. Ltd (株式會社金平堂) since September 2021, where she is currently the chief operating officer. She obtained a bachelor's degree in civil, commercial and economic law from China University of Political Science and Law (中國政法大學), the PRC, in July 2007.

# Biographies of Directors and Senior Management

## Senior Management

The senior management of our Group, in addition to the Executive Directors listed above, is as follows:

**Ms. Bian Weiwen (邊蔚文)**, aged 55, joined our Group on 1 November 2015 and was appointed as the Chief Financial Officer of our Group on 14 June 2016. She was also appointed as Chief Operating Officer on 27 May 2019. She is responsible for overseeing the overall financial management of our Group. Ms. Bian has over 30 years of experience in the finance industry. Prior to joining our Group, Ms. Bian served in various positions at Royal Philips Electronics Co., Ltd., which is listed on the New York Stock Exchange (stock code: PHG) and Euronext N.V. (Stock Code: PHIA), and was the head of Finance of Business Group Domestic Appliance from April 2006 to September 2015. From January 2000 to March 2006, Ms. Bian was senior manager of the Project & Trade Finance Unit of the Corporate Finance Department at ThyssenKrupp AG, a diversified industrial group which is listed on Frankfurt Stock Exchange (Stock Code: DE 000 750 0001), where her responsibilities included the arrangement and execution of project financing for major projects in various areas of the group. Ms. Bian served as associate director of the Structured Finance and Advisory Department of UBS Warburg Deutschland from September 1997 to September 1999. From April 1994 to September 1997, she was an associate at Credit Suisse First Boston, working in its China and Germany offices. Ms. Bian graduated from Fudan University (復旦大學), PRC, with a bachelor's degree in international finance in July 1992. She was presented with the Magnolia Silver Award by the Shanghai Municipal People's Government in September 2011.

# Directors' Report

The Board is pleased to present its report, together with the audited consolidated financial statements of the Group, for the year ended 31 March 2025.

## Principal Activities

The Company is an investment holding company. The principal activity of the Group is to design, develop, manufacture and sell a comprehensive range of golf clubs, and the Group also offers golf balls, bags, apparel and other accessories. Details of the principal activities of the principal subsidiaries are set out in note 1 to the consolidated financial statements.

## Business Review

In the year ended 31 March 2025, the Group continued implementing its growth strategies, including, among others, (i) development and marketing golf clubs that target the super-premium and premium-performance consumer segments; (ii) continued diversifying its non-club product portfolios with a strong focus on its key markets; (iii) continuously rationalizing its distribution footprint by cooperation with the larger and more relevant retailers in the respective markets while elevating the in-store experience of its own retails; (iv) active marketing campaigns via traditional and social media platforms to redefine HONMA as a dynamic, relevant and premium golf lifestyle brand. The Group's products are sold in approximately 50 countries worldwide, primarily in Asia and also across North America, Europe and other regions.

### Performance of the Group's Business

Full year revenue decreased by 17.4% from JPY26,222.9 million for the year ended 31 March 2024 to JPY21,672.1 million (equivalent to USD142.91 million). Since the beginning of 2023, the golf industry has been facing continued and increased market competitions resulting from weakening consumer confidence as the global economy and certain areas of the world experienced lingering and material economic slowdowns. As a result, the Group's revenue showed different degrees of downward developments during the year ended 31 March 2025.

Full year operating profit decreased to JPY185.3 million (equivalent to USD1.2 million), down from JPY2,706.2 million for the year ended 31 March 2024. Net operating cash flow remained positive and stood at JPY5,496.6 million (equivalent to USD36.2 million) for the year ended 31 March 2025. Net operating cash flow generated for the year ended 31 March 2024 was JPY5,416.1 million (equivalent to USD37.7 million).

## Business Review (continued)

### Financial Highlights

In the year ended 31 March 2025,

- The Group's total revenue decreased by 17.4% from JPY26,222.9 million for the year ended 31 March 2024 to JPY21,672.1 million (equivalent to USD142.91 million) for the year ended 31 March 2025. Since the beginning of 2023, the golf industry has been facing continued and increased market competitions resulting from weakening consumer confidence as the global economy and certain areas of the world experienced lingering and material economic slowdowns. As a result, the Group's revenue showed different degrees of downward developments during the year ended 31 March 2025. See "Management Discussion and Analysis – Financial Review – Revenue".

    - *By geography*. During the year ended 31 March 2025, most of the Group's markets recorded different degree of sales decline versus the same period last year. Revenue from Japan marginally decreased by 3.4% while the Group focused on self-operated channels and gradually closed down loss-making and low-efficiency wholesale accounts and points of sales. Such strategy resulted in a 2.5% decrease in the sales contribution from wholesale business, while retail revenue failed to continue with the momentum observed in the first six months of the year, recording a decline of 4.2% as compared to the same period last year. China (including Hong Kong and Macau) experienced a decline of 11.9%, continuing with the trend from the first half of the year, while China's overall economy and retail sentiment continued to experience slowdowns and downward adjustments. Korea also recorded a sales decline of 55.5%, however narrowing the decline observed in the first six months of the year, following a renewal of the Group's distributor arrangement in Korea and success with its direct-to-consumer businesses.

    - *By product*. During the same period, revenue from golf clubs declined by 17.5%, contrary to the trend observed in the first six months, mainly due to Korea. Nonetheless, club sales in Japan, Europe and Taiwan grew by 20.7%, 12.3% and 10.7% respectively. Revenue from golf balls dropped by 31.2% as Japan recorded a year on year sales drop of 37.2% as compared to the year ended 31 March 2024, due to continued market pressure following upward retail price adjustments made to cope with Japanese yen depreciation over the past few years. Revenue from apparels decreased by 0.7% from the same period last year. However, despite weak consumer sentiments in China and reduction in total year number of stores, China's apparel sales rose by 6.4% as compared to last year.

    - *By channel*. Self-operated stores continued to exhibit positive momentum, posting a decent increase of 2.8% from the year ended 31 March 2024 albeit difficult retail environments, weaker consumer confidence and reduction in the total number of stores. Retail sales grew by 11.0% and 8.9%, respectively in China and Taiwan, during the same period. Revenue from third-party retailers and wholesalers decreased by 31.8% for the same period, however significantly reversing the negative trend in the first half of the year. As compared to the year ended 31 March 2024, wholesales revenue decreased in Japan, Korea and China (including Hong Kong and Macau) by 2.5%, 57.1% and 51.8% respectively, as a result of economy slowdowns and channel review in Korea.

## Business Review (continued)

### Financial Highlights (continued)

- Gross profit margin increased by 3.2% for the year ended 31 March 2025 and reached 54.4% as compared to 51.2% for the year ended 31 March 2024, mainly due to a major improvement in the gross margin command of Japan.

- Full year operating profit decreased to JPY185.3 million (equivalent to USD1.2 million), down from JPY2,706.2 million for the year ended 31 March 2024.

- Net operating cash flow remained positive and stood at JPY5,496.6 million (equivalent to USD36.2 million) for the year ended 31 March 2025. Net operating cash flow generated for the year ended 31 March 2024 was JPY5,416.1 million (equivalent to USD37.7 million).

### Outlook for 2025/2026

For the year ahead, the Group will continue executing its long-term growth strategy to build a world-leading golf lifestyle company leveraging HONMA's brand legacy, its expanding distribution network and innovative technologies and traditional Japanese craftsmanship.

We intend to continue pursuing the following:

a) to sustainably improve and transform HONMA brand value into customer loyalty;

b) to continuously increase the Group's market share in home markets by maintaining its leading position in the super-premium segment while making solid inroads into the fast-growing premium-performance segment;

c) to anchor sustainable growth in North America and Europe based on the updated product and distribution strategy;

d) to nurture complementary non-club product lines to provide customers with a complete golf lifestyle experience; and

e) to continue product innovation and development to cater for latest market trends.

Further discussion and analysis of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an indication of likely future development in the Group's business, are set out in the section headed "Management Discussion and Analysis" in this annual report which constitutes part of this Directors' Report.

## Business Review (continued)

### Key Relationships

#### Relationship with Suppliers

The Group depends on its suppliers, whom the Group views as its strategic partners, to supply raw materials or manufacture certain of the products. The suppliers are mainly located in Japan, Taiwan, China, Hong Kong and the U.S., consisting of both bill of materials ("**BOM**") suppliers and original equipment manufacturer ("**OEM**") suppliers. The strategic partnerships with OEM suppliers have enabled the Group to diversify its product mix and offer new products at competitive prices. Most of the OEM suppliers have cooperated with the Group for over five years.

#### Relationship with Customers

The Group strives to provide a bespoke "HONMA shopping experience" to its customers. The Group operates the largest number of self-operated stores among major golf products companies, most of which are equipped with golf simulators to assist the customers with their purchase decisions. Certain self-operated stores offer specialised fitting centres with high-speed cameras and precision software to capture relevant swing data for the customers. The Group's sales staff are trained in relationship selling, rather than transaction-based results, and are encouraged to maintain regular contact with the customers to provide personalised updates about the Group's products.

#### Relationship with Employees

The Group believes that the ability to attract, motivate and retain skilled and experienced personnel, including craftsmen and employees responsible for research and development as well as quality control, is of significant importance to the long-term successful development of the Group. Through the design of discretionary performance-based bonuses and such other arrangements, the Group has managed to ensure that the employees of the Group are provided with the incentive to devote to the long-term development of the Group.

## Business Review (continued)

### Environmental Policies and Performance

The Group has always attached great importance to the protection of the environment, and has adopted a number of measures which are regularly carried out to manage emissions and wastes in the course of business operations, for example, (i) 5S on-site management and organization method has been implemented in the manufacturing processes; (ii) regular monitoring and maintenance are performed on key environmental protection facilities such as dust removal and sewage treatment equipment to ensure these are in proper working order in removing harmful substances; (iii) tests are regularly carried out to ensure that the water discharged is safe to the surrounding community and that it also meets the standards required by the authority; (iv) regular collection of hazardous wastes (such as cyanide and chrome) from sewage, and scraps (such as metals and coatings) are handled by qualified service providers for recycling and treatment; (v) scraps (such as metals, coatings, carbon fiber, etc.) generated in the manufacturing process are regularly monitored and reduced wherever possible for the purpose of cost and waste reduction; (vi) video conferencing system instead of air travel is used when communicating between different offices to reduce the number of business trips and carbon footprint whenever possible; (vii) wrapping materials and paper cartons are reused wherever possible, otherwise recycled properly, or disposed of responsibly; (viii) the Waste Recycling Committee has continued to explore different ways to recycle and reduce waste in the manufacturing processes; and (ix) continuous optimization of the entire production process, i.e. centralizing manufacturing efforts to shorten production cycle and minimizing raw material utilization, and reducing travel distance between raw material logistics and production through careful management of inventory location and warehouse space.

During the Year, the Group adopted the following additional measures to mitigate emissions and reduce wastes: (i) use energy saving machines and fixtures, regular checking to ensure usage efficiency; (ii) prioritise the use of water saving and energy efficient production machinery and office equipment and air-conditioners which have good temperature and humidity control; (iii) promote awareness of energy saving through circulating various guidelines to employees; (iv) inspect electricity and power equipment regularly to ensure safety and operating efficiency; and (v) reduce excessive printing by going paperless as far as possible while printed papers are reused wherever possible, subject to personal data privacy requirements.

Further details of our environmental policies and performance are set out in Environmental, Social and Government Report.

### Licences, Regulatory Approvals and Compliance with Laws and Regulations

During the year ended 31 March 2025, there were no material breaches or violations of relevant laws and regulations in Japan, China, Korea, and where the Group has business entities and operation, and the Group obtained all material licences and permits necessary for its business in the jurisdictions in which the Group operates. Details of our compliance with relevant laws and regulations are set out in Environmental, Social and Governance Report.

## Principal Risks and Uncertainties

A number of factors may affect the results and business operation of the Group, and principal risks and uncertainties that the Group faces and key mitigations that the Group adopts are summarized as follows:

| Principal Risks and Uncertainties | Description | Key Mitigations |
|---|---|---|
| Risks related to any possible deterioration in the brand image of the HONMA brand of the Company | We are dependent on our HONMA brand for all our revenue and we expect to continue relying heavily on the HONMA brand. Product defects, counterfeit products and ineffective promotional activities are all potential threats to the strength of our brand. | • We keep decent R&D investments to ensure innovative technologies and high quality in our products;<br>• We take legal actions against counterfeit products in different markets. |
| Uncertainty as to maintenance of high growth rate of the business | Our ability to maintain a high growth rate in the future depends on the implementation of our growth strategies. There can be no assurance that our strategies will continue to be successful. If we are not able to implement our growth strategies effectively or adjust them as market conditions evolve, we will not be able to sustain our growth. | • We maintain the leadership in club market segment 2 and keep the engine growing in segments 5 and 6;<br>• We strengthened the efforts on non-club business, i.e. golf balls, bags, gloves, apparels and other golf-related accessories, etc. |

## Principal Risks and Uncertainties (continued)

| Principal Risks and Uncertainties | Description | Key Mitigations |
|---|---|---|
| Uncertainty as to the maintenance or expansion of the sales and distribution network | Our products are currently sold in approximately 50 countries worldwide, primarily in Asia and also across North America, Europe and other regions. We sell our products through a combination of self-operated stores and distribution channels. If we are unable to maintain or grow our sales and distribution network, we could experience a decline in sales and market share. | • We fine-tuned the channels in home markets by shutdown of non-profitable self-operated stores and expanded our distributors/dealers base;<br>• We have installed dedicated business development teams across major markets which, through continuous dialogues with commercial property owners and trade partners, lead and drive for the expansion and optimization of HONMA's retail footprint;<br>• We are also working with an extensive network of retail and wholesale partners to stock, display, promote and sell HONMA products. The number of POS we had with these partners is higher than the number of stores that we operate by ourselves and this in turn supplements, completes and anchors HONMA's sales and distribution network globally. |
| Uncertainty as to expansion into new consumer segments and product categories | We devote significant resources to developing and marketing golf clubs that appeal to new target consumer segments. However, there can be no assurance that our efforts to expand into new consumer segments will continue to be successful. If our golf clubs fail to attract our target consumers, our business, results of operations and financial condition would be materially and adversely affected. | • We keep a healthy pace on technology innovations in new consumer segments of golf clubs;<br>• We update our products every two years using up-to-date technology and high quality materials in order to deliver tangible performance improvement and value propositions to our existing and new consumers;<br>• We actively use digital and social media platforms to redefine the brand as a dynamic, modern and global brand and to drive brand and product awareness. |

## Principal Risks and Uncertainties (continued)

| Principal Risks and Uncertainties | Description | Key Mitigations |
|---|---|---|
| Uncertainty as to the international expansion, especially in North America and Europe | As we expand into new geographic markets, we will face competition from competitors who are well established in these markets. In addition, in many of these markets, the retail market conditions, consumer behavior, operating environments and tax and regulatory requirements may differ significantly from those in our home markets of Japan, Korea and China (including Hong Kong and Macau). Moreover, our international expansion may not be successful for a number of other reasons, such as changes in consumer demand and product trends, economic fluctuations, political and social turbulences, changes in legal regulations or other conditions and difficulties. If we are not successful in expanding into new geographic markets, our business, results of operations and financial condition would be materially and adversely affected. | • We have re-organized the management team in the U.S. to fit the current growth strategy;<br>• The new products BERES 09 and BeZEAL 3 have taken into account more technology requirements from international markets;<br>• In Europe, we opened 7 new POSs, leading to a modest POS network of 136 locations. During the same period, in North America, we opened 26 POSs and closed seven POSs during the year 31 March 2025, hence decreasing our total POSs there to 370 by 31 March 2025. |
| Risks inherent in our effort to expand grow non-club sales | We set the strategy to grow the non-club business, i.e. golf balls, bags, gloves, apparels and other golf-related accessories, etc. However, there can be no assurance that our strategy on growing non-club business will continue to be successful. If our non-club products fail to attract our target consumers, our business, results of operations and financial condition would be materially and adversely affected. | • On top of the strategic partnership with Itochu Corporation to develop its apparel & accessories, we have also set up professional team in home markets, i.e. Japan, Korea and China (including Hong Kong and Macau);<br>• We further prioritized our product development resources in golf balls and launched golf balls with our own patent, while the market of golf balls has shown decent growth in the past years. |

## Financial Statements

The results of the Group for the year ended 31 March 2025 and the state of the Group's financial position as at that date are set out in the financial statements on pages 144 to 151 of this annual report.

## Final Dividend

The Board resolved not to declare any final dividend for the year ended 31 March 2025.

Pursuant to the dividend policy adopted by the Company with effect from 27 May 2019 (the "**Dividend Policy**"), distributions of dividends are determined at the discretion of the Board. In determining whether any distribution shall be made and the amount of dividends, the Board shall take into account the Company's results of operations, cash flows, financial condition, statutory and regulatory restrictions, capital, future business plans and prospects, and any other factors which the Board may consider relevant. Any declaration and payment as well as the amount of dividends will be subject to compliance with the Company's constitutional documents and the Companies Law of the Cayman Islands.

The Company will evaluate its Dividend Policy and distributions made from time to time. Further details of the Dividend Policy are set out in the section headed "Corporate Governance Report – Dividend Policy" in this annual report.

## Distributable Reserves

As at 31 March 2025, the Company's distributable reserves calculated under the Companies Act (As Revised) of the Cayman Islands comprise the share premium and retained profits totaling approximately JPY7,890.5 million (JPY9,050.2 million as at 31 March 2024).

## Reserves

Changes to the reserves of the Group during the year ended 31 March 2025 are set out in the consolidated statement of changes in equity in this annual report.

## Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2025 are set out in note 15 to the consolidated financial statements in this annual report.

## Share Capital

Details of movements in the share capital of the Company during the year ended 31 March 2025 are set out in note 32 to the consolidated financial statements in this annual report.

## Bank Borrowings and Other Loans

Details of bank borrowings and other loans of the Group as at 31 March 2025 are set out in note 28 to the consolidated financial statements in this annual report.

## Charge on Assets

Pledged deposits of the Group decreased by 72.9% from JPY22.0 million as at 31 March 2024 to JPY6.0 million as at 31 March 2025, mainly due to releasing of pledged deposits for a litigation in relation to a marketing event dispute.

## Donation

The Group donated cash and products with value of JPY107,574,799 million during the year ended 31 March 2025.

## Financial Summary

A summary of the published results and the assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

## Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 March 2025, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## Restricted Share Unit Scheme and Post-IPO Share Option Scheme

### Restricted Share Unit Scheme

On 20 October 2015, the Restricted Share Unit Scheme (the "**RSU Scheme**") was approved and adopted by the then shareholders of the Company. The purpose of the RSU Scheme is to incentivize directors, senior management and employees of the Company or any of its subsidiaries (the "**RSU Eligible Persons**") for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company. The Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion. The RSU Scheme will be valid and effective for a period of ten (10) years from the date of the first grant of the RSUs, being 20 October 2015. As at 31 March 2025, the remaining life of the RSU Scheme is approximately seven months. The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of shares of the Company (the "**Shares**") held or to be held by the trustee for the RSU Scheme for the purpose of the RSU Scheme from time to time. There is no maximum entitlement for each RSU Eligible Person under the rules of the RSU Scheme. Further details of the principal terms of the RSU Scheme are set out in the Prospectus.

## Restricted Share Unit Scheme and Post-IPO Share Option Scheme (continued)

### Restricted Share Unit Scheme (continued)

The Company has appointed The Core Trust Company Limited (the "**RSU Trustee**") as the trustee to assist in the administration of the RSU Scheme. The Company may (i) allot and issue Shares to the RSU Trustee and/or Taisai Holdings Ltd. (the "**RSU Nominee**", a company indirectly wholly-owned by the RSU Trustee) to be held by the RSU Trustee and/or the RSU Nominee and which will be used to satisfy the Shares underlying the RSUs upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the Shares underlying the RSUs upon exercise. All the Shares underlying the RSUs granted and to be granted under the RSU Scheme will be transferred, allotted or issued to the RSU Trustee and/or the RSU Nominee. At the date of this annual report, the Company intended to satisfy the Shares underlying all RSUs granted and to be granted under the RSU Scheme (upon exercise) with the existing Shares held or to be held by the RSU Trustee from time to time, and did not intend to issue any new Shares under the RSU Scheme. At 1 April 2024 and 31 March 2025, the number of RSUs available for grant under the RSU Scheme was 3,435,955 and 5,232,410, respectively. As at the date of this annual report, RSUs in respect of 18,333,312 underlying Shares were granted under the RSU Scheme for the benefit of RSU Eligible Persons pursuant to the RSU Scheme, and RSUs in respect of 6,470,270 underlying Shares, representing approximately 1.1% of the total issued Shares of the Company as at the date of this annual report, were held by the RSU Nominee.

An Eligible Person selected by the Board to be granted RSUs under the RSU Scheme may accept the RSUs in such manner set out in the grant letter. The grant letter shall also set out the vesting criteria, conditions, and the time schedule when the RSUs will vest. RSUs held by a participant in the RSU Scheme (the "**RSU Participant**") that are vested as evidenced by the vesting notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the RSU Trustee and copied to the Company. Any exercise of RSUs must be in respect of a board lot of 500 Shares each or an integral multiple thereof (except where the number of RSUs which remains unexercised is less than one board lot). Upon receipt of an exercise notice, the Board shall direct and procure the RSU Trustee to, within three (3) business days, transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the RSU Participant which the Company has allotted and issued to the RSU Trustee as fully paid up Shares or which the RSU Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any shareholder, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU Trustee or as the RSU Trustee directs.

The RSU Participant shall serve the exercise notice within three (3) months after receiving the Vesting Notice. The RSU Trustee will not hold the Shares underlying the RSUs vested for the RSU Participant after this three (3) months period. If the exercise notice is not served during this three (3) months period or the Shares underlying the RSUs exercised cannot be transferred to the RSU Participant pursuant to the preceding paragraph due to the RSU Participant not being able to provide sufficient information to effect the transfer, the RSUs vested or exercised (as the case may be) shall lapse unless otherwise agreed by the Board at its absolute discretion.

## Restricted Share Unit Scheme and Post-IPO Share Option Scheme (continued)

### Restricted Share Unit Scheme (continued)

A RSU Participant does not have any contingent interest in any Shares underlying the RSUs unless and until such Shares are actually transferred to the RSU Participant. Further, a RSU Participant may not exercise voting rights in respect of the Shares underlying the RSUs prior to their exercise and, unless otherwise specified by the Board in its entire discretion in the RSU grant letter to the RSU Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs.

The grantees of the RSUs granted under the RSU Scheme as referred to in the table below are not required to pay for the grant of any RSU under the RSU Scheme.

Details of the RSUs granted under the RSU Scheme and outstanding as at 31 March 2025 and details of the vesting period and the movements in RSUs during the year ended 31 March 2025 are set out below:

| Name of grantee of RSU | Position(s) held with the Group | Number of Shares represented by RSUs at 1 April 2024 | Date of grant | Vesting period | Granted during the Year | Vested/ exercised during the Year | Cancelled during the Year | Lapsed during the Year | Number of Shares represented by RSUs at 31 March 2025 |
|---|---|---|---|---|---|---|---|---|---|
| **Directors of the Company** | | | | | | | | | |
| Mr. Liu Jianguo | Chairman of the Board, President and Executive Director | 285,675 | 03-Nov-2015 | Note (2) | – | – | – | – | 285,675 |
| Mr. Ito Yasuki | Executive Director, Chief Marketing Officer and President of Japan Operations | 133,341 | 20-Oct-2015 | Note (2) | – | – | 133,341 | – | – |
| | | 95,355 | 31-May-2016 | Note (2) | – | – | 95,355 | – | – |
| **Sub-total** | | 514,371 | | | – | – | 228,696 | – | 285,675 |

## Restricted Share Unit Scheme and Post-IPO Share Option Scheme (continued)

### Restricted Share Unit Scheme (continued)

| Name of grantee of RSU | Position(s) held with the Group | Number of Shares represented by RSUs at 1 April 2024 | Date of grant | Vesting period | Granted during the Year | Vested/ exercised during the Year | Cancelled during the Year | Lapsed during the Year | Number of Shares represented by RSUs at 31 March 2025 |
|---|---|---|---|---|---|---|---|---|---|
| **Employees in aggregate** | | | | | | | | | |
| **Senior management of the Company, and directors and other executive managers of the subsidiaries of the Company (excluding those who are also Directors of the Company)** | | | | | | | | | |
| One senior management of the Company, and one other executive manager of a subsidiary of the Company | | 381,030 | 03-Nov-2015 | Note (2) | – | – | – | – | 381,030 |
| | | 94,770 | 31-May-2016 | Note (2) | – | – | – | – | 94,770 |
| **Other employees of the Group** | | | | | | | | | |
| 55 other employees of the Group | | 1,188,018 | 20-Oct-2015 | Note (2) | – | – | 1,161,108 | 26,910 | – |
| | | 457,275 | 03-Nov-2015 | Note (2) | – | – | 19,110 | – | 438,165 |
| | | 76,440 | 31-May-2016 | Note (2) | – | – | 38,220 | – | 38,220 |
| | | 93,483 | 06-Oct-2017 | Note (3) | – | – | 71,253 | 22,230 | – |
| **Sub-total** | | 2,291,016 | | | – | – | 1,289,691 | 49,140 | 952,185 |
| **Total** | | 2,805,387 | | | – | – | 1,518,387 | 49,140 | 1,237,860 |

## Restricted Share Unit Scheme and Post-IPO Share Option Scheme (continued)

### Restricted Share Unit Scheme (continued)

Notes:

(1) No exercise price or purchase price is required for the exercise or vesting of the RSUs granted to the RSU Participants under the RSU Scheme as referred to in the above.

(2) The RSU Participants shall serve the exercise notice within three (3) months after receiving the vesting notice.

(3) Subject to the vesting conditions, the RSUs granted to the participants during the years ended 31 March 2016 and 2017 under the RSU Scheme shall be vested in accordance with the vesting schedule as follows:

(i) as to 40% on the date on which the shares of the Company are listed on the Stock Exchange;

(ii) as to 30% on 30 April 2018 or the date on which the Company publishes its annual results for the year ended 31 March 2018 (whichever is earlier); and

(iii) as to 30% on 19 October 2025.

(4) Subject to the vesting conditions, the RSUs granted to the participants during the year ended 31 March 2018 under the RSU Scheme shall be vested in accordance with the vesting schedule as follows:

(i) as to 50% on 30 April 2018 or the date on which the Company publishes its annual results for the year ended 31 March 2018 (whichever is earlier); and

(ii) as to 50% on 19 October 2025.

(5) The difference between the number of Shares represented by RSUs at 1 April 2024 and the number of Shares represented by RSUs at 31 March 2024 as disclosed in the annual report of the Company for the year ended 31 March 2024 is due to (i) the reclassification of Mr. Murai Yuji, a former Director, to other employees of the Group and (ii) termination of employment of some employees of the Group during the year ended 31 March 2025.

## Restricted Share Unit Scheme and Post-IPO Share Option Scheme (continued)

### Post-IPO Share Option Scheme

On 18 September 2016, a post-IPO share option scheme (the "**Post-IPO Share Option Scheme**") was approved and adopted by the then shareholders of the Company. The purpose of the Post-IPO Share Option Scheme is to provide incentives and/or rewards to directors or employees of the Group who in the sole discretion of the Board has contributed or will contribute to the Group (the "**Eligible Persons**") for their contribution to, and continuing efforts to promote the interests of, the Group.

Subject to the terms of the Post-IPO Share Option Scheme, the Board shall be entitled at any time within the period of ten (10) years after the adoption date, being 18 September 2016 to 17 September 2026, to grant options to any Eligible Persons as the Board in its absolute discretion selects. As at 31 March 2025, the remaining life of the Post-IPO Share Option Scheme is approximately one year and six months. No offer shall be made and no option shall be granted to any participant in the Post-IPO Share Option Scheme (the "**Participant**") in circumstances prohibited by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period; and (ii) the deadline for the Company to publish its interim or annual results announcement under the Listing Rules; and ending on the date of actual publication of such results announcement.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and all other share option schemes existing at such time of the Company shall not in aggregate exceed 60,905,000 Shares (representing 10% of the total number of Shares in issue as at the Listing Date, the "**Scheme Mandate Limit**"), which represents approximately 10.06% of the total number of Shares in issue as at the date of the annual report. The Company may renew the Scheme Mandate Limit at any time subject to prior shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the renewal of the Scheme Mandate Limit.

At 1 April 2024 and 31 March 2025, the number of options available for grant under the Post-IPO Share Option Scheme was 60,905,000 and 60,905,000, respectively.

The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted to any Eligible Person under the Post-IPO Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in any 12-month period shall not at the time of grant exceed 1% of the Shares in issue, unless otherwise separately approved by shareholders in general meeting with such Eligible Person and his/her associates abstaining from voting.

## Restricted Share Unit Scheme and Post-IPO Share Option Scheme (continued)

### Post-IPO Share Option Scheme (continued)

An offer made to the Participant is open for acceptance by the Participant for a period of 28 days from the date of the offer made. Participants shall accept the offer by returning the duly signed duplicate letter clearly stating the number of Shares in respect of which the offer is accepted, with payment of HK$1.00 as consideration for the acceptance of an option granted to them.

Subject to the terms of grant of any option, an option may be exercised by the grantee of the option at any time during the option period and in accordance with the vesting schedule and other terms specified in the offer. No option may be vested more than 10 years after the date of grant. Subject to earlier terminations by the Company in general meetings or by the Board, the Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing from the adoption date.

The exercise price shall be a price determined by the Board and notified to an Eligible Person but in any event shall be at least the higher of:

- the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the option, which must be a business day;

- the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and

- the nominal value of a Share on the date of grant.

Further details of the principal terms of the Post-IPO Share Option Scheme are set out in the Prospectus.

During the period from 18 September 2016 to 31 March 2025, no option had been granted or agreed to be granted by the Company pursuant to the Post-IPO Share Option Scheme.

## Directors

The Directors of the Company during the year ended 31 March 2025 and up to the date of this annual report were:

| Name | Position |
|---|---|
| Mr. Liu Jianguo (劉建國) | Executive Director, Chairman and President |
| Mr. Ito Yasuki (伊藤康樹) | Executive Director, Chief Marketing Officer and President of Japan Operations |
| Mr. Zuo Jun (左軍) | Executive Director, Chief Administrative Officer and President of China Operations |
| Mr. Liu Hongli (劉宏立) | Executive Director |
| Mr. Yang Xiaoping (楊小平) | Non-executive Director |
| Mr. Ho Ping-hsien Robert (何平僊) *(Passed away on 18 September 2024)* | Non-executive Director |
| Mr. Soopakij Chearavanont (謝吉人) *(Appointed with effect from 29 November 2024)* | Non-executive Director |
| Mr. Lu Pochin Christopher (盧伯卿) | Independent Non-executive Director |
| Mr. Wang Jianguo (汪建國) | Independent Non-executive Director |
| Mr. Xu Hui (徐輝) | Independent Non-executive Director |
| Ms. Tian Qing (田青) *(Appointed with effect from 20 December 2024)* | Independent Non-executive Director |

In accordance with the articles of association of the Company, Mr. Ito Yasuki, Mr. Zuo Jun, Mr. Lu Pochin Christopher, Mr. Soopakij Chearavanont and Ms. Tian Qing will retire and, being eligible, will offer themselves for re-election at the forthcoming AGM.

The biographical details of the Directors as at the date of this annual report are set out in the section headed "Biographies of Directors and Senior Management" in this annual report. Save as disclosed therein, there is no change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

## Directors' Service Contracts and Letters of Appointment

The service contract with each of the executive Directors is for a fixed term of three years. The letter of appointment with each of the non-executive Directors and the independent non-executive Directors is for a fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the articles of association of the Company and the applicable Listing Rules.

None of the Directors has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

## Confirmation of Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors (being Mr. Lu Pochin Christopher, Mr. Wang Jianguo, Mr. Xu Hui and Ms. Tian Qing), and the Company considers such Directors to be independent for the year ended 31 March 2025.

## Directors' and Controlling Shareholders' Interests in Transactions, Arrangements or Contracts of Significance

Save as the related party transactions as disclosed in note 37 to the consolidated financial statements and the connected transactions as disclosed in the section headed "Connected Transactions" in this annual report, there were no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director and/or any of its connected entity had a material interest, whether directly or indirectly, and there were no transactions, arrangements or contracts of significance between the Company or any of its subsidiaries and the Company's controlling shareholders or any of its subsidiaries, subsisted at the end of, or at any time during the year ended 31 March 2025.

## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2025, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix C3 to the Listing Rules or as the Company is aware were as follows:

## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

### Interests in the Company

| Name of Director/Chief Executive | Capacity/Nature of interest | Number of Shares or underlying Shares interested[1] | Approximate percentage of interest[5] |
|---|---|---|---|
| Mr. Liu Jianguo[2] | Founder and the sole beneficiary of a trust/Interest of controlled corporation | 234,227,100 (L) | |
| | Beneficial owner | 285,675 (L) | |
| | | 234,512,775 (L) | 38.72% |
| Mr. Ito Yasuki[3] | Beneficial owner | 108,856 (L) | 0.02% |
| Mr. Zuo Jun[4] | Beneficial owner | 158,165 (L) | 0.03% |

Notes:

(1) The letter "L" denotes the person's long position in such Shares or underlying Shares.

(2) Vistra Trust (Hong Kong) Limited ("**Vistra Trust**") is the trustee of the trust established by Mr. Liu Jianguo who is also the sole beneficiary of the trust. Vistra Trust holds the entire issued share capital of Dazzling Coast Limited ("**Dazzling**"), which in turn holds the entire share capital of Prize Ray Limited ("**Prize Ray**"), which holds the entire share capital of Kouunn Holdings Limited, which beneficially owned 234,227,100 Shares. As Mr. Liu Jianguo is the founder and the sole beneficiary of the trust as well as the sole director of Kouunn Holdings Limited, by virtue of the SFO, Mr. Liu Jianguo is deemed to be interested in the Shares held by Kouunn Holdings Limited. Mr. Liu Jianguo was interested in 285,675 restricted share units ("**RSUs**") granted to him under the RSU Scheme entitling him to receive 285,675 Shares upon vesting.

(3) Mr. Ito Yasuki directly held 108,856 Shares.

(4) Mr. Zuo Jun directly held 158,165 Shares.

(5) The calculation is based on the total number of 605,642,500 Shares in issue as at 31 March 2025.

Save as disclosed above, as at 31 March 2025, none of the Directors or the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2025, the following persons (other than the Directors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or as the Company is aware:

| Name | Nature of interest | Number of Shares or underlying Shares Interested[1] | Approximate percentage of interest[8] |
|---|---|---|---|
| Kouunn Holdings Limited[2][4][6] | Beneficial owner | 234,227,100 (L) | 38.67% |
| Dazzling Coast Limited[4] | Interest of controlled corporation | 234,227,100 (L) | 38.67% |
| Prize Ray Limited[4] | Interest of controlled corporation | 234,227,100 (L) | 38.67% |
| Vistra Trust (Hong Kong) Limited[4] | Trustee | 234,227,100 (L) | 38.67% |
| Ms. Huang Wenhuan (黃文歡)[3] | Interest of spouse | 234,512,775 (L) | 38.72% |
| Fosun Industrial Holdings Limited (復星產業控股有限公司)[5] | Beneficial owner | 35,629,425 (L) | 5.88% |
| Fosun International Limited[5] | Interest of controlled corporation | 35,629,425 (L) | 5.88% |
| Fosun Holdings Limited[5] | Interest of controlled corporation | 35,629,425 (L) | 5.88% |
| Fosun International Holdings Ltd.[5] | Interest of controlled corporation | 35,629,425 (L) | 5.88% |
| Mr. Guo Guangchang (郭廣昌)[5] | Interest of controlled corporation | 35,629,425 (L) | 5.88% |
| Gold Genius Development Limited[2][6] | Person having a security interest in Shares | 47,000,000 (L) | 7.76% |
| Splendid Steed Investments Limited[6] | Interest of controlled corporation | 47,000,000 (L) | 7.76% |
| Mr. Ma Jianrong[6] | Interest of controlled corporation | 47,000,000 (L) | 7.76% |
| Charoen Pokphand Group Company Limited[7] | Interest of controlled corporation | 181,296,500 (L) | 29.93% |

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares (continued)

Notes:

(1) The letter "L" denotes the person's long position in such Shares or underlying Shares.

(2) 47,000,000 Shares held by Kouunn Holdings Limited were pledged in favour of Gold Genius Development Limited.

(3) Ms. Huang Wenhuan (黃文歡) is the wife of Mr. Liu Jianguo and, by virtue of the SFO, is deemed to be interested in the Shares and the underlying Shares in which Mr. Liu Jianguo was interested.

(4) Vistra Trust is the trustee of the trust established by Mr. Liu Jianguo who is also the sole beneficiary of the trust. Vistra Trust holds the entire issued share capital of Dazzling, which in turn holds the entire share capital of Prize Ray, which holds the entire share capital of Kouunn Holdings Limited, which beneficially owned 234,227,100 Shares. By virtue of the SFO, Mr. Liu Jianguo, Vistra Trust, Dazzling and Prize Ray are deemed to be interested in the same parcel of Shares held by Kouunn Holdings Limited.

(5) Fosun Industrial Holdings Limited (復星產業控股有限公司) was a wholly-owned subsidiary of Fosun International Limited ("**FIL**"). FIL was 72.77% held by Fosun Holdings Limited ("**FHL**"). Fosun International Holdings Ltd. ("**FIHL**") was the beneficial owner of all issued shares in FHL and was in turn owned as to 85.29% by Mr. Guo Guangchang (郭廣昌). By virtue of the SFO, FIL, FHL, FIHL and Mr. Guo Guangchang (郭廣昌) were deemed to be interested in the same parcel of Shares held by Fosun Industrial Holdings Limited (復星產業控股有限公司).

(6) Mr. Ma Jianrong holds the entire issued share capital of Splendid Steed Investments Limited, which in turn holds the entire share capital of Gold Genius Development Limited, which had a security interest in 47,000,000 Shares pledged by Kouunn Holdings Limited in its favour. By virtue of the SFO, Mr. Ma Jianrong and Splendid Steed Investments Limited are deemed to be interested in the same parcel of Shares in which Gold Genius Development Limited had a security interest.

(7) These Shares were held by Chia Tai Primrose Holdings Limited (正大平樂控股有限公司) which was 100% controlled by Chia Tai Giant Far Limited (正大鉅發有限公司) ("**CTGF**"). CTGF was 100% controlled by CT Bright Group Company Limited (正大光明集團有限公司) ("**CTBG**"). CTBG was 100% controlled by CPG Overseas Company Limited which was in turn 100% controlled by Charoen Pokphand Group Company Limited.

(8) The calculation is based on the total number of 605,642,500 Shares in issue as at 31 March 2025.

## Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2025.

## Major Customers and Suppliers

The Group has a large and diverse customer base. During the year ended 31 March 2025, sales to the Group's five largest customers accounted for approximately 16.7% of the Group's total sales for the same period (of which sales to the Group's single largest customer accounted for approximately 6.8% of the Group's total sales for the same period).

The Group depends on suppliers to supply raw materials or manufacture certain of the products. In the year ended 31 March 2025, purchases from the Group's five largest suppliers accounted for approximately 59.3% of the Group's total purchases from all suppliers for the year (of which purchases from the Group's single largest supplier accounted for approximately 22.4% of the Group's total purchases for the year).

All of the Group's five largest customers and suppliers are independent third parties. None of the Directors, their close associates or the shareholders which to the best knowledge of the Directors, own more than 5% of the number of issued shares (excluding treasury shares, if any) of the Company, had any interest in any of the five largest customers or suppliers during the year ended 31 March 2025.

## Pre-emptive Rights

There is no provision for pre-emptive rights under the articles of association of the Company, although there are no restrictions against such rights under the laws in the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

## Emolument Policy

The Directors believe that the ability to attract, motivate and retain skilled and experienced personnel, including the craftsmen and employees responsible for research and development as well as quality control, is of significant importance to the long-term successful development of the Group. The remuneration package of the Group's employees includes salaries, allowances, benefit in kind and performance related bonuses. The Group has established a remuneration committee to review the policy and structure of the remuneration for the Directors and senior management and make recommendations on the remuneration packages of individual executive Directors and senior management. In general, the Group determines the emolument payable to its directors based on each director's qualifications, experience, time commitment and responsibilities, salaries paid by comparable companies as well as the performance of the Group. The Group also provides various incentives through the implementation of the RSU Scheme and the Post-IPO Share Option Scheme to better motivate its directors and employees.

## Employee Benefits

Particulars of the employee benefits of the Group are set out in note 31 to the consolidated financial statements in this annual report.

Pursuant to code provision E.1.5 in Part 2 of the CG Code (as defined below), the annual remuneration of executive Directors and the senior management, by band for the year ended 31 March 2025 is set out below:

| Remuneration band (in JPY) | Number of individuals |
|---|---|
| 10,000,001-15,000,000 | 2 |
| 15,000,001-20,000,000 | – |
| 20,000,001-25,000,000 | – |
| 25,000,001- | 3 |

## Public Float

As at the latest practicable date prior to the issue of this annual report and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained minimum public float of 25% as required under the Listing Rules.

## Rights to Acquire the Company's Securities and Equity-linked Agreements

Save as disclosed under the section headed "Restricted Share Unit Scheme and Post-IPO Share Option Scheme" above, at no time during the Year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

## Directors' Interests in Competing Business

During the year ended 31 March 2025 and up to the date of this annual report, none of the Directors and directors of the Company's subsidiaries, or their respective associates had interests in business, which compete or are likely to compete either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

## Permitted Indemnity Provision

Every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. Subject to the Companies Act (As Revised) of the Cayman Islands, if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability. Such provisions were in force throughout the year ended 31 March 2025 and are currently in force. The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors.

## Use of Proceeds from the Global Offering

On 6 October 2016, the Company's Shares were listed on the Stock Exchange. A total of 133,991,000 Shares with nominal value of US$0.0000025 each were issued at HK$10.00 per Share for a total of HK$1,339,910,000 under the global offering of the Company. The net proceeds raised by the Company from the above mentioned global offering, after deducting the underwriting fees and commissions and expenses paid by the Company in connection with the global offering, amounted to approximately JPY16,798.0 million. Details of the Group's use of proceeds as at 31 March 2025 are set out in the section headed "Management Discussion and Analysis – Financial Review – Use of Proceeds from the Global Offering" in this annual report.

## Connected Transactions

Mr. Liu Jianguo, an executive Director and a controlling shareholder of the Company, is a connected person of the Company under the Listing Rules. Each of Shanghai POVOS Enterprise (Group) Co., Ltd. (上海奔騰企業(集團)有限公司) ("**Shanghai POVOS**") and Shanghai POVOS Power Engineering Co., Ltd. (上海奔騰電工有限公司) ("**Shanghai POVOS Power Engineering**") is controlled by Mr. Liu Jianguo and is therefore an associate of Mr. Liu Jianguo and hence a connected person of the Company under the Listing Rules.

On 31 December 2013, a property lease agreement was entered into between Shanghai POVOS (as the lessor) and World Power (being a member of the Group, as the lessee). The property lease agreement was subsequently renewed on 6 June 2016. On 31 December 2019, World Power and Shanghai POVOS entered into a renewal agreement regarding the aforementioned lease for a term of one year commencing on 1 January 2020. The renewal agreement was automatically renewed for a term of one year commencing on each of 1 January 2021, 1 January 2022, 1 January 2023, 1 January 2024 (as supplemented) and 1 January 2025 (as supplemented), and is to be automatically renewed if neither party terminates the agreement at the expiry of the renewal lease term. On each of 1 January 2024 and 1 January 2025, a warehouse lease agreement was entered into between Shanghai POVOS Power Engineering (as the lessor) and World Power (as the lessee) for a term of one year commencing on 1 January 2024 and 1 January 2025, respectively.

The transactions under the property lease agreement (as renewed) and the warehouse lease agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules and related party transactions disclosed in note 37 to the audited consolidated financial statements in this annual report in accordance with International Accounting Standards 24 "Related Party Disclosure".

As the highest relevant "percentage ratio" (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules is expected to be less than 5% and the total consideration is expected to be less than HK$3,000,000, in aggregate on an annual basis, the above transactions are exempt from the annual review, annual reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Rule 14A.76(1) of the Listing Rules.

## Subsequent Events

Particulars of important events affecting the Group that have occurred since the year ended 31 March 2025 are stated in note 42 to the consolidated financial statements in this annual report.

## Audit Committee

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's risk management, internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2025.

## Auditor

The financial statements for the year ended 31 March 2025 have been audited by Ernst & Young who shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution will be proposed at the forthcoming AGM to re-appoint Ernst & Young as the auditor of the Company.

Save as otherwise stated, all references above to other sections, reports or notes in this annual report form part of this Directors' report.

On behalf of the Board
**LIU Jianguo**
*Chairman*

26 June 2025

# Corporate Governance Report

The board of directors (the "**Board**") of the Company is pleased to report to the shareholders of the Company on the corporate governance of the Company for the year ended 31 March 2025 (the "**Corporate Governance Report**").

## Corporate Governance Culture

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that its shareholders wealth will be maximized in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure (i) satisfactory and sustainable returns to shareholders; (ii) that the interests of those who deal with the Company are safeguarded; (iii) that overall business risk is understood and managed appropriately; (iv) delivery of high-quality products and services to the satisfaction of customers; and (v) that high standards of ethics are maintained.

## Corporate Governance Practices

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the basis of the Company's corporate governance practices.

In the opinion of the directors of the Company (the "**Directors**"), throughout the year ended 31 March 2025 (the "**Year**"), the Company has complied with all code provisions as set out in the CG Code, save for the deviations from code provisions C.2.1 and C.5.1 of the CG Code which are explained in the relevant paragraphs of this Corporate Governance Report.

The Board will from time to time review, monitor and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

## Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' and relevant employees' dealings in the Company's securities.

Specific enquiry has been made with all Directors and the Directors have confirmed that they have complied with the Model Code and the Company's own code of conduct regarding directors' securities transactions throughout the Year.

No incident of non-compliance of the Company's own code of conduct regarding relevant employees' securities transactions by the relevant employees was noted by the Company.

## Board of Directors

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors make decisions objectively in the best interests of the Company and its shareholders.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and assesses whether a Director is spending sufficient time in performing his/her responsibilities that are commensurate with his/her roles and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

## Board Composition

The Board currently comprises ten Directors, consisting of four executive Directors, two non-executive Directors and four independent non-executive Directors.

The composition of the Board is as follows:

### Executive Directors

Mr. Liu Jianguo (劉建國) *(Chairman and President)*
Mr. Ito Yasuki (伊藤康樹)
Mr. Zuo Jun (左軍)
Mr. Liu Hongli (劉宏立)

### Non-executive Directors

Mr. Yang Xiaoping (楊小平)
Mr. Soopakij Chearavanont (謝吉人)

### Independent Non-executive Directors

Mr. Lu Pochin Christopher (盧伯卿)
Mr. Wang Jianguo (汪建國)
Mr. Xu Hui (徐輝)
Ms. Tian Qing (田青)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Each of Mr. Soopakij Chearavanont (who has been appointed as a non-executive Director during the Year) and Ms. Tian Qing (who has been appointed as an independent non-executive Director during the Year) has obtained the legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him/her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 27 November 2024 and 12 December 2024, respectively, and each of them has confirmed that he/she understood his/her obligations as a director of a listed issuer.

The biographical information of the Directors is set out in the section headed "Biographies of Directors and Senior Management" on pages 36 to 42 of this annual report.

Except that Mr. Liu Hongli is the son of Mr. Liu Jianguo (the chairman of the Board, president, an executive Director and a controlling shareholder of the Company), none of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship) with one another.

## Board Meetings

Code provision C.5.1 of the CG Code stipulates that regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

During the Year, the Board held two regular meetings to approve the annual results for the year ended 31 March 2024 and the interim results for the six months ended 30 September 2024. The Company has not held quarterly board meeting as the Company does not announce its results quarterly.

The Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the Year.

## Chairman and Chief Executive

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The positions of chairman and president of the Company are both held by Mr. Liu Jianguo who provides leadership and is responsible for the effective functioning of the Board. He is also responsible for formulating the overall development strategies and business plans of the Group.

With the assistance of Mr. Ito Yasuki and Mr. Zuo Jun, the respective presidents of Japan operations and China operations overseeing the Group's business in Japan and China, the Board believes that this arrangement would allow for effective and efficient planning and implementation of business decisions and strategies under the strong and consistent leadership and should be beneficial to the management and development of the Group's business.

## Independent Non-executive Directors

During the Year, from 1 April 2024 to 19 December 2024, the Board had three independent non-executive Directors; since 20 December 2024, Ms. Tian Qing was appointed as an independent non-executive Director. During the Year, the number of independent non-executive Directors at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

## Board Independence Evaluation

The Company has established mechanisms to ensure independent views and input are available to the Board (the "**Board Independence Evaluation Mechanisms**"), which set out the processes and procedures to ensure a strong independent element on the Board that allows the Board to effectively exercise independent judgment to better safeguard shareholders' interests. The objectives of the Board Independence Evaluation Mechanisms are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance.

A summary of the Board Independence Evaluation Mechanisms is set out below:

- The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time), with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, independent non-executive Directors will be appointed to Board committees as required under the Listing Rules and as far as practicable to ensure independent views are available to the Board.

- The Nomination Committee strictly adheres to the nomination policy of the Company (the "**Nomination Policy**") with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure that they can continually exercise independent judgement.

- Directors (including independent non-executive Directors) are entitled to seek further information from the management on the matters to be discussed at Board meetings and, where necessary, independent advice from external professional advisers at the Company's expense.

- A Director (including independent non-executive Director) or any of his/her close associates who has or deemed to have a material interest in a contract or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

During the Year, all Directors have completed the independence evaluation in the form of a questionnaire individually, and the Board independence evaluation report was presented to the Board and the evaluation results were satisfactory.

The implementation and effectiveness of the Board Independence Evaluation Mechanisms are reviewed on an annual basis. During the Year, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanisms and the results were satisfactory.

## Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

The articles of association of the Company provide that all Directors appointed to fill a casual vacancy or as an addition to the Board shall be subject to re-election by shareholders at the first annual general meeting after appointment.

All Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

## Responsibilities of Directors

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the local senior management led by Mr. Ito Yasuki and Mr. Zuo Jun, who are the respective presidents of Japan operations and China operations.

## Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and other relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Year, the following Directors read materials on relevant topics and/or attended training session(s) arranged by professional institution(s)/professional firm(s):

| Directors | Type of Training Note |
|---|---|
| **Executive Directors** | |
| Mr. Liu Jianguo | A |
| Mr. Ito Yasuki | A&B |
| Mr. Zuo Jun | A |
| Mr. Liu Hongli | A |
| **Non-executive Directors** | |
| Mr. Yang Xiaoping | A |
| Mr. Ho Ping-hsien Robert (passed away on 18 September 2024) | – |
| Mr. Soopakij Chearavanont (appointed on 29 November 2024) | A |
| **Independent Non-executive Directors** | |
| Mr. Lu Pochin Christopher | A&B |
| Mr. Wang Jianguo | A |
| Mr. Xu Hui | A |
| Ms. Tian Qing (appointed on 20 December 2024) | A |

Note:

A: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

B: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

## Board Committees

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the websites of Hong Kong Exchanges and Clearing Limited ("**HKEX**") and the Company and are available to shareholders of the Company upon request.

All Board committees of the Company comprise a majority of independent non-executive Directors, and the list of the chairman and members of each Board committee is set out in the section headed "Corporate Information" on pages 2 to 3 of this annual report.

## Audit Committee

The Audit Committee consists of three independent non-executive Directors. The members are:

Mr. Lu Pochin Christopher *(Chairman)*
Mr. Wang Jianguo
Mr. Xu Hui

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditor, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Year, the Audit Committee held two meetings to review, among other things, (i) the annual results and reports in respect of the year ended 31 March 2024 and the interim results and reports in respect of the six months ended 30 September 2024; (ii) the continuing connected transactions; (iii) the effectiveness of the risk management and internal control systems and internal audit function; (iv) the arrangements for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters; (v) the implementation and effectiveness of the Whistleblowing Policy for employees of the Group and those who deal with the Group to raise concerns; and (vi) the appointment of external auditor and their relevant scope of works.

The Audit Committee also met the external auditor without the presence of the executive Directors and the management during the Year.

## Remuneration Committee

The Remuneration Committee consists of two independent non-executive Directors and one executive Director. The members are:

Mr. Wang Jianguo *(Chairman)*
Mr. Xu Hui
Mr. Zuo Jun

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, as well as making recommendations to the Board on the remuneration of all Directors and senior management; assessing performance of executive Directors and approving the terms of executive Directors' service contracts; reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration, as well as reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules. The Company has adopted the model described in code provision E.1.2(c)(ii) of the CG Code.

During the Year, the Remuneration Committee met twice to review the Company's policy and structure for the remuneration of all Directors and senior management, remuneration of all Directors and senior management, and make recommendation to the Board on the remuneration packages in the new letters of appointment entered into with an existing non-executive Director and a new non-executive Director.

During the Year, the Remuneration Committee also reviewed and made recommendation to the Board on the remuneration package in the new letter of appointment entered into with a new independent non-executive Director.

The Company's remuneration policy is to ensure that the remuneration offered to employees, (including senior management) and the Directors is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of each executive Director is also determined with reference to salaries paid by salaries paid by comparable companies, time commitment and responsibilities of the Director, the remuneration policy of the Company and performance of the Group. The remuneration for the executive Directors comprises basic salary. The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and independent non-executive Directors mainly comprises director's fee which is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Director, the remuneration policy of the Company and performance of the Group. Individual Directors and senior management have not been involved in deciding their own remuneration.

Pursuant to code provision E.1.5 of the CG code, details of the remuneration of the senior management (other than Directors) by bands are set out in note 11 to the consolidated financial statements in this annual report.

## Nomination Committee

The Nomination Committee consists of three independent non-executive Directors and one executive Director. The members are:

Mr. Liu Jianguo *(Chairman)*
Mr. Wang Jianguo
Mr. Lu Pochin Christopher
Ms. Tian Qing (appointed on 26 June 2025)

The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendation on any proposed changes to the Board to complement the Company's corporate strategy; formulating a policy of selection and nomination of directors and the procedures for the sourcing of suitably qualified director for consideration of the Board; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and assessing the independence of the independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy (the "**Board Diversity Policy**"). The Nomination Committee would discuss and agree on measurable objectives for achieving diversity of the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Year, the Nomination Committee met twice to review the structure, size and composition of the Board and the effectiveness of the Board Diversity Policy and the Nomination Policy, to assess the independence of the independent non-executive Directors, to consider the qualifications of the retiring Directors standing for election at the 2024 annual general meeting, to advise the Board on the requirements of the Listing Rules for appointment of at least one director of a different gender on the Board no later than 31 December 2024, to make recommendation to the Board on the appointment of a new non-executive Director and to make recommendation to the Board on the terms in the new letters of appointment entered into with an existing non-executive Director and a new non-executive Director. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and the gender diversity has been achieved by end of 2024.

During the Year, the Nomination Committee also reviewed and made recommendation to the Board on the appointment of new independent non-executive Director and the terms in the new letter of appointment entered into with a new independent non-executive Director.

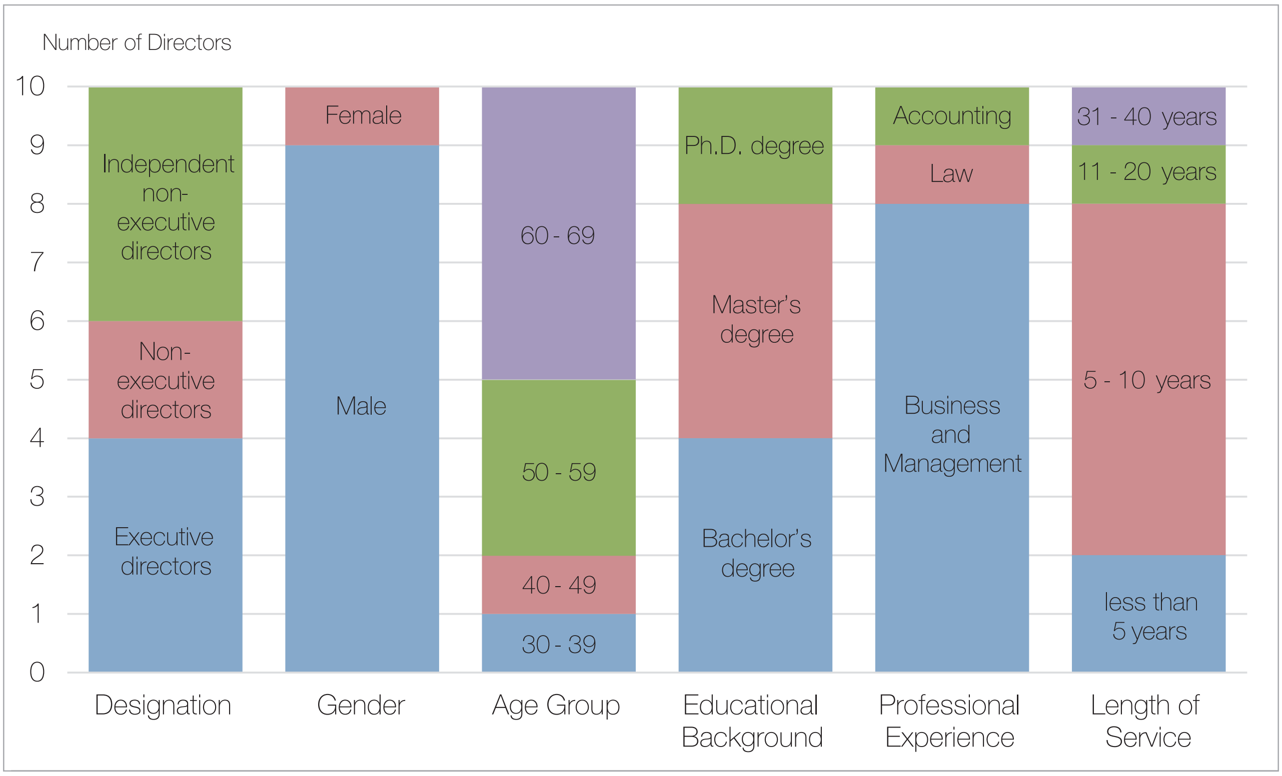
## Board Diversity Policy

The Company has adopted the Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board. The Board continuously seeks to enhance its effectiveness and to maintain the highest standards of corporate governance and recognises diversity at Board level as an essential element in maintaining competitive advantage and sustainable development.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Company is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director. The ultimate decision of selection of relevant candidates will be based on merit and contribution that the selected candidates will bring to the Board or senior management. The Board reviews the Board Diversity Policy on an annual basis to ensure its effectiveness.

The achievement of the above objectives will be measurable on an objective review by the Company's shareholders of the overall composition of the Board, the diversity of background and experience of the Directors and the effectiveness of the Board in promoting shareholders' interests. The Board will also review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Nomination Committee considered that the Board is sufficiently diverse. The Board strives to ensure that it has the appropriate balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business, and to ensure that the Directors devote sufficient time and make contributions to the Company that are commensurate with their role and board responsibilities.

The following chart shows the diversity profile of the Board as at 31 March 2025:




## Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

| | Female | Male |
|---|---|---|
| Board | 10% | 90% |
| Senior Management | 20% | 80% |
| Other employees | 49% | 51% |
| Overall workforce | 48% | 52% |

Further details on gender ratio in the workforce of the Group are set out in the Environmental, Social and Governance Report.

The Company has also taken, and will continue to take, steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. Appropriate emphasis on maintaining gender diversity has been placed in the review of board composition, board diversity and succession plan to ensure a pipeline of potential successors in achieving and maintaining gender diversity at the Board and the senior management level. The Board is committed to improving greater gender diversity in the Board, senior management and other employees of the Group. The Group has achieved 10% of female Directors, 20% of female senior management and 49% of female employees by 31 March 2025 and the Board considers that the current gender diversity is satisfactory.

### Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted the Nomination Policy, which sets out the selection criteria and process and considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Nomination Policy sets out the criteria for assessing the suitability and potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Characters including integrity, honesty and fairness

- Backgrounds and qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business operation and corporate strategy

- Commitment to understanding the Company and its industry, willingness to devote adequate time to discharge duties as a Board member and abilities to assist the Board in fulfilling its responsibilities

- Requirement for the Board to have a sufficient number of independent non-executive Directors in accordance with the Listing Rules and assessment of the independence of the candidate

- The Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity of the Board. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director

- Such other factors relating to the Company's business model and specific needs from time to time, and the contribution that the selected candidate will bring to the Board

The Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings as follows:

### (a) Appointment of New Director

- The Nomination Committee will, taking into account the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort on suitable candidates;

- The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertisements, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the criteria;

- The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as conducting interviews, background checks, presentations and third-party reference checks;

- Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

- The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

- The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be).

### (b) Re-election of Director at General Meeting

- The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment by giving due consideration to the following:

  (i) the overall contribution and service to the Company of the retiring Director(s), including attendance of Board meetings (and where applicable, general meetings) and the level of participation and performance on the Board; and

  (ii) whether the retiring Director(s) continue(s) to satisfy the criteria as set out under the Nomination Policy.

- The Nomination Committee and/or the Board shall then make recommendation to shareholders of the Company in respect of the proposed re-election of Director(s) at the general meeting.

During the Year, except for (i) the passing away of Mr. Ho Ping-hsien Robert, a late non-executive Director, (ii) the appointment of Mr. Soopakij Chearavanont as a non-executive Director on 29 November 2024 and (iii) the appointment of Ms. Tian Qing as an independent non-executive Director on 20 December 2024, there was no change in the composition of the Board.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness.

## Corporate Governance Functions

The Board is also responsible for performing the functions set out in code provision A.2.1 of the CG Code. These include: to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's compliance with the CG Code as set out in Appendix C1 to the Listing Rules and disclosure in the Corporate Governance Report.

During the Year, the Board reviewed the Company's corporate governance policies and practices, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code by the Directors and relevant employees and the Company's compliance with the CG Code.

## Attendance Records of Directors and Committee Members

The attendance records of each Director at the Board meetings, Board committee meetings and the annual general meeting held during the Year are set out in the table below:

| | Attendance/Number of Meetings during the Year | | | | |
|---|---|---|---|---|---|
| Name of Director | Board | Audit Committee | Nomination Committee | Remuneration Committee | Annual General Meeting |
| Mr. Liu Jianguo | 2/2 | N/A | 2/2 | N/A | 1/1 |
| Mr. Ito Yasuki | 2/2 | N/A | N/A | N/A | 0/1 |
| Mr. Zuo Jun | 2/2 | N/A | N/A | 2/2 | 1/1 |
| Mr. Liu Hongli | 2/2 | N/A | N/A | N/A | 0/1 |
| Mr. Yang Xiaoping | 2/2 | N/A | N/A | N/A | 0/1 |
| Mr. Ho Ping-hsien Robert* | 1/1 | N/A | N/A | N/A | N/A |
| Mr. Soopakij Chearavanont** | N/A | N/A | N/A | N/A | N/A |
| Mr. Lu Pochin Christopher | 2/2 | 2/2 | 2/2 | N/A | 0/1 |
| Mr. Wang Jianguo | 2/2 | 2/2 | 2/2 | 2/2 | 0/1 |
| Mr. Xu Hui | 2/2 | 2/2 | N/A | 2/2 | 1/1 |
| Ms. Tian Qing*** | N/A | N/A | N/A | N/A | N/A |

* Passed away on 18 September 2024

** Appointed on 29 November 2024

*** Appointed on 20 December 2024

## Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

All material subsidiaries of the Company perform annual internal control system review to identify, evaluate and manage significant risks (including environmental, social and governance ("**ESG**") risks) associated with its long term strategy and day-to-day operation. All material risks (including ESG risks), once identified, are quantified financially and responded with concrete risk actions. These actions are reviewed annually to determine the effectiveness of the risk management system and to resolve material internal control defects.

The Company has an internal audit function which is performed by the external audit teams heading by the Company's chief financial officer. The internal audit teams are responsible for performing independent review of the adequacy and effectiveness of the risk management system and internal control system. The Company reviews its enterprise risk map on an annual basis and the risk mitigating actions on a semi-annual basis. The Board has reviewed the effectiveness of the internal audit function and the review result is satisfactory.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management system and internal control system for the Year. The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management system and internal control system of the Group, including the financial, operational and compliance controls, for the Year, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and ESG performance and reporting, as well as staff qualifications, experience and relevant resources.

Arrangements are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

The Company has in place the Whistleblowing Policy for employees of the Group and those who deal with the Group to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Group to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal audit department and the legal department, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

During the Year, the Company held two anti-corruption trainings and briefings to all employees, and no non-compliance case in relation to bribery and corruption was identified.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees for handling and dissemination of inside information, monitoring information disclosure and responding to enquiries.

## Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2025.

The Directors have prepared the financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 142 to 143 of this annual report.

## Auditor's Remuneration

An analysis of the remuneration paid or payable to the external auditor of the Company, Messrs. Ernst & Young, in respect of audit services and non-audit services for the year ended 31 March 2025 is set out below:

| Service Category | Fees Paid/Payable |
|---|---|
| Audit Services | RMB6,625,395 |
| Non-audit Services | |
| – Agreed-upon procedures service | RMB243,537 |
| – Tax filing | RMB490,797 |
| – Transfer price | RMB509,648 |
| – Internal control | RMB819,700 |
| | RMB8,689,076 |

## Company Secretary

Ms. Sham Ying Man is the company secretary of the Company. The primary contact person at the Company is Ms. Bian Weiwen, the chief financial officer of the Company. Ms. Sham Ying Man is a senior manager of Company Secretarial Services of Tricor Services Limited, a global professional service provider specialising in integrated business, corporate and investor services. The company secretary attended sufficient professional training as required under the Listing Rules for the year ended 31 March 2025 to update her skills and knowledge.

## Shareholders' Rights

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of HKEX and the Company after each general meeting.

### Right to Call an Extraordinary General Meeting

Pursuant to the article 12.3 of the articles of association of the Company, general meetings may be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. Shareholders should follow the requirements and procedures as set out in the articles of association of the Company for convening a general meeting.

### Putting Forward Proposals at General Meetings

There are no provisions in the articles of association of the Company or the Companies Law of the Cayman Islands for shareholders to put forward new proposals at general meetings. Shareholders who wish to put forward a proposal may request the Company to convene a general meeting in accordance with the procedures set out in the paragraph headed "Right to call an Extraordinary General Meeting" above. A shareholder who wishes to propose a person for election as a director of the Company should lodge a written notice of his/her intention to propose such person for election and also a notice in writing signed by the person to be proposed of his/her willingness to be elected as a director of the Company at Room 1910, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, for the attention of the company secretary of the Company. For details, please refer to the "Procedures for Shareholders to Propose a Person for Election as Director" of the Company which is posted on the Company's website.

### Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the following address and provide their full name(s), contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

| | |
|---|---|
| Address: | 31 Floor, No. 100, Century Ave., Pudong New Area, Shanghai, PRC<br>(For the attention of the Board of Directors/Chief Investor Relations Officer) |
| Email: | IR@honma.hk |

For enquiries about shareholdings, shareholders should direct their enquiries to the Company's Hong Kong share registrar, the details of which are as follows:

| | |
|---|---|
| Name: | Computershare Hong Kong Investor Services Limited |
| Address: | Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong |
| Tel No.: | (852) 2862 8555 |
| Fax No.: | (852) 2865 0990 |

## Communication with Shareholders and Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and the investment community. Shareholders may make any enquiries with respect to the Company by following the steps set out in the paragraph headed "Putting Forward Enquiries to the Board" above.

At the annual general meeting, Directors (including non-executive Directors), in particular, the chairmen of the Board committees or their delegates, appropriate senior executives and external auditor are available to meet shareholders, understand their views and answer their enquiries.

## Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at streamlining policies and procedures for provision of appropriate and timely information about the Company to the shareholders, as well as ensuring that shareholders' views and concerns are appropriately addressed. According to the Shareholders' Communication Policy, information of the Company is communicated to its shareholders mainly through annual reports, interim reports, annual general meetings and other general meetings that may be convened, as well as other publications and corporate communications on the websites of HKEX and the Company.

The Company has established a number of channels for maintaining an on-going dialogue with its shareholders as follows:

### (a) Shareholders' Enquiries

Shareholders may make any enquiries with respect to the Company by following the steps set out in the paragraph headed "Putting Forward Enquiries to the Board" above.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

### (b) Corporate Communications

Corporate Communications have the meaning ascribed thereto in the Listing Rules, including but are not limited to (i) the directors' report, the annual accounts together with a copy of the auditor's report, (ii) the interim report, (iii) notice of general meeting, (iv) a listing document, (v) a circular, and (vi) a form of proxy.

Corporate Communications should be made available to the shareholders in a timely manner. They should be in plain language and in both English and Chinese versions.

Shareholders are encouraged to provide, amongst other things, their contact details (in particular, their email address) to the Hong Kong share registrar of the Company in order to facilitate timely and effective communications.

### (c) Corporate Website

A dedicated "Investor Relations" section is available on the Company's website which provides the shareholders with the corporate information, such as Corporate Communications and financial highlights of the Group. Also, it provides information on corporate governance of the Group as well as the compositions and functions of the Board and the Board committees.

The Company publishes its results announcement on the websites of HKEX and the Company after the results have been approved by the Board. The results announcement contains the performance and results of the Group, details on the recommended dividend payment (if any) and closure of the register of members and any other information required to be disclosed under the Listing Rules from time to time.

Information released by the Company for publication on the website of the HKEX is also posted on the website of the Company promptly. Such information includes but is not limited to annual reports, interim reports, announcements, circulars, notices of general meetings and any other information required to be published under the Listing Rules from time to time.

Press releases and newsletters issued by the Company from time to time are also available on the website of the Company.

Information on the website of the Company is updated on a regular basis.

### (d) General Meetings

General meetings provide an opportunity for constructive communication between the Company and its shareholders.

Appropriate arrangements for the general meetings shall be put in place to encourage shareholders' participation.

Notices of annual general meeting, related circulars and forms of proxy will be distributed to the shareholders at least 21 days (or any other period required under the Listing Rules or the articles of association of the Company from time to time) prior to the respective annual general meeting. The circulars will set out details of the proposed resolutions and other relevant information. The forms of proxy shall also be provided to the shareholders for appointing proxies to attend and vote at the annual general meeting on their behalf.

Directors (including non-executive Directors), in particular, the chairman of the Board committees or their delegates, appropriate senior executives and external auditor shall attend the annual general meeting to answer questions from shareholders.

Proceedings of the Company's general meetings will be reviewed from time to time to ensure that they are in compliance with the requirements under the articles of association of the Company, the Listing Rules and the applicable laws of the Cayman Islands, and follow good corporate governance practices. Separate resolution on each substantially separate issue will be proposed for voting at the general meeting. The chairman of the general meeting will propose to vote the resolutions (except resolutions which relate purely to procedural or administrative matters) by poll in accordance with the articles of association of the Company. Scrutineer will be appointed for the vote-taking at the general meeting. The voting results will be published on the websites of HKEX and the Company subsequent to the close of the general meeting.

### (e) Investment Market Communications

To facilitate communication between the Company, shareholders and the investment community, results briefings, conferences, meetings and non-deal roadshows are conducted with shareholders, potential investors and analysts from time to time.

Directors and employees of the Company who have contacts or dialogues with investors, analysts, media or other interested third parties are required to comply with the disclosure obligations and requirements under the Listing Rules and applicable laws and regulations.

The Board reviews the implementation and effectiveness of the Shareholders' Communication Policy on an annual basis to ensure that it reflects current best practices in communications with the shareholders and the investment community. The most recent review was conducted in June 2025, and the result was satisfactory. Channels for shareholders and stakeholders to communicate their views on various matters affecting the Company and steps to solicit and understand their views are also considered to be sufficient.

## Constitutional Documents

During the Year, the Company had not made any changes to its memorandum and articles of association. An up-to-date version of the Company's memorandum and articles of association is available on the websites of HKEX and the Company.

## Dividend Policy

The Company has adopted the Dividend Policy on payment of dividends. Under the Dividend Policy, the Company intends to declare and pay no less than 50% of its profits attributable to owners of the Company on an annual basis as dividends to its shareholders, subject to the conditions and factors as set out in the Dividend Policy.

The Board has the discretion to declare and pay dividends to the shareholders of the Company, subject to the articles of association of the Company and all applicable laws and regulations and the factors set out in the Dividend Policy.

The Board shall take into account the following factors of the Group when considering the declaration and payment of dividends:

- results of operations;
- cash flows;
- financial condition;
- statutory and regulatory restrictions on the payment of dividends by the Company;
- the Company's capital requirements;
- future business plans and prospects; and
- any other factors that the Board may consider relevant.

Depending on the financial conditions of the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board as final dividend, interim dividend, special dividend or any distribution of net profits that the Board may deem appropriate. Any final dividend for a financial year will be subject to shareholders' approval. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

# Environmental, Social and Governance Report

## Report Introduction

This environmental, social and governance report ("**ESG Report**" or the "**Report**") has been prepared following the Environmental, Social and Governance Reporting Guide (Appendix C2 to the Main Board Listing Rules) ("**ESG Reporting Guide**") of The Stock Exchange of Hong Kong Limited ("**HKEX**"). This ESG Report describes the progress of environmental, social and governance ("**ESG**") efforts made by Honma Golf Limited ("**Honma**" or the "**Company**") and its subsidiaries (collectively "**we**", "**us**", "**ours**", or the "**Group**") for the period from 1 April 2024 to 31 March 2025 (the "**Reporting Period**"), which aims at transparently disclosing the Group's ESG policies, initiatives, and performance beyond financial performance, in response to stakeholders' concerns and expectations regarding the Group's sustainable development.

## Reporting Scope

The scope of the ESG Report covers the Sakata Campus, the Research & Development and Manufacturing Centre of golf clubs in Japan (the "**Sakata Campus**"), administration offices ("**Offices**"), as well as self-operating stores ("**Stores**") across Korea, Japan, and the People's Republic of China (the "**PRC**" or "**Mainland China**") where golf clubs and golf-related products are sold to customers (collectively "**In-scope Locations**").

We employ a total of 682 (2024: 705) employees worldwide, while this ESG Report focuses on covering In-scope Locations where the Group's major business processes were based with a total of 651 (2024: 637) employees.

## Reporting Principles

The Group adheres to the four fundamental reporting principles set out in the ESG Reporting Guide in the preparation of the ESG Report. These reporting principles and the way the Group applies these in the ESG Report are set out below:

| Reporting Principles | How it is applied to this Report |
|---|---|
| Materiality | The ESG Report covers the key environmental and social issues of concern to different stakeholders. These material environmental and social issues were identified through consideration by the Board of Directors (the "**Board**"), Audit Committee, and discussion between the Board and management and engagement with different stakeholders. The identification process of substantive issues and the matrix of the substantive issues along internal and external dimensions are disclosed in this ESG Report, further details of which are set out in the "**Stakeholder Engagement**" section in this ESG Report. |
| Quantitative | Information on the standards, methodologies, assumptions and/or calculations used, and the source of key emission and conversion factors used for both quantitative environmental and social key performance indicators ("**KPI**") are disclosed in this ESG Report. Details of this information are set out in the notes section following the relevant KPIs. |

## Reporting Principles (continued)

| Reporting Principles | How it is applied to this Report |
|---|---|
| Balance | The ESG Report provides an unbiased picture of the Group's performance during the Reporting Period. Information is disclosed in an objective manner, avoiding selections, omissions, or presentation formats that may inappropriately influence readers' judgment. |
| Consistency | To enhance and maintain the comparability of ESG performances over time, the Group applies consistent reporting and calculation methodologies as practicable, enabling meaningful comparisons. Individual changes and other meaningful variations that may affect the comparison of the KPIs have been explained accordingly. |

## Release Method

The ESG Report is prepared in both English and Chinese and has been published in electronic form and uploaded to the official website of Honma (https://honmagolf.com/cn) and the HKEXnews website (https://www.hkexnews.hk). In case of inconsistencies or discrepancies between the English and Chinese versions of the Report, the English version shall prevail.

## About the Group

Honma designs, develops, manufactures, and sells a comprehensive range of aesthetically crafted and performance-driven golf clubs and golf-related products. Founded in 1959, Honma is a premium golf brand synonymous with intricate craftsmanship, dedication to performance excellence, and distinguished product quality. Our in-house manufacturing base for golf clubs is located in Sakata, Yamagata prefecture of Japan, where we perform all major golf club manufacturing processes and outsource non-core processes to respected suppliers. Skilled craftsmen and R&D personnel with years of experience are staffed in our manufacturing base, with the average experience of master craftsmen being around 34 years. Their pursuit of product quality enables the Group to maintain the status of the HONMA brand as an iconic high-quality brand. At the same time, this combination of internal and outsourced manufacturing processes helps the Group to maintain control over its core skills and intellectual property rights, and ensure product quality while controlling production costs.

We have HONMA-branded Stores and sales channels that sell our products via third-party retailers and wholesalers, offering a 360-degree brand experience to customers worldwide, primarily in Asia, as well as across the USA, Europe, and other regions. We continue to stay up to date with the latest market trends, while also upgrading the retail experience both online and offline to increase consumer awareness and loyalty.

## Statement of the Board

Sustainable development issues have always been a priority for the Group's development. The Board of the Group is fully responsible for overseeing ESG-related matters. They have established an Audit Committee and hired external professional consultants to work with department heads to plan and implement ESG initiatives, identifying ESG risks. The Board regularly receives reports from the Audit Committee, reviews the Group's ESG strategic planning, assessment results of important ESG issues, ESG-related risk identification and management, and periodically reviews the progress of ESG targets.

The Group is committed to advancing and deepening its work in the ESG field, integrating the vision and strategies of sustainable development into the Group's operations and overall strategic planning. The Board regularly reviews and updates these initiatives. They closely monitor stakeholders' needs, actively engage in identifying, assessing, and managing key ESG issues, and conduct ESG-related risk management to guide the implementation of strategies that effectively mitigate potential risks that could hinder the sustainable development of the Group.

In setting its targets, the Group has established goals covering greenhouse gas emissions, energy efficiency, and water use efficiency. These targets are subject to regular review to enhance the management of our environmental performance. During this year, we reassessed our progress towards set targets. We are also committed to continuously monitoring the progress of our ESG goals and making any necessary adjustments or improvements to more effectively oversee and enhance our sustainability efforts.

This ESG Report discloses the management practices of the Group in the aforementioned work and other ESG areas. The Report contains no false records, misleading statements, or significant omissions. The Board takes full responsibility for the content reported in this Report, which was approved by the Board on 26 June 2025.

## Sustainability Management

### Sustainable Development Governance Structure

The Group attaches great importance to corporate sustainable development management, understands the importance of ESG in meeting the changing expectations of stakeholders and enhancing the Group's economic value and financial performance. We actively follow domestic and international ESG initiatives and standards, established a sustainable development governance framework with the Board at its core, and set up an Audit Committee to ensure that the Group has sufficient and effective management capabilities in risk management and other sustainable development matters. At the same time, we engage external professional consultants to conduct annual reviews of ESG risk management, and department heads are responsible for coordinating the implementation of relevant work in cooperation with the Audit Committee to implement various ESG matters.

The Group's regulatory framework and functions on ESG matters are as follows:

| Aspect | Regulatory Roles | Responsibilities |
|---|---|---|
| The highest governance body | Board of Directors | • Take overall responsibility for assessing the key ESG risks faced by the Group, establish and oversee ESG risk management and internal control systems;<br>• Regularly review and monitor ESG performance and progress towards targets;<br>• Approve the content of the annual ESG report;<br>• Deliberate and approve the Group's ESG management strategies, plans, targets, and annual work. |
| Management level | Audit Committee | • Assist the Board in leading the management of risk and internal control systems;<br>• Oversee the design, implementation and monitoring of risk management and internal control systems. |

## Sustainability Management (continued)

### Sustainable Development Governance Structure (continued)

| Aspect | Regulatory Roles | Responsibilities |
|---|---|---|
| Execution level | Head of each business department | • Organise, promote and implement various ESG-related work according to the Group's ESG management strategy, planning, targets and the deployment, requirements and division of annual work;<br>• Continuously assess and identify risks that may affect the Group's business and all aspects, including ESG risks during operations and a lack of internal controls;<br>• Report any identified risks to management. |
| External support level | External Professional Consultant | • Conduct annual independent reviews of risk management and internal control systems;<br>• Ensure that the procedures used to identify, assess and manage significant risks can accurately identify the key features of risk management and internal control systems;<br>• Assist the Group in identifying significant issues. |

## Stakeholder Engagement

### Stakeholder Engagement

The Group values close cooperation and communication with all stakeholders, through effective communication mechanisms and diverse communication channels, fully responding to the concerns and demands of all parties on the ESG issues and matters they care about and improving its own ESG management level. The stakeholders identified by the Group include customers, suppliers, shareholders and investors, employees, media and local communities, non-government organisations and the general public. In the communication process, we actively discuss and explore the implementation paths and best practices of ESG-related work, and continuously optimise the ESG management mechanisms and work plans based on the results of communication and feedback, continuously enhancing the Group's sustainable development capabilities.

The stakeholder groups, their expectations and their typical communication channels with the Group are shown below:

| Stakeholder groups | Expectations | Typical communication channels |
|---|---|---|
| Customers | ➢ Product quality<br>➢ Product warranty<br>➢ Product price<br>➢ Product performance<br>➢ Return policy<br>➢ Innovation and development of new products<br>➢ Product safety<br>➢ Product branding<br>➢ Shopping experience | ➢ Direct engagement at the Company's retail point of sales<br>➢ After-sales services, during which consumers have the chance to interact with a professional service team to fine-tune the products to meet their play preferences<br>➢ Golf events for customers to test products and to give direct feedback<br>➢ Indirect engagement via various touchpoints within the Group's digital platforms, handled by designated staff in different countries (e.g., global website, various social media platforms and local CRM systems)<br>➢ Regular communication via email or telephone<br>➢ Global website, social media platforms and E-commerce platforms<br>➢ Financial reports, announcements and circulars and other publicly available information |

## Stakeholder Engagement (continued)

### Stakeholder Engagement (continued)

| Stakeholder groups | Expectations | Typical communication channels |
|---|---|---|
| Suppliers | ➢ Stable business relationship<br>➢ Fair and honest dealing<br>➢ Timely information sharing<br>➢ Settlement of the invoice in a timely manner<br>➢ Sufficient products/services | ➢ Regular communication via email or telephone<br>➢ Regular progress meetings and/or reports<br>➢ Face-to-face meetings, which include visits to factories during the entire product development process<br>➢ Supplier evaluations |
| Shareholders and investors | ➢ Return on investment<br>➢ Information disclosure and transparency<br>➢ Protect the rights and interests of shareholders<br>➢ Disclose relevant and accurate information promptly<br>➢ Improve corporate governance<br>➢ Run the business in compliance with laws and regulations<br>➢ Combat corruption and uphold integrity | ➢ Regular non-deal roadshows and calls to interact with analysts, potential investors and shareholders directly and indirectly<br>➢ Regular information feedback via the dedicated Investor Relations team, by telephone calls and emails<br>➢ Attend investor conferences and summits organised by reputable brokers and securities companies<br>➢ Regular results briefing towards shareholders and at AGMs<br>➢ Financial reports, results announcements, press releases, circulars, and other publicly available information<br>➢ Information disclosure of listed companies<br>➢ Information disclosure on the websites of the HKEX and the Company |

## Stakeholder Engagement (continued)

### Stakeholder Engagement (continued)

| Stakeholder groups | Expectations | Typical communication channels |
|---|---|---|
| Employees | ➢ Vocational training<br>➢ Career planning, development, and opportunities<br>➢ Salaries and welfare<br>➢ Work environment<br>➢ Health and safety protection<br>➢ Innovation<br>➢ Intellectual property rights<br>➢ Competitiveness | ➢ Regular team sharing<br>➢ Mentoring by a direct supervisor<br>➢ Employee notice boards<br>➢ Training, seminars, and presentations<br>➢ Monthly orientation for newly onboarded employees<br>➢ Employee activities and team-building exercises<br>➢ Employee handbook |
| Local communities, non-government organisations and the general public | ➢ Employment opportunities<br>➢ Ecological environment<br>➢ Community development<br>➢ Social community<br>➢ Dedication to public welfare<br>➢ Charitable donations<br>➢ Reduction in pollutant emissions<br>➢ Reduction in waste | ➢ Environmental protection activities<br>➢ Community investment and service<br>➢ Open a testing ground on weekends for teenagers to learn golf |

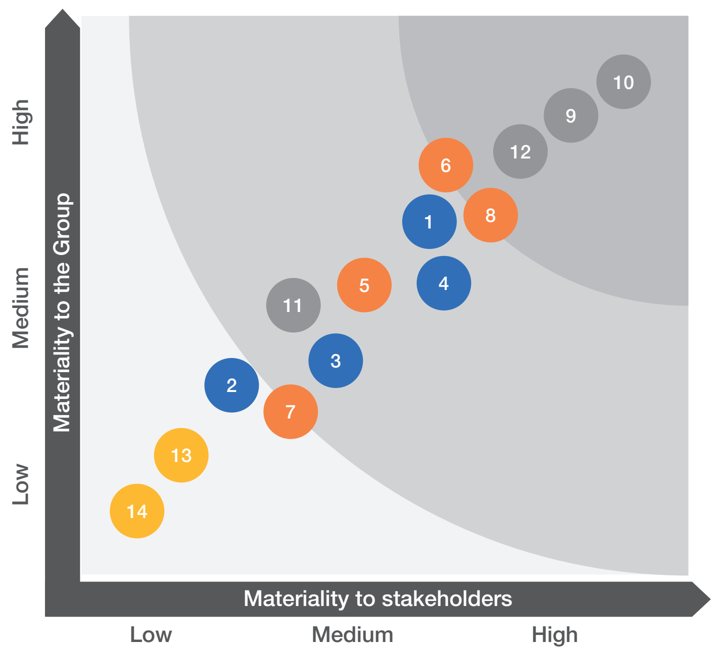
## Stakeholder Engagement (continued)

### Stakeholder Engagement (continued)

| Stakeholder groups | Expectations | Typical communication channels |
|---|---|---|
| Media | ➢ Transparency of information<br>➢ Good media relations | ➢ Information disclosure on the websites of the HKEX and the Company<br>➢ Financial reports, announcements and circulars and other publicly available information<br>➢ Press conference for new products<br>➢ Regular press release and update on new product launches and new store openings |

### Materiality Assessment

The Group emphasises the identification, assessment and management of sustainable development issues. We refer to the ESG Reporting Guide and consider the expectations and opinions of key internal and external stakeholders to identify significant ESG issues. Following the ESG Reporting Guide, we further classify these issues into different areas. During this year, there have been no significant changes in our stakeholder groups, business and operating environment compared to last year. Therefore, the Board, the Audit Committee and the management confirmed that the materiality assessment results from the previous year remain applicable to this year's situation and continue to meet stakeholder expectations and be used this year.



## Stakeholder Engagement (continued)

### Materiality Assessment (continued)

| Environment | Employees |
| --- | --- |
| 1. Environmental compliance<br>2. Investment in environmental protection<br>3. Greenhouse gas emissions<br>4. Waste management | 5. Salaries and welfare<br>6. Occupational Health and safety protection<br>7. Employee diversification<br>8. Training and career development |
| **Business** | **Community** |
| 9. Product safety<br>10. Product quality<br>11. Intellectual property rights<br>12. Supply chain management | 13. Community development<br>14. Charitable donations and community service |

The Group provides customers with a complete golf lifestyle experience through its diversified golf-related products, including golf clubs, golf balls, golf bags, clothing and other accessories. Therefore, ensuring product quality and safety is our top priority. This relies heavily on the exquisite craftsmanship of our craftsmen and the quality standards of our partner suppliers. Therefore, employee training, health and safety protection and supply chain management are also important issues for the Group.

Based on the above analysis, we will continue to improve its ESG performance to meet the expectations of stakeholders, provide them with feedback and respond to risks that the Group may face. During the Reporting Period, the details of our ESG work will be introduced in the following four subject areas, namely "Green development, ecological win-win", "Inclusiveness and care, joint growth for all", "Craftsmanship shapes quality, and responsibility drives management" and "Giving back to society, co-creating a better future".

## Green development, ecological win-win

The Group fully recognises the serious challenges brought by climate change and actively assumes environmental responsibility. Our mission is to implement environmental sustainability principles in our business operations and continue to work to minimise adverse impacts on the environment.

The Group has established a strict environmental compliance management system to ensure that all operating areas, including Japan and Mainland China, fully comply with local applicable environmental protection laws, regulations and requirements. Specifically, the Sakata Campus and Stores in Japan must strictly comply with Japan's environmental protection laws and regulations, especially the Sakata Campus, where local government officials conduct regular inspections. The Group invests substantial financial resources every year to ensure that we strictly comply with these laws and regulations and ensure the safety of the surrounding environment. The major laws and regulations we comply with include, but are not limited to:

➢ Water Pollution Control Act (水質污濁防止法);

➢ Air Pollution Control Act (大氣污染防止法);

➢ Noise Regulation Law (噪音規制法);

➢ Vibration Regulation Law (振動規制法); and

➢ Soil Contamination Countermeasures Law (土壤污染對策法).

## Green development, ecological win-win (continued)

Meanwhile, our Stores in Mainland China also strictly comply with relevant environmental laws and regulations in China, which include but are not limited to:

- Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法);
- Environmental Protection Tax Law of the People's Republic of China (中華人民共和國環境保護稅法);
- Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法);
- Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法); and
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法).

During the Reporting Period, the Group did not receive any reports or complaints of material violations of environmental laws and regulations in any jurisdiction (2024: Nil).

## Emissions and waste management

### Air emissions

Air emissions by the Group were mainly generated from the burning of fuel in boilers and the use of motor vehicles for transportation within the Sakata Campus. The amounts of different types of air emissions from In-scope Locations during the Reporting Period are as follows:

| (Unit: kilograms) | | For the year ended 31 March | | | |
|---|---|---|---|---|---|
| | | 2025 | | 2024 | |
| Types of air emissions | Air emission source(s) | Emission amount | Intensities (Note 1) | Emission amount | Intensities (Note 1) |
| Nitrogen Oxides (NOx) | Burning of fuel in the manufacturing processes and the use of motor vehicles | **382** | **0.01761** | 315 | 0.01200 |
| Sulphur Oxides (SOx) | | **2,460** | **0.11350** | 2,313 | 0.08820 |
| Particulate Matter (PM) | | **24** | **0.00109** | 18 | 0.00068 |

Note 1: Intensity is calculated by dividing emissions by sales revenue during the Reporting Period.

## Emissions and waste management (continued)

### Greenhouse Gas ("GHG") emissions

The amounts of different types of GHG emissions in $CO_2$ equivalent emissions ("**$CO_2e$**") generated from In-scope Locations during the Reporting Period are as follows:

| (Unit: Tonnes of $CO_2e$) | | For the year ended 31 March | | | |
|---|---|---|---|---|---|
| | | 2025 | | 2024 | |
| GHG emissions | GHG emission source(s) | Emission amount | Intensity (Note 1) | Emission amount | Intensity (Note 1) |
| **Scope 1** | | | | | |
| Direct emissions | Burning of fuel in the manufacturing processes and the use of motor vehicles, hydrofluorocarbons ("**HFC**") used in refrigeration equipment | **691** | **0.03188** | 639 | 0.02438 |
| **Scope 2** | | | | | |
| Indirect emissions | Purchased electricity | **1,882** | **0.08685** | 1,884 | 0.07185 |
| **Scope 3** | | | | | |
| Other indirect GHG missions | Waste generated in operations<br>Business travel | **562** | **0.03** | Newly added in 2025 | Newly added in 2025 |
| **Total** | | **3,135** | **0.14464** | 2,523 | 0.09623 |

Note 1: Intensity is calculated by dividing emissions by sales revenue during the Reporting Period. This year, the golf industry has been facing continued and increased market competitions resulting from weakening consumer confidence as the global economy and certain areas of the world experienced lingering and material economic slowdowns. As a result, the Group's revenue showed downward developments. In the subsequent chapters of this Report, if the emission intensity increases due to the same reasons mentioned above, it will not be repeated.

## Emissions and waste management (continued)

### Greenhouse Gas ("GHG") emissions (continued)

During the Reporting Period, the direct GHG emissions in Scope 1 were 691 tons, mainly from the fuel consumption in the boiler operation and the vehicle transportation process in the Sakata Campus, and the use of HFC. The emissions during the year increased compared with last year. The main reasons include the increase in the frequency of vehicle use due to the business activities undertaken by the Company's employees and the increase in transportation demand within the Sakata Campus; also, there was frequent snowy weather this year, and the use of vehicles at the Sakata Campus increased. At the same time, the operation frequency of large snow removal equipment also increased accordingly. Overall, the GHG emission intensity in Scope 1 increased by 31% compared with last year.

During the Reporting Period, the main source of indirect emissions of GHG (Scope 2) was the consumption of purchased electricity. The purchased electricity is used for manufacturing processes and general purposes at the Sakata Campus, such as lighting and heating, as well as the usage across Stores in Japan and Mainland China. Indirect GHG emissions were broadly in line with last year, with an increase in intensity of 21%.

During the Reporting Period, we disclosed Scope 3 GHG emissions for the first time, including Category 5: Waste generated in operations, and Category 6: Business travel. Among them, waste generated in operations mainly includes carbon emissions from waste plastics, wood, paper, chemical waste, etc., while carbon emissions from business travel mainly come from business travel by air. We will continue to explore other Scope 3 categories in the future and provide more comprehensive disclosures when appropriate.

## Emissions and waste management (continued)

### Wastes

Wastes were mainly produced during the manufacturing process at the Sakata Campus, primarily including dust, sewage and scraps. We properly dispose of relevant waste by the Waste Management and Public Cleansing Act (廢棄物處理法). The electroplating process produced sewage containing cyanide and chromium, which were hazardous. They were processed through evaporation, filtration and other effluent treatment before being discharged into a designated pipe network. The dust generated during the grinding process is removed by installing a dust removal device to avoid health and safety risks to workers.

The manufacturing process generates both non-hazardous waste (such as carbon fibre) and hazardous waste (such as metal and coatings). We have established waste disposal and treatment policies and procedures to handle these hazardous and non-hazardous wastes to minimise the impact on nature and the environment. Such policies and procedures have been delivered effectively to all employees. Wastes will be recycled and reused to a maximum extent, and non-recyclable wastes will be processed by qualified service providers engaged.

During the Reporting Period, the amount of various types of wastes generated at the In-scope Locations is shown in the table below:

| (Unit: Tonnes) | | For the year ended 31 March | | | |
|---|---|---|---|---|---|
| | | 2025 | | 2024 | |
| Types of wastes | Hazardous/ Non-hazardous | Amount generated | Intensities (Note 1) | Amount generated | Intensities (Note 1) |
| Chemical waste | Hazardous | **11.1** | **0.00051** | 0.1 | <0.00001 |
| Paper | Non-hazardous | **19** | **0.00087** | 90 | 0.00342 |
| Carbon fibre | Non-hazardous | **3** | **0.00015** | 3 | 0.00013 |
| Plastic waste, polyethylene, wood, metal waste, waste coating, etc. | Non-hazardous | **210** | **0.00969** | 139 | 0.00531 |

Note 1: Intensity is calculated by dividing emissions by sales revenue during the Reporting Period.

In terms of hazardous waste, due to the electroplating process, the Group continued to improve data collection this year, and the amount and intensity of chemical waste generated this year increased compared with last year. In terms of non-hazardous waste, due to the relocation of offices this year, some inventory was processed in batches, so the amount and intensity increased compared with last year.

## Emissions and waste management (continued)

### Energy use and resource conservation

The energy resources consumed by In-scope Locations during the Reporting Period were mainly fuel oil, liquefied petroleum gas ("**LPG**"), gas and electricity. Other resources used by In-scope Locations included water, printing paper, and product packaging materials. Water is mainly used in the electroplating production process, and we have not encountered any problems in sourcing water. Printing paper is consumed only when necessary during daily operations. In terms of packaging materials, they are mainly used to package finished products in Stores. Therefore, the impact is relatively immaterial as the Group will only provide simple packaging to customers in need, and the quantity is therefore not significant to the Group. As a result, we did not disclose information on packaging material consumption during the Reporting Period.

The amounts of energy and resources consumed by In-scope Locations during the Reporting Period are as follows:

| | | For the year ended 31 March | | | |
|---|---|---|---|---|---|
| | | 2025 | | 2024 | |
| **Energy** | **Units** | **Amount consumed** | **Intensities (Note 1)** | Amount consumed | Intensities (Note 1) |
| **Purchase of energy (indirect)** | | | | | |
| Electricity | MWh | **4,273** | **0.19716** | 4,211 | 0.16059 |
| **Non-renewable fuel (direct)** | | | | | |
| Petroleum Gas | MWh | **1,757** | **0.08106** | 1,733 | 0.06610 |
| Fuel oil | MWh | **954** | **0.04401** | 884 | 0.03369 |
| Total non-renewable fuel (direct) | MWh | **2,711** | **0.12507** | 2,617 | 0.09979 |

| | | For the year ended 31 March | | | |
|---|---|---|---|---|---|
| | | 2025 | | 2024 | |
| **Resources** | **Units** | **Amount consumed** | **Intensities (Note 1)** | Amount consumed | Intensities (Note 1) |
| Water | Tonnes | **58,779** | **2.71220** | 55,852 | 2.12990 |
| Printing paper | Tonnes | **4** | **0.00017** | 2 | 0.00010 |

Note 1: Intensity is calculated by dividing emissions by sales revenue during the Reporting Period.

## Emissions and waste management (continued)

### Energy use and resource conservation (continued)

Due to the low temperature in the winter of 2024, the frequency of use of heating equipment such as heaters has increased, so the consumption of some fuels (fuel oil and kerosene) used for heating in the factory has increased compared with last year. In addition, the production operation time has decreased compared with last year. Overall, the total consumption of non-renewable fuels has increased slightly, and the intensity has increased by 25.3%.

In terms of electricity consumption, the overall electricity consumption of the Group is basically the same as the previous year, and the electricity intensity has increased by 22.8%. Among them, the change in electricity consumption of Japanese Stores is not obvious, and the electricity consumption of Chinese Stores has increased by 13.6% compared with last year. The reason is that there was hot weather in the summer of 2024, and the electricity consumption of air conditioning and cooling increased.

In terms of water use, the usage increased by 5.2% compared with last year, and the intensity increased by 27.3%. This is mainly related to cooling in high-temperature weather and flushing stores with water to maintain environmental hygiene.

In terms of printing paper usage, the usage increased by 44.7% and the intensity increased by 75.0% compared with last year, both the data on usage and intensity have been rounded to the nearest decimal place. Due to the relocation of the Tokyo headquarters to a new office this year, the documents were sorted and archived, increasing paper usage. Therefore, this increase is considered an isolated case and the printing paper usage is expected to return to normal levels in the next fiscal year.

The Group's sales activities have minimal direct impact on the environment and natural resources. At the Sakata Campus, craftsmen use electroplating technology developed through years of research and development to gold-plate BERES series club heads, which are higher-level golf clubs in the HONMA star system. This in-house developed specialised plating technology also sets our products apart from those of other golf club manufacturers.

Water is used during the electroplating process of golf clubs. Sewage produced during the manufacturing process is processed by evaporation, filtration and other effluent treatments before being discharged into the designated pipe network.

We will continue to monitor energy and resource consumption and implement practical corrective measures when necessary to align with the Group's environmental objectives. The strategies and initiatives adopted by the Group are detailed in "Environmental protection" section below.

## Emissions and waste management (continued)

### Environmental protection

Minimising the impact of our business on the environment and natural resources is also an important part of the Group's ESG strategy. We implement this strategy in our daily manufacturing and business processes through a series of environmental protection measures.

The Group has taken the following measures in the Sakata Campus and regularly implements them in our operations to achieve the ESG strategy:

### Manufacturing process management

➢ The Group implements the 5S on-site management and organisation method in its manufacturing processes;

➢ Regular checking of emissions from the manufacturing boilers;

➢ The Group regularly monitors and performs maintenance on key environmental protection facilities to minimise the impact on the environment and the consumption of natural resources. This is done to ensure that these facilities function properly in removing harmful substances; and

➢ The Group continuously optimises the entire production process, i.e., centralising production capacity to shorten the production cycle and minimising raw material utilisation; reducing the travel distances in the logistics of raw materials and production within the factory through careful management of inventory location and warehouse space.

## Emissions and waste management (continued)

### Environmental protection (continued)

#### Waste management

- Hazardous wastes such as cyanide and chromium are collected from sewage by qualified service providers for proper recycling and treatment;

- Scraps (such as metal, coating, carbon fibre, etc.) generated in the manufacturing processes are regularly monitored and reduced wherever possible for cost and waste reduction;

- When decorating new Stores and renovating existing Stores, priority is given to more environmentally friendly and safe paint materials;

- Treatment of non-hazardous waste – PP belt has been changed from incineration in previous years to recycling;

- By using a cleaning liquid recycling device, 80%-90% of waste organic solvent can be recycled; and

- The Waste Recycling Committee will continue to explore different ways to recycle and reduce waste generated during manufacturing processes.

In addition, the Group has also taken measures at the Sakata Campus and other offices and Stores, and implemented them regularly during operations to achieve the ESG strategy:

## Emissions and waste management (continued)

### Environmental protection (continued)

#### Office equipment and supplies

- Use energy-saving machines and devices, such as energy-saving air-conditioners and LEDs, and conduct regular checks to ensure safety as well as operating efficiency;
- Prioritise the use of water-saving and energy-efficient production machinery and office equipment, such as water-efficient sanitary ware in toilets, and electrical appliances with energy-saving or environmental protection certifications;
- Circulate various energy-saving guidelines to employees (such as turning off computers, lights and office equipment after work and during holiday; closing windows when the air conditioning is in use, etc.);
- Raise awareness among employees to turn off lights in work areas during their lunch breaks to save energy; and
- Centralised ordering of office supplies for each department to reduce delivery distance, and thereby reduce indirect emissions from transportation.

#### Water

- Conduct regular testing to ensure discharged water is safe for surrounding communities and meets discharge standards set by regulatory agencies;
- Install water-saving sensor faucets wherever possible to avoid unnecessary water waste; and
- Put up water conservation labels in offices and Stores to cultivate employees' awareness of conservation and ask them to reuse water in their daily lives.

#### Electricity

- The electricity used by Tokyo's Roppongi Mori Tower and Azabudai Hills Mori JP Tower is 100% generated by renewable energy;
- More than half of the electricity used in the Sakata Campus comes from local wind power, promoting a sustainable development strategy;
- After the relocation of the headquarters this year, a total of 464 LED lighting fixtures were installed, of which 250 are equipped with human body sensors to turn on the lights. Lighting that is not in use will be turned off, effectively saving electricity;
- LED lighting devices are used in the new establishment and renovation of Stores. This year, seven Stores have completed the replacement and installation of 161 LED lamps;

## Emissions and waste management (continued)

### Environmental protection (continued)

**Electricity** (continued)

- ➢ Energy-saving air conditioners are prioritised in the new establishment and renovation of Stores. This year, three Stores have completed the replacement of energy-saving air conditioners;

- ➢ Prioritises the use of energy-saving air conditioners in the Sakata Campus. This year, one additional air conditioner was replaced with an energy-saving model;

- ➢ Prioritise the use of air conditioners with good temperature and humidity control so that employees can work in a comfortable workplace and office environment while reducing unnecessary energy consumption due to overheating or overcooling; and

- ➢ Clean the air conditioning dust filter regularly to improve the cooling effect and reduce the chance of failure and repair. At the same time, this can reduce electricity consumption and electricity costs.

**Paper**

- ➢ Implement a paper reduction policy at work;

- ➢ Promote electronic office work across the Group and reduce the use of printing and other paper as much as possible;

- ➢ Packaging materials and cartons are reused wherever possible; otherwise, they should be properly recycled or disposed of;

- ➢ Reduce excessive printing by going paperless as much as possible, such as maximising the use of electronic digital devices for internal meetings and internal communications; and

- ➢ Reuse printed paper, subject to personal data confidentiality requirements.

**Vehicles**

- ➢ Fuel vehicles are refuelled at regular gas stations. Maintain air pressure before using the vehicle, and be careful not to brake or accelerate suddenly. Maintain a certain distance between vehicles, do not continuously step on the accelerator, do not idle when parking, etc. When using vehicles, employees should increase environmental awareness and reduce fuel consumption as much as possible. It is stipulated that when using a car in the Sakata Campus, they must ensure that the engine does not idle when parked;

- ➢ Use video/telephone conferencing systems for communication between offices instead of business trips to reduce energy consumption; and

- ➢ Use carpooling (i.e., share cars) whenever possible for daily attendance and to and from external meetings.

## Climate change

We adhere to the Task Force on Climate-related Financial Disclosures (TCFD) framework and the latest climate regulatory guidelines of the HKEX, disclosing climate risks and opportunities in a standardised and transparent manner. Through continuous enhancement of resource efficiency – including energy and water – we drive reduction and circular utilisation throughout our production and operational processes. We actively explore renewable energy applications to progressively reduce reliance on fossil fuels, strictly comply with domestic and international environmental laws, regulations, and industry standards, and integrate environmental compliance requirements into all business processes to fulfil our commitment to sustainable development. Looking ahead, we will continue to implement climate management initiatives across the entire value chain, contributing our corporate strength to the development of a climate-friendly society and to global climate governance.

### Governance

HONMA adopts an ESG governance structure comprising the highest governance body, management level, execution level, and external support level as its climate change governance framework. The Audit Committee assists the Board in leading the management of risk and internal control systems, oversees the design, implementation and monitoring of risk management and internal control systems, thereby ensuring the smooth implementation and effective execution of governance frameworks, including those related to climate change. For further details, please refer to the "Sustainability Management" section of this ESG Report.

### Strategy

HONMA is committed to enhancing transparency and disclosure regarding the Company's climate-related risks, opportunities, and their impacts. Concerning the TCFD guidelines, we have comprehensively integrated environmental protection and climate change considerations into business development and operational management, systematically identifying and assessing climate change risks and opportunities to formulate targeted response strategies, thereby strengthening the Company's resilience and competitiveness in the face of environmental challenges.

From the perspective of our business activities and operations, we have identified significant and probable physical risks and transition risks and have explored potential opportunities. We recognise that these climate risks may have significant impacts on the Company in the short term (within 3 years), medium term (3-5 years), and long term (over 5 years), encompassing both environmental physical changes and the challenges associated with the transition to a low-carbon economy.

To effectively address these risks, the Company analyses their impact on risk management objectives and evaluates the Company's risk tolerance. Based on the identification results, we have formulated corresponding response measures for physical risks (such as extreme weather and natural disasters induced by climate change) and transition risks (such as policy changes, technological upgrades, and shifts in market demand), ensuring that the Company maintains a proactive and forward-looking approach to risk management.

## Climate-related risks

| Risks type | | Climate-related risk description | Impact period | Potential financial impact | Mitigation measures |
|---|---|---|---|---|---|
| Physical Risks | Acute risks | The increased frequency of extreme weather events (such as extreme cold or heat, heavy rainfall, blizzards, and typhoons) may affect the safety of Company buildings and production equipment, extend employee commuting times, and have certain impacts on employee safety and the Company's normal operations | Medium to short term | • Increased operating costs<br>• Increased employee insurance and subsidy costs<br>• Reduced revenue | • Strengthen disaster-resilient building design and deploy waterproofing and flood control facilities<br>• Invest in appropriate insurance for plants and equipment to mitigate the adverse impact of increased costs on the Company<br>• Establish emergency response plans for extreme weather, monitor alerts issued by the meteorological bureau, remind employees to work from home during extreme weather events, utilise online video conferencing for communication, and ensure employee safety and uninterrupted operation of critical equipment |
| | Chronic risks | Persistent high temperatures resulting from global warming may increase the energy consumption of the Company's refrigeration equipment (such as air conditioners)<br><br>Extreme weather events may disrupt the supply chain, preventing suppliers from delivering products and services to the Company on schedule | Long-term | • Increased operating costs<br>• Reduced revenue | • Select or upgrade high-efficiency, energy-saving refrigeration equipment and perform regular maintenance to ensure optimal equipment performance<br>• Regularly review the distribution of suppliers to ensure they are located in diverse countries or regions, thereby mitigating the risk of supply chain disruptions |

## Climate-related risks (continued)

| Risks type | | Climate-related risk description | Impact period | Potential financial impact | Mitigation measures |
|---|---|---|---|---|---|
| Transition Risks | Policies and regulations | Changes in domestic and international climate change-related policies may require the Company to incur additional costs to ensure compliance | Medium to short term | • Increased compliance costs | • Establish a compliance monitoring team to proactively track domestic and international climate policies, regularly assess the impact of policy and regulatory risks on the enterprise, and develop corresponding risk mitigation strategies |
| | Market | As public awareness of sustainable development increases, investors and consumers may require more environmentally friendly products. If the Group's products are perceived as not environmentally friendly or less sustainable than alternatives, it may experience a decline in demand | Medium to long term | • Increased operating costs<br>• Reduced revenue | • Establish a regular market analysis mechanism to strengthen trend monitoring, optimise supply chain management, and promptly respond to market dynamics |
| | Reputation | If the Company fails to fulfil its social responsibilities and implement appropriate measures to manage the potential impacts of climate change, it may affect the evaluation of the Company by various stakeholders, including investors | Long-term | • Damage to corporate image<br>• Reduction in investment | • Set carbon reduction targets, communicate climate action outcomes transparently, and continuously engage with stakeholders to understand their concerns and needs, thereby enhancing stakeholder trust |

## Climate-related opportunities

| Type of opportunity | | Description of climate-related opportunity | Impact timeframe | Potential financial impact | Mitigation measures |
|---|---|---|---|---|---|
| **Energy and resources** | Resource efficiency | Direct cost savings through technologies such as digitalisation | Medium to short term | • Reduction in operating costs | • Enhance operational efficiency and reduce operating costs through digitalisation and intelligent technologies<br>• Conserve resources such as electricity and water, reducing corporate operating expenses |
| **Energy and resources** | Financing opportunities | Financial institutions may link loan interest rates to green and environmental data. Enterprises that implement sustainable development initiatives and demonstrate progress towards achieving targets may obtain more favourable financing rates from banks | Medium – to long-term | • Reduced financing costs | • Engage in green finance and leverage financial instruments such as green bonds and green loans to raise capital for sustainable development projects, while also benefiting from policy incentives and market recognition |
| **Products and services** | Shifts in consumer preferences | Consumers exhibit a preference for green products, leading to increased demand for green and low-carbon products | Medium to short term | • Increased revenue | • Enhance the Company's market competitiveness by establishing a green and low-carbon corporate image, strengthening corporate social responsibility and brand reputation, attracting more consumers, and further increasing market competitiveness |
| **Products and services** | Investor preferences | Investors are expected to increase investment in low-carbon, green-operating enterprises, thereby enhancing corporate working capital and strengthening the capital chain | Medium – to long-term | • Increased revenue | • Demonstration of the Company's commitment to and achievements in sustainable development enhance investor confidence and establishes long-term, stable financing relationships |

## Climate-related opportunities (continued)

### Risk Management

Concerning risk management, all major subsidiaries of the Group conduct annual corporate risk assessments and internal control system reviews to identify, assess, and manage significant risks, including ESG risks, associated with their long-term strategies and daily operations. All significant risks (including ESG risks), once identified, are financially quantified and addressed through risk mitigation measures. These measures are reviewed annually to assess the effectiveness of the risk management system and to address significant internal control deficiencies, thereby strengthening corporate risk management.

To effectively respond to extreme weather events and ensure the safety of personnel and assets, the Group has taken proactive measures. Following its operational management characteristics, the Group has developed the "Emergency Response Plan for Sudden Environmental Incidents", adhering to the principles of "prevention first and a combination of prevention and emergency response". The contingency plan encompasses not only preventive measures, early warning mechanisms, emergency response, and post-incident management for events such as natural disasters, but also provides a comprehensive analysis of the Group's environmental risks, gaps in emergency preparedness, emergency response teams, and emergency supplies, to reduce response times in the event of sudden environmental incidents.

Furthermore, the Group regularly conducts emergency training and drills for employees to enhance their emergency awareness and response capabilities. Annual emergency drills for sudden environmental incidents are also organised to assess the feasibility and effectiveness of the contingency plan, collectively strengthening the corporate safety defence line.

### Metrics and targets

HONMA is committed to continuously enhancing the transparency and effectiveness of its climate change response through quantitative indicators. Our annual ESG reports will continue to disclose key environmental indicators related to climate change, including energy consumption and intensity, as well as GHG emissions and intensity (for further details, please refer to the relevant sections of this ESG Report). These quantitative data provide a robust basis for evaluating the outcomes of our climate actions and drive ongoing improvement.

## Climate-related opportunities (continued)

### Metrics and targets (continued)

| Metrics | 2024 target | 2024 target achievement status | 2025 target |
|---|---|---|---|
| GHG emissions target | Assuming no significant changes in the business model, the emissions target is not to exceed the 2022 intensity, namely an overall intensity of 0.11386 tons of $CO_2$ per million Japanese yen. | Achieved. | GHG emissions intensity reduced compared to 2024. |
| Energy efficiency target | Assuming no significant changes in the business model, the energy conservation and emissions reduction target is not to exceed the 2022 intensity, namely an energy purchase intensity of 0.16372 MWh per million Japanese yen. | Not achieved. The main reason is that the decline in revenue has led to an increase in energy usage intensity for the year. | Energy use intensity reduced compared to 2024. |
| Water resource use efficiency target | Assuming no significant changes in the business model, the water resource usage target is not to exceed the 2022 intensity, i.e., 2.00486 tons per million Japanese yen. | Not achieved. The main reason is that the decline in revenue has led to an increase in water usage intensity for the year.<br><br>We will continue to promote energy and resource conservation in subsequent years and implement relevant strategies and measures to enhance resource utilisation and reduce waste. | Water resource use intensity reduced compared to 2024. |
| Hazardous and non-hazardous waste reduction targets | The increase in non-hazardous waste generation this year is attributable to incidental circumstances. At present, both hazardous and non-hazardous waste are effectively managed and remain cost-efficient; therefore, there are no plans to establish reduction targets for hazardous or non-hazardous waste. Should there be a substantial increase in waste due to future business changes or other factors, we will establish corresponding targets at the appropriate time. | | |

## Inclusiveness and care, joint growth for all

Our Group adheres to a people-oriented approach, places great emphasis on its employees, and is committed to providing them with a fair and just working environment. We strictly comply with labour-related laws and regulations in the countries where we operate, continuously optimise and update our internal management systems, and improve management in areas such as performance evaluation, compensation and benefits, and training and development. We are dedicated to growing together with our employees. Additionally, our Group values the physical and mental well-being of our employees, maintains open channels of communication, implements employee care initiatives, and strives to create a warm and inclusive workplace environment.

### Employment management

#### Compliant employment

Our Group is well aware that attracting and retaining high-calibre talent is the cornerstone of continuous success and long-term development. We strictly adhere to all applicable laws and regulations in the locations where we operate, including but not limited to:

- Labour Standards Act of Japan (勞動基準法);
- Industrial Safety and Health Act of Japan (勞動安全衛生法);
- Act on Employment Contracts of Japan (勞動合同法);
- Minimum Wage Act of Japan (最低工資法);
- Act on the Arrangement of Related Acts to Promote Work Style Reform of Japan (工作方式改革關聯法);
- Child Welfare Act of Japan (兒童福祉法);
- Labour Law of the People's Republic of China (中華人民共和國勞動法);
- Law of the People's Republic of China on Employment Contracts (中華人民共和國勞動合同法); and
- Provisions of the People's Republic of China on the Prohibition of Child Labour (中華人民共和國禁止使用童工規定).

Internally, we have formulated administrative measures such as the "Honma Employee Handbook", "HONMA Personnel Administration System Compilation", "Store Management Manual" and "Management Employment Rules" to ensure the standardised management of employees.

## Inclusiveness and care, joint growth for all (continued)

### Labour Standards

The Group is firmly committed to upholding strict ethical labour standards and maintains a zero-tolerance policy towards the use of child labour and forced labour. To this end, we have established rigorous recruitment procedures to actively prevent such occurrences, including selection examinations, medical check-ups, and interviews. To strictly prohibit the use of child labour, all prospective employees are required to submit identification documents (such as identification cards or personal number cards) to the administrative or human resources department for stringent identity verification and screening before joining the Company. To eliminate any possibility of forced labour, human resources personnel clearly and explicitly inform candidates of the nature, content, working hours, and all employment terms of the job, not only in the recruitment notices but also during the interview process and when signing employment contracts. This ensures that all employment contracts are signed based on the employees' free will and that all work is performed voluntarily.

The Group strictly complies with the labour laws and regulations of the countries/regions where it operates and fully respects employees' legitimate employment rights, including reasonable working hours, rest days, and vacation arrangements. Employees are required to apply for and obtain approval from their department heads for overtime work, and the Group pays overtime wages or provides corresponding time off in compensation in accordance with the law. In the Group's Japanese business division, if employees need to work beyond the prescribed hours, the Group is required to sign a written agreement with the employee and submit it to the Commissioner for Labour Standards Supervision Department. Both the law and Group policy strictly prohibit the illegal practice of charging employees for deposits, withholding identity documents, or imposing corporal punishment.

In addition, the Group respects and safeguards employees' rights to rest days and vacations, providing comprehensive paid leave benefits in accordance with the law, including paid annual leave, sick leave, marriage leave, maternity leave, paternity leave, and personal leave, among others.

Should any cases of child labour or forced labour be inadvertently discovered, the Group will report to the legal department and take legal action against the responsible personnel. During the Reporting Period, the Group has not had any significant violations of labour standards laws and regulations, nor have there been any cases of child labour or forced labour violations (2024: Nil).

### Diversity, equality and inclusion

As a committed equal opportunity employer, we strive to build a diverse workforce and strictly eliminate any form of discrimination based on age, gender, family status, sexual orientation, disability, race, religion, or political beliefs in all employment processes, including recruitment, assessment, promotion, and training. The Human Resources department strictly adheres to Company policies during the recruitment process, upholding the principle of fairness to ensure that all candidates are treated equally.

In the selection, appointment, and promotion of employees, decisions are strictly based on their merits (including professional qualifications, skills, job suitability, and contributions to the Group) and are subject to rigorous review. The Company explicitly prohibits any form of nepotism (such as creating positions for relatives), ensuring that the processes are fair, just, and transparent.

The Group had no major irregularities in employment during the Reporting Period (2024: Nil).

## Inclusiveness and care, joint growth for all (continued)

### Compensation and welfare

The Group has established a comprehensive compensation policy that covers wages, bonuses, benefits, and various allowances. This policy aims to provide a fair and market-competitive total reward package to attract, motivate, and retain talent. We strictly follow the laws and regulations of the locations where we operate to provide employees with comprehensive statutory welfare protections. In accordance with laws and regulations, including the Labour Law of the People's Republic of China (中華人民共和國勞動法) and the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法), the Group pays social insurance contributions for all employees in China. Besides, and provides employees with other welfare in the form of communication subsidy, traffic subsidy, meal subsidy, accommodation subsidy and travel allowance, etc.

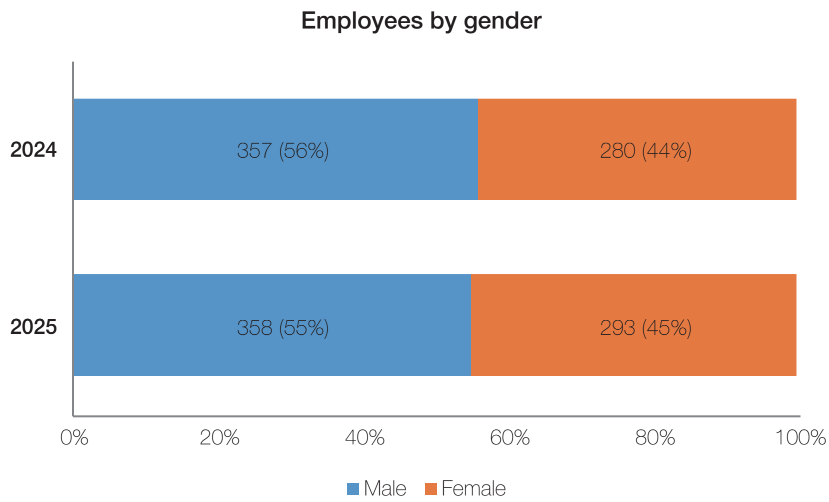
In Japan, according to the Labour Insurance Law (勞動保險法), the Employment Insurance Law (僱傭保險法), the Health Insurance Law (健康保險法), the Nursing Insurance Law (介護保險法), the Pension Insurance Law (厚生年金保險法), and the Child and Childcare Support Law (兒童•育兒支援法), the Group pays the labour insurance premium (勞動保險費), employment insurance (僱傭保險費), health insurance premium (健康保險費), care insurance premium (介護保險費), welfare annuity (厚生年金保險費) and childcare department funds (兒童育兒處出金).

In addition, the Group has established a competitive long-term incentive plan. In Japan, we set up a defined benefit plan for employees in line with local practices. At the Group level, a restricted share unit plan has been implemented to motivate directors, senior management, and core employees, enhancing their sense of belonging and driving superior performance. The employee handbook clearly outlines the complete welfare policy, including statutory benefits and corporate supplementary benefits, to fully leverage their protective and motivational roles. Employees' performance and contributions to the Group will also serve as important criteria for obtaining promotion opportunities, bonuses, or other additional rewards.

## Inclusiveness and care, joint growth for all (continued)

### Current workforce

As at 31 March 2025, there were a total of 651 (2024: 637) employees at In-scope Locations, of those 277 (2024: 281) were employed in Mainland China and 374 (2024: 356) were employed in Japan. All employees are employed on a full-time basis at In-scope Locations. The number and ratio of employees divided by gender are depicted below:



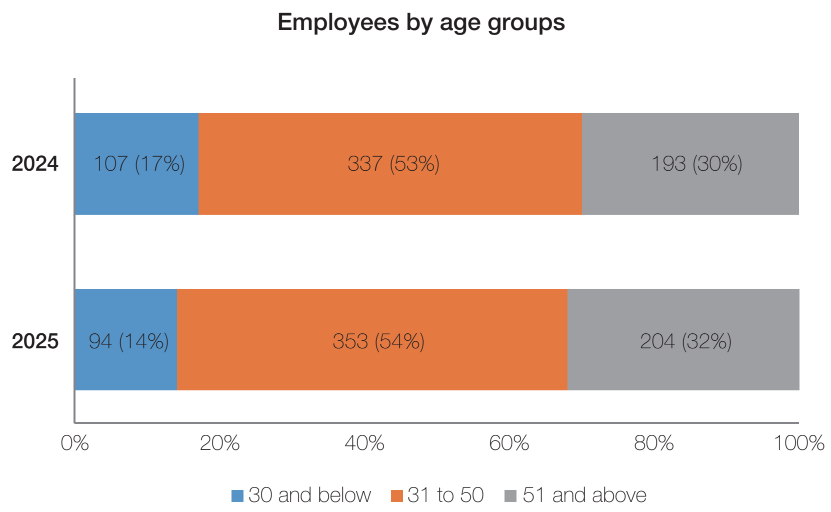

In Sakata Campus, Japan, the male-to-female ratio of the workforce was approximately 3.8:1 (2024: 3.9: 1). The work involved in the manufacturing processes is, by its nature of labour-intensive and thus has traditionally been preferred by male employees. Nonetheless, as evidenced by the Group's strategy in the sales of ladies' golf sets, golf apparel and sponsoring professional lady golfers, golf is a sport which appeals equally to both genders.

At the same time, jobs were mostly filled by female employees in Mainland China, as at the end of the Reporting Period, the male-to-female ratio of employees in Mainland China was 1:3 (2024: 1:3), which showed no significant change compared to the same period of last year.

## Inclusiveness and care, joint growth for all (continued)

### Current workforce (continued)

The number and ratio of employees divided by age groups are depicted below:




In terms of employee age group distribution, the proportion of employees aged 30 and under in Mainland China, has decreased compared with last year, and the proportion of employees aged 31 to 50 has increased slightly. In Japan, the proportion is the same as last year. The overall change is not obvious.

### Employees' turnover

During the Reporting Period, a total of 144 (2024: 209) employees left the Group in Mainland China and Japan. Of those employees who left, 125 (2024: 152) were employed in Mainland China and 19 (2024: 57) were employed in Japan; the overall turnover rate (Note 1) was 22% (2024: 32%).

During this year, based on the Company's overall strategic development plan, the apparel Store network maintained a stable operating trend. The adjustment of the Store structure was significantly reduced compared to last year, which contributed to a year-on-year decrease in the overall turnover rate.

## Inclusiveness and care, joint growth for all (continued)

### Employees' turnover (continued)

The employee turnover rate(Note 2) by gender and age groups in Mainland China and Japan are depicted below:

**Employees' turnover by gender and age groups**

| | For the year ended 31 March | | | |
|---|---|---|---|---|
| | 2025 | | 2024 | |
| | Japan | Mainland China | Japan | Mainland China |
| **By gender(Note 2)** | | | | |
| Male | **4%** | **38%** | 16% | 41% |
| Female | **8%** | **47%** | 14% | 58% |
| **By age groups(Note 2)** | | | | |
| Below 30 | **19%** | **87%** | 26% | 76% |
| 30 to 50 | **7%** | **28%** | 16% | 43% |
| Over 50 | **3%** | **0%** | 14% | 0% |

Note 1: Overall turnover rate is calculated by dividing the turnover headcount of employees by the average headcount of employees at the beginning and the end of the year.

Note 2: The employee turnover rate is calculated by dividing the headcount of turnover employees in that category by the average headcount of employees at the beginning and the end of the year in that category.

## Development and Training

The Group is fully aware of the importance of employees' continuous development of professional knowledge and skills and has formulated a comprehensive employee development and training policy. We provide a variety of internal and external training opportunities for employees at all levels, including management, sales and marketing staff, and operations and logistics staff. These programmes cover induction training, job qualification training, professional knowledge and business skills enhancement, comprehensive management training, and advanced development programmes.

To ensure the iconic status of the brand and the inheritance of the craftsmanship spirit, the Group offers training courses to our staff at offices and Stores covering topics such as golf industry knowledge, product maintenance, new product introductions, and negotiation skills with customers. To further enhance the skills and service quality of employees at Stores, the Group has hired professional trainers to develop and implement a comprehensive training system specifically designed for store employees, covering the entire process of providing customers with an excellent shopping experience and understanding different products in the Store. The Group also provides training covering the manufacturing technology and safety knowledge required by employees at the Sakata Campus.

In addition, the Group develops targeted training plans for employees in different business segments. For example, a multi-faceted skills training programme and an apprenticeship programme have been developed for Sakata Campus employees to promote the all-around development of employees and enable senior craftsmen to pass on their experience to the younger generation. For the induction training of new employees, the training focuses on introducing the Group's policies, background, and golf knowledge. The Group has also developed an internal golf club fitter certification programme for sales staff at Stores to prove that employees have professional golf knowledge.

To ensure that relevance and effectiveness of the training content, the Group's Human Resources department is responsible for formulating employee training plans every year, and the corresponding departments are in charge of the implementation. After employees complete training, training instructors will evaluate their performance to ensure that employees understand and master relevant knowledge and skills. The Group regularly reviews the implementation of training with different departments, collects feedback, and refines the programmes to continuously enhance training effectiveness, ultimately empowering employees in their career development.

## Development and Training (continued)

During the Reporting Period, employees at the covered locations completed training sessions of a total of 7,537 (2024: 12,337) hours, with the average training hours per employee(Note 1) being approximately 11.58 (2024: 17.88) hours. The number of training hours has decreased compared to last year. The reason is that the turnover rate has declined this year, resulting in fewer new employees and, consequently, a reduction in induction training. A summary of the training sessions organised at the locations covered is as follows:

| | For the year ended 31 March | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2025 | | | | 2024 | | | |
| | Number of trainees | % of employees trained | Total training hours | Average training hours(Note 2) | Number of trainees | % of employees trained | Total training hours | Average training hours(Note 2) |
| **By gender** | | | | | | | | |
| Male | 1,936 | 55% | 3,241 | 9.05 | 2,008 | 61% | 7,397 | 17.70 |
| Female | 1,573 | 45% | 4,296 | 14.66 | 1,624 | 39% | 4,940 | 18.16 |
| Total | 3,509 | 100% | 7,537 | 11.58 | 3,632 | 100% | 12,337 | 17.88 |
| **By category** | | | | | | | | |
| Senior Management | 62 | 3% | 58 | 2.74 | 66 | 3% | 227 | 10.30 |
| Middle Management | 930 | 25% | 1,981 | 12.15 | 1,307 | 26% | 4,527 | 25.72 |
| General employee | 2,517 | 72% | 5,498 | 11.77 | 2,259 | 71% | 7,583 | 15.41 |
| Total | 3,509 | 100% | 7,537 | 11.58 | 3,632 | 100% | 12,337 | 17.88 |

Note 1: This average training hour is calculated by dividing the total training hours by the average number of employees at the end of the year.

Note 2: This average training hour is calculated by dividing the total training hours in that category by the average number of employees at the end of the year.

## Occupational Health and Safety

The Group has established a Health and Safety policy and arranged regular inspections by third-party professionals on manufacturing equipment, working environment and firefighting equipment to provide and maintain a safe and healthy working environment to mitigate any occupational or health risks to our employees. In addition to complying with laws and regulations related to the employment of labour as previously mentioned, the Group is also committed to the compliance with laws and regulations related to occupational health and safety, including:

- Labour Standards Act of Japan (勞動基準法);
- Industrial Safety and Health Act of Japan (勞動安全衛生法);
- Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (中華人民共和國職業病防治法);
- Measures for the Determination of Work-related Injuries of the People's Republic of China (工傷認定辦法); and
- Work Injury Insurance Regulations of the People's Republic of China (工傷保險條例).

During the Reporting Period, the Group had no work-related injuries (2024: 6 cases, with a total loss of 13 working days). In the past three years, including the Reporting Period, there were no work-related deaths. The Group has no material violations of relevant health and safety laws and regulations. If a serious injury occurs at work, the Group will report to the local government in full compliance with the laws and regulations, and ascertain whether it constitutes a work-related injury.

The Group attaches great importance to the health and safety of its employees and has formulated a "Company Health and Safety Policy" (公司健康安全政策). In order to implement the Group's internal employee safety policy, the Group has established an Employee Safety Committee, which is responsible for providing relevant training and education, conducting regular inspections, and establishing a system for recording and handling accidents. If potential hazards and non-compliance with safety rules are found during regular inspections, the Employee Safety Committee will provide guidance and assistance for improvement. In Japan, we also have dedicated personnel who are responsible for holding monthly meetings to discuss safety and health matters and conducting safety training at the Sakata Campus to ensure the health and safety of the working environment. The Group will present awards to departments that have no health and safety issues throughout the year in recognition of their efforts in promoting health and safety.

## Health and Safety (continued)

The Group has formulated and incorporated guidance on health and safety principles in the Group's employee handbook and has delivered such policies effectively to all staff. For positions identified by the Group to as posing occupational hazards, health check-ups are arranged for employees at the time of onboarding, during service and upon departure. For worksites identified by the Group to have occupational hazards, the Group conducts inspections on a regular basis, equips employees with labour protection appliances required for work and takes out targeted insurance for employees. Moreover, the Group has formulated safety measures in response to floods, heavy rain, typhoons and high temperatures based on the actual situation of the worksites and offices to further protect the physical health and safety of its employees.

### Safety at the Sakata Campus

The Group recognises that employees at the Sakata Campus are exposed to significant health and safety risks because they are often exposed to organic solvents and dust, and other hazardous substances when working in production workshops, operating machinery and engaging in labour-intensive work during the manufacturing process. Therefore, the Group makes every effort to protect its employees at the Sakata Campus.

Additional health and safety measures for our employees at the Sakata Campus are as follows:

- During work, employees are provided with necessary equipment such as earplugs, goggles, masks, protective clothing and gloves;
- Restrooms are set up in the production workshop for employees to take breaks when necessary;
- Organic solvents are used in stripping operations. We have installed waste liquid collection containers at the operation site and engaged qualified waste disposal service providers for waste treatment to reduce employees' exposure to these substances;
- Equip dust collectors in the grinding plant for dust collection to reduce inhalable dust in the air;
- Install fire protection equipment where appropriate, including indoor and outdoor fire hydrant equipment, automatic fire alarm equipment, emergency power supplies and smoke detectors, etc., and conduct regular inspections to ensure that the equipment is in appropriate and usable condition;
- Conduct self-inspections on equipment powered by LPG at least once a year to reduce potential safety hazards; and
- Provide employees with "health diagnosis" and "stress examination" twice a year, which is more frequent than what is stipulated in the labour regulations of Japan and make necessary adjustments to work based on the evaluation results. We pay special attention to employees who operate machinery to ensure their safety.

## Safety in Offices and Stores

Employees in offices and Stores neither engage in labour-intensive work nor work in adverse environments, so risks to health and safety are relatively low. Nonetheless, the Group recognises that they also face health and safety risks at work. Therefore, the Group is committed to providing a safe working environment and regularly conducts safety training for employees to protect their health and safety.

The Group provides pre-employment physical examinations for new employees in offices and Stores and provides annual physical examinations for existing employees in offices and Stores. In addition, to ensure the safety of employees in the buildings where their offices and Stores are located, the property management companies of the buildings where our offices and Stores are located will conduct regular fire drills and air quality inspections. In our Group offices, we hire third-party companies to maintain the green plants placed in the buildings to provide employees with a comfortable working environment. In the Stores, CCTV and security systems are installed to ensure the safety of employees. We will continue to focus on health and safety and continuously improve employees' safety awareness to minimise the risk of injuries during work.

## Craftsmanship shapes quality, and responsibility drives management

In this section, we shall detail various policies and practices adopted by the Group with regard to supply chain management, product responsibility, and anti-corruption, which are all vital to the success of our business.

## Sustainable Supply Chain Management

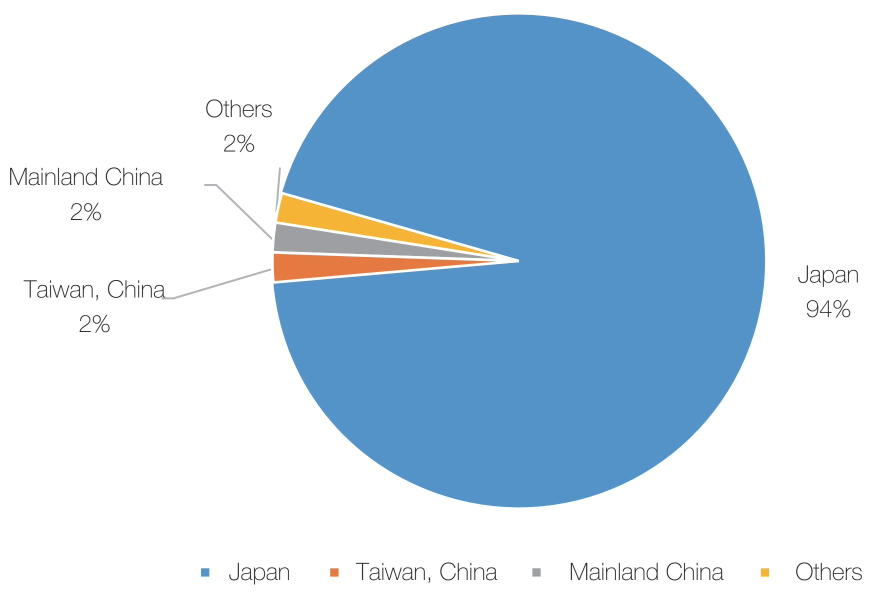
The Group deepens its efforts to build a responsible supply chain, implements strict supplier screening and admission procedures, enhances suppliers' awareness of sustainable development, and jointly promotes green development based on stable and mutually beneficial relationships.

### Golf club

We retain key manufacturing processes at the Sakata Campus and outsource non-manufacturing processes to strategic supplier partners. In addition, suppliers also include bill of materials (BOM) suppliers that provide the Group with raw materials such as club heads, carbon fibre cloth and other raw materials, as well as several original equipment manufacturer (OEM) suppliers that provide other product series such as Golf club parts, golf balls, clothing and other accessories.

As at the end of the Reporting Period, the Group had 706 (2024: 694) supplier partners authorised to provide goods and/or services to the Group. Supplier partners come from all over the world, including 662 from Japan, 15 from Taiwan, 14 from Mainland China and 15 from other countries and regions.

**Distribution of Golf Club Suppliers by Location**




The Group has formulated and maintained a good policy system for the selection and evaluation of supplier partners. We will review and re-evaluate these policy systems regularly. We manage our suppliers effectively in accordance with the "Qualified Supplier Management System" (合格供貨商管理制度), "Inventory Management System" (存貨管理制度) and other relevant procedures.

## Sustainable Supply Chain Management (continued)

### Golf club (continued)

When the Group selects a new supplier partner, the Group follows the established policies to complete an initial investigative screening process based on a list of scoring criteria as shown below:

1. General corporate information such as their background, history and their reputation in the industry;
2. Sustainability practices;
3. Research and development;
4. Quality control and product safety;
5. Punctuality in meeting deadlines;
6. Supply chain management; and
7. Employee and environmental safety.

This initial investigative screening process is documented in evaluation forms and properly filed for future reference. After this process is completed, the Group may make further investigation into the supplier partners by further consideration of the following:

1. On-site visit to gain a more in-depth understanding of their production procedures;
2. Their operation management process and evaluation of other aspects of operations;
3. Their production assets, such as production facilities and production equipment; and
4. The soundness of their financial position through the review of their financial statements.

In the process of cooperating with supplier partners, the Group also arranges quality control personnel to visit each supplier partner regularly to check whether the supplier's production process meets the specific requirements of the Group, which ensures the quality and standards of the products purchased by the Group. The Group will continue to cooperate with well-performing suppliers and terminate cooperation with underperforming ones.

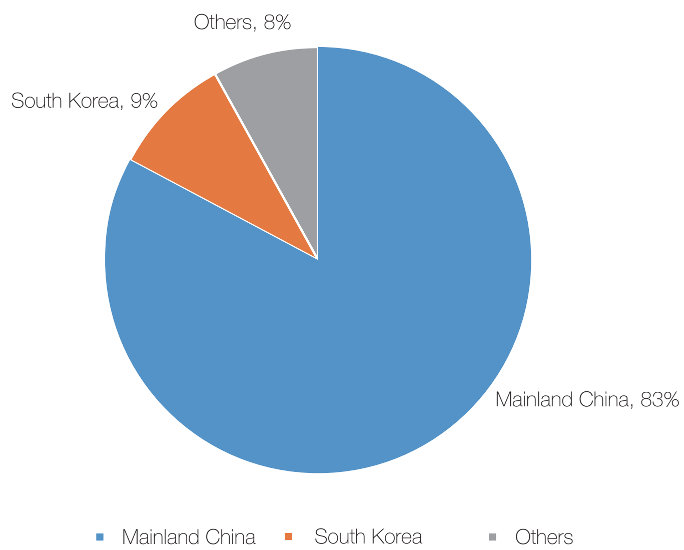
## Sustainable Supply Chain Management (continued)

### Apparel

In addition to the golf club, the Group has sales of apparel products. The supply chain management for the apparel section is also critical to its sustainable development, and thus it is detailed in the following paragraphs.

Suppliers in the apparel sector offer garments, fabrics, down, accessories and trimmings. As of the end of the Reporting Period, there were 84 (2024: 80) suppliers, including 70 in Mainland China, 7 in South Korea and 7 in other countries and regions.

**Distribution of Apparels Suppliers by Location**




The selection of a new apparel supplier is the same as selecting a supplier elsewhere in the Group's supply chain, which is based on established policies and procedures to ensure fair and comprehensive comparison across any potentially suitable suppliers. In terms of apparel, we have formulated systems such as the "Supplier Confirmation Process" (供應商的確認流程), "Garment Supplier Evaluation Form" (成衣供應商評估表), "Apparel Inspection Benchmarks and Inspection Standards" (服裝檢品基準及檢查標準), and "Fabric Accessories Supplier Evaluation Form" (面輔料供應商評估表) to ensure effective management of suppliers.

## Sustainable Supply Chain Management (continued)

### Apparel (continued)

The comparison process focuses not only on the quality of materials and services but also on the suppliers' sustainability practices. For instance, when selecting suppliers for the fabric of apparel products, one of the assessment criteria is to look at whether or not their products are BLUESIGN approved. BLUESIGN is an independent organisation that works with stakeholders in the textile industry to set strict criteria for BLUESIGN-approved products, which are products manufactured with the responsible use of resources and with the lowest possible impact on people and the environment. Thus, to ensure the apparel suppliers are operating in an environmentally and socially responsible manner, the Group has ensured that the products and manufacturing process of the apparel suppliers have been independently approved and verified, and jointly promote green sustainable development.

The performance of the supplier is monitored regularly by the internal staff of the Group throughout our active business relationship with such supplier. In addition, the Group has engaged a professional third-party inspection center with proficiency in safety and quality laws and regulations to conduct an inspection check on the fabric and finished products. The results from these inspections are reviewed by the Group to ensure any exceptions are actively and timely followed up and corrected.

## Product responsibility

HONMA is one of the most prestigious iconic brands in the golf industry. The Group leverages advanced innovative technologies and traditional Japanese craftsmanship to provide golfers worldwide with golf clubs that are both aesthetically pleasing and deliver exceptional performance. We are acutely aware that product responsibility permeates the entire value chain, from design and manufacturing to delivery and use, and we will continue to fulfil our solemn commitment to product quality and customer service.

### Product quality management

The Group has established a comprehensive product quality management system, which covers its production process and the production process of the supplier partners. The specific measures are as follows:

- For production processes in Japan, tests are conducted on all carbon fibre shafts to ensure each shaft has complied with the Group's production standards in strength, flexibility, weight distribution and vibration frequency;

- For production processes of the supplier partners, the Group's quality control personnel will examine all delivered goods to ensure that the components comply with our production standards for quality and aesthetics. The Group also conducts company visits to its suppliers from time to time to monitor the supplier's production process, ensuring the Group's product requirements are met;

- The golf club has been registered for the SG Mark Certification. Products bearing the SG Mark have met SG Standards, which have been formulated based on the expertise and opinions of consumers, manufacturers, distributors, testing and inspection institutes, and government organisations to ensure product safety and compliance;

## Product responsibility (continued)

### Product quality management (continued)

- In the assembly process of finished products in Japan, the quality assurance team of the Group is responsible for conducting a series of tests, including a strike durability test and torsion test on finished products, to ensure the quality of finished products and to avoid product recall. Professional staff of the Group in Japan can test the golf club with the customer in the golf training court of the Sakata Campus to fine-tune the products immediately, providing value-added services to our customers; and

- The Group has regularly purchased new assembly and testing equipment to improve the testing technology to enhance product quality.

### After-sales management of products

The Group has formulated policies and standard procedures for handling complaints from Stores in different countries through various channels (i.e. phone, email, WeChat). The Group's customer service team properly records and seriously handles customer complaints, investigates the relevant reasons for all complaints, follows up and provides solutions. It is the Group's policy that retail customers may return defective products, and the products are covered by warranty. The Group has formulated detailed guidelines to handle returns and exchanges from customers. If the Group discovers that we are responsible for any product defects, the Group will replace the defective product with a new one or repair the product free of charge. The Group will then formulate preventive measures and share relevant information widely within the Group to avoid similar problems in the future. We will also fine-tune golf clubs based on customer feedback to ensure customers are more satisfied with our products.

During the Reporting Period, the Group did not receive any material complaints from consumers, nor recalled any products due to safety and health issues (2024: Nil), reflecting the effectiveness of the Group's stringent quality control policies.

### Protection of Intellectual Property

The Group has taken appropriate measures to protect its intellectual properties. The Group owns a number of patents, trademarks and other intellectual properties related to the manufacture and sale of golf clubs and other golf-related products. During the Reporting Period, the Group owned 18 patents and one design patent was in the process of application (2024: 18 patents and one design patent was in the process of application). The Group protects its intellectual properties by complying with laws related to the use of patents, trademarks and other intellectual properties, and by signing confidentiality agreements with employees and third parties.

## Product responsibility (continued)

### Protection of Intellectual Property (continued)

In addition, all R&D personnel in the R&D Department are required to sign confidentiality and proprietary information agreements with the Group. These agreements address intellectual property protection issues and require employees to transfer to the Group all inventions, designs and technologies developed during their employment with the Group.

The Group also actively liaises with lawyers and the State Administration for Industry and Commerce of China to identify products that infringe patents and trademarks and take legal action to protect our rights and interests.

During the Reporting Period, the Group had no major intellectual property litigation or claims, nor was it accused of intellectual property infringement (2024: Nil).

### Consumer information protection

The Group is committed to complying with relevant laws and regulations on consumer rights and interests and privacy protection. The Group believes that information privacy rights and security are key operating principles. The Group has formulated policies to implement comprehensive information privacy and information security procedures to protect personal privacy, and these policies have been effectively communicated to all employees.

The Group is committed to complying with all relevant laws and regulations related to consumer rights and interests and privacy protection, including but not limited to:

➢ Act on the Protection of Personal Information of Japan (個人情報保護法);

➢ Basic Act on Consumer Policies of Japan (消費者基本法);

➢ Law of the People's Republic of China on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法);

➢ Data Security Law of the People's Republic of China (中華人民共和國數據安全法); and

➢ Various guidelines and laws in the People's Republic of China related to personal data protection, such as the Cybersecurity Law of the People's Republic of China (中華人民共和國網絡安全法).

## Product responsibility (continued)

### Consumer information protection (continued)

The Group uses customers' personal information for purposes such as providing after-sales services and introducing new products and businesses. The Group must obtain the customer's consent before collecting and using the customer's personal information and shall not disclose the customer's personal information to third parties in any way without permission. The Group has formulated the "Customer Personal Information Protection Policy" (客戶個人信息保護政策), "About Customer Personal Information" (關於客戶個人信息), "Personal Information Protection Utilisation Code" (個人信息保護運用守則), "Personal Information Protection and Management Regulations" (個人信息保護及管理規定), "Personal Information Protection Operation Manual" (個人信息保護運行手冊) and the "Personal Information Security Management Rules" (個人信息安全管理細則).

The Group has also established different levels of rights of access to the information and the period for which such information should be retained, and when such information should be destroyed to further protect customers' information. The information collected from the customers is classified as confidential and can be accessed by managerial staff or above only. Should other staff require such access to relevant information, approval from their department head and the human resources department is required. In case employees were in breach of the policies, there will be severe consequences, including termination of employment and/or legal action against them.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations related to customer personal data privacy (2024: Nil).

## Anti-corruption

The Group is committed to adhering to the highest ethical standards and maintaining a corporate culture of integrity and justice to prevent, detect and report all types of fraud, including corruption. The Group has established anti-corruption policies and effective procedures, including declaration of interests, whistleblowing, internal audits, etc., which have been effectively communicated to all staff.

The Group has a zero-tolerance attitude towards corruption, bribery and other illegal activities, which is also stated in the employee handbook. At the same time, anti-corruption training is also included in the induction training for new employees. During the Reporting Period, we conducted a total of 12 anti-corruption training sessions for the directors and all employees. Through training, the Group reiterated the Company's zero-tolerance attitude towards these illegal activities, enhanced employees' recognition and participation in anti-corruption work, and improved their ability to prevent and combat corruption.

## Anti-corruption (continued)

In order to avoid potential conflict of interest between the action or relationships of an employee and the interest of the Group or their responsibilities, or should the conflict have already arisen, all employees are required to sign a declaration of interest regularly. If there is a change in conflict of interest but not declared, once discovered, the Group has the right to punish the employee with serious disciplinary violations and may dismiss the employee from the Group.

If an employee considers that personal or corporate interest has been infringed upon, or has discovered any bribery, extortion, fraud, money laundering, corruption acts, or has discovered the acts of others that have violated various regulations of the Group, he/she may report the unethical or illegal acts in his/her name or anonymously through our complaint mailbox, online communication platform and directly to the senior management if the employee deems it necessary. The relevant responsible department will then investigate the reported case and provide handling opinions on a timely basis. An internal audit will be conducted on the evidence-based reported cases, investigation results and related decisions will be communicated to the reporting employee, the department head and the Human Resources department. If a material complaint is established and has been confirmed to be after investigation, and such matter has caused harm or losses to employees, or has caused material losses or adverse impact on the Group, the Group will terminate the labour contract with such offender or dismiss such person on the grounds of serious disciplinary violation. The Group reserves the right to hold the offender accountable for legal liabilities, and in serious cases, the offender may be transferred to judicial authorities for legal liabilities pursuant to the law.

The Group are committed to complying with all relevant laws and regulations related to anti-corruption, including but not limited to:

- Criminal Code of Japan (刑法典);
- Corporate Rehabilitation Act of Japan (公司更生法); and
- Anti-Money Laundering Law of the People's Republic of China (中華人民共和國反洗錢法).

During the Reporting Period, the Group did not have any material non-compliance in relation to corruption, and no concluded cases of corruption were brought against the Company or its employees (2024: Nil).

## Anti-corruption (continued)

### Giving back to society, co-creating a better future

We are committed to fulfilling our corporate social responsibility, creating shared value through strategic community participation, and helping to build a prosperous community ecology. The Group continues to contribute to social development and actively encourages employees to participate in charity activities in the communities where they operate. During the Reporting Period, the Group's cumulative charity donations amounted to RMB5.36 million (2024: RMB200,000), and the total charity investment time was approximately 211 hours (2024: 401 hours), focusing on disaster relief, youth development and sports charity.

During the Reporting Period, we joined hands with the Red Cross Society of China to donate cold-resistant supplies to the earthquake-stricken areas in Tibet, totalling RMB5 million. This assistance provided strong support for the disaster-stricken people to resist the cold and carry out post-disaster reconstruction, and effectively fulfilled the humanitarian responsibility. The Group took this rescue operation as an opportunity to demonstrate the Company's deep concern and proactive responsibility for social welfare, and continued to implement systematic responsible practices to help build a more resilient and compassionate harmonious social ecosystem.

In terms of community support and cultural inheritance, the Sakata Campus Golf Test Field is open to local teenagers free of charge on weekends throughout the year, for a total of about 210 hours a year, using professional venue resources to help them learn skills and experience golf culture. From May to June 2024, we sponsored two charity tours of the Shanghai Golf Association, donating clothing, golf clubs and other equipment valued at RMB360,000. The charity fund of the event will be used to promote the "Golf in Schools" project in Shanghai to promote the integration of sports education and youth growth. In addition, the Group actively responded to the "Earth Hour" initiative, and raised the environmental awareness of employees and stakeholders by shutting down non-essential lighting facilities, and implemented the concept of green operation with practical actions to jointly contribute to the fight against climate change.

In addition, the Group officially joined the social contribution occupation field, CLOSED Mart this year, to carry out specific practices to promote a sustainable development society. Specifically, by centrally purchasing food and branded goods that are approaching their expiration date or whose circulation is blocked, we provide employees and their families with welfare purchasing channels at discounted prices. The behaviour of employees and their relatives purchasing goods through the platform directly helps reduce food and commodity waste. At the same time, the platform will donate part of the sales amount to poverty relief agencies and child welfare projects in developing countries to promote sustainable development.

We are well aware that deepening community ties is the core connotation of corporate social responsibility. Looking to the future, the Group will continue to adopt a systematic community participation model, integrating resources and expertise to help build a more resilient and prosperous sustainable development community.

# Independent Auditor's Report

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**Independent auditor's report**
**To the shareholders of Honma Golf Limited**
(Incorporated in the Cayman Islands with limited liability)

## Opinion

We have audited the consolidated financial statements of Honma Golf Limited (the "Company") and its subsidiaries (the "Group") set out on pages 144 to 244, which comprise the consolidated statement of financial position as at 31 March 2025, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"). We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

## Key audit matters (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Inventory provision*** | |
| The total inventories and related inventory provision as at 31 March 2025 amounted to JPY8,749 million and JPY1,866 million, respectively. The Group considers the inventory provision by assessing the inventories' net realisable values. The determination as to whether the inventories are impaired requires a high level of management's judgement and estimates, whereby the Group considers specific factors including the ageing of the inventories, the subsequent or estimated selling prices, and the forecasted market demand. This matter was significant to our audit because the carrying amount of inventories was material to the financial statements and significant management's judgement and estimates were used in assessing the net realisable values of inventories.<br><br>The accounting policies, significant accounting judgements and estimates and disclosures about inventories and the inventory provision are included in notes 2.4, 3 and 22 to the financial statements. | Our audit procedures included reviewing the methodologies and parameters for the calculation of the net realisable values of the inventories, and assessing the consistency of the provisioning policy applied and the rationale for the recording of inventory write-down. We also tested the underlying data used by management to identify and quantify obsolete and slow-moving inventories, including testing the ageing calculation, comparing management's estimation against historical usage and, recalculating the provision for samples of inventories. Furthermore, we reviewed subsequent sales or usage of inventories after the end of the reporting period. We also focused on the adequacy of the disclosures in the financial statements regarding the inventory provision. |

## Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shun Lung Wai (practising certificate number: P06860).

*Ernst & Young*
Certified Public Accountants
Hong Kong
26 June 2025

# Consolidated Statement of Profit or Loss

*Year Ended 31 March 2025*

| | | Year ended 31 March | |
|---|---|---|---|
| | | 2025 | 2024 |
| | Notes | JPY'000 | JPY'000 |
| **REVENUE** | 5 | 21,672,142 | 26,222,857 |
| Cost of sales | | (9,888,057) | (12,790,169) |
| **Gross profit** | | 11,784,085 | 13,432,688 |
| Other income and gains | 5 | 107,367 | 2,673,958 |
| Selling and distribution expenses | | (9,650,939) | (9,180,750) |
| Administrative expenses | | (1,532,961) | (1,389,752) |
| (Provision for)/reversal of impairment losses on financial assets | | (213,132) | 23,330 |
| Other expenses, net | 6 | (1,230,554) | (227,851) |
| Finance costs | 7 | (224,430) | (190,436) |
| Finance income | 8 | 22,633 | 11,128 |
| **(LOSS)/PROFIT BEFORE TAX** | 9 | (937,931) | 5,152,315 |
| Income tax credit/(expense) | 12 | 673,757 | (324,187) |
| **(LOSS)/PROFIT FOR THE YEAR** | | (264,174) | 4,828,128 |
| **Attributable to:** | | | |
| Owners of the parent | | (264,233) | 4,828,057 |
| Non-controlling interests | | 59 | 71 |
| | | (264,174) | 4,828,128 |
| **(Loss)/earnings per share attributable to ordinary equity holders of the parent (expressed in JPY per share)** | 14 | | |
| Basic and diluted | | | |
| – For (loss)/profit for the year | | (0.44) | 7.97 |

# Consolidated Statement of Comprehensive Income

*Year Ended 31 March 2025*

| | Notes | Year ended 31 March 2025 JPY'000 | 2024 JPY'000 |
|---|---|---|---|
| (LOSS)/PROFIT FOR THE YEAR | | **(264,174)** | 4,828,128 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | | **152,338** | (591,020) |
| Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods | | **152,338** | (591,020) |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | | |
| Defined benefit plans: | | | |
| Remeasurement gains | 31 | **35,553** | 357,673 |
| Income tax effect | 21 | **(10,389)** | (108,449) |
| | | **25,164** | 249,224 |
| Equity investments designated at fair value through other comprehensive income: | | | |
| Changes in fair value | | **4,246** | 9,423 |
| Income tax effect | 21 | **(1,354)** | (2,845) |
| | | **2,892** | 6,578 |
| Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods | | **28,056** | 255,802 |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX | | **180,394** | (335,218) |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR | | **(83,780)** | 4,492,910 |
| Attributable to: | | | |
| Owners of the parent | | **(83,839)** | 4,492,839 |
| Non-controlling interests | | **59** | 71 |
| | | **(83,780)** | 4,492,910 |

# Consolidated Statement of Financial Position

*At 31 March 2025*

| | Notes | At 31 March 2025 JPY'000 | 2024 JPY'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 15 | **2,343,083** | 1,999,628 |
| Right-of-use assets | 16 | **2,188,057** | 2,420,763 |
| Freehold land | 17 | **1,940,789** | 1,940,789 |
| Intangible assets | 18 | **98,827** | 89,907 |
| Finance lease receivables | 19 | **92,794** | 173,802 |
| Other non-current assets | 20 | **848,188** | 787,616 |
| Net employee defined benefit assets | 31 | **399,575** | 145,506 |
| Deferred tax assets | 21 | **2,408,278** | 1,336,684 |
| Total non-current assets | | **10,319,591** | 8,894,695 |
| CURRENT ASSETS | | | |
| Inventories | 22 | **6,883,414** | 10,179,106 |
| Trade and bills receivables | 23 | **3,738,052** | 4,040,780 |
| Prepayments, deposits and other receivables | 24 | **1,616,610** | 2,579,699 |
| Tax recoverable | | **27,907** | – |
| Due from a related party | 37(a) | **89,787** | 105,212 |
| Finance lease receivables | 19 | **77,556** | 106,586 |
| Pledged deposits | 25 | **5,957** | 21,999 |
| Cash and cash equivalents | 25 | **17,350,026** | 16,617,120 |
| Total current assets | | **29,789,309** | 33,650,502 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 26 | **1,067,488** | 1,050,444 |
| Other payables and accruals | 27 | **2,101,745** | 2,596,044 |
| Interest-bearing bank borrowings | 28 | **6,024,720** | 6,411,180 |
| Lease liabilities | 29 | **1,181,395** | 1,358,166 |
| Income tax payable | | **278,781** | 266,850 |
| Total current liabilities | | **10,654,129** | 11,682,684 |
| NET CURRENT ASSETS | | **19,135,180** | 21,967,818 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **29,454,771** | 30,862,513 |

| | Notes | At 31 March 2025 JPY'000 | 2024 JPY'000 |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowings | 28 | **494,100** | 578,820 |
| Lease liabilities | 29 | **1,138,421** | 1,419,304 |
| Deferred tax liabilities | 21 | **10,063** | 84,327 |
| Other non-current liabilities | 30 | **132,050** | 107,682 |
| Total non-current liabilities | | **1,774,634** | 2,190,133 |
| NET ASSETS | | **27,680,137** | 28,672,380 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 32 | **153** | 153 |
| Reserves | 34 | **27,725,380** | 28,717,682 |
| | | **27,725,533** | 28,717,835 |
| Non-controlling interests | | **(45,396)** | (45,455) |
| Total equity | | **27,680,137** | 28,672,380 |

| | |
|---|---|
| **Liu Jianguo** | **Zuo Jun** |
| *Director* | *Director* |

# Consolidated Statement of Changes in Equity

*Year Ended 31 March 2025*

| | | Attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Surplus reserve | Exchange translation reserve | Equity-settled share-based payment reserve | Fair value reserve | Share premium | Retained profits | Total | Non-controlling interests | Total equity |
| | | JPY'000 | JPY'000 | JPY'000 | JPY'000 | JPY'000 | JPY'000 | JPY'000 | JPY'000 | JPY'000 | JPY'000 |
| | Notes | Note 32 | Note 34(i) * | Note 34(iii)* | Note 33* | Note 34(ii)* | * | * | | | |
| At 1 April 2024 | | 153 | 1,060,017 | (1,256,173) | 466,546 | 10,920 | 16,584,008 | 11,852,364 | 28,717,835 | (45,455) | 28,672,380 |
| Loss for the year | | – | – | – | – | – | – | (264,233) | (264,233) | 59 | (264,174) |
| Other comprehensive income for the year: | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | | – | – | 152,338 | – | – | – | – | 152,338 | – | 152,338 |
| Remeasurement gains on defined benefit plans | | – | – | – | – | – | – | 25,164 | 25,164 | – | 25,164 |
| Gain on equity instruments at fair value through other comprehensive income, net of tax | | – | – | – | – | 2,892 | – | – | 2,892 | – | 2,892 |
| Total comprehensive loss for the year | | – | – | 152,338 | – | 2,892 | – | (239,069) | (83,839) | 59 | (83,780) |
| Dividends declared | 13 | – | – | – | – | – | – | (908,463) | (908,463) | – | (908,463) |
| At 31 March 2025 | | 153 | 1,060,017 | (1,103,835) | 466,546 | 13,812 | 16,584,008 | 10,704,832 | 27,725,533 | (45,396) | 27,680,137 |

# Consolidated Statement of Changes in Equity

*Year Ended 31 March 2025*

| | | Attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital JPY'000 Note 32 | Surplus reserve JPY'000 Note 34(i) * | Exchange translation reserve JPY'000 Note 34(iii)* | Equity-settled share-based payment reserve JPY'000 Note 33* | Fair value reserve JPY'000 Note 34(ii)* | Share premium JPY'000 * | Retained profits JPY'000 * | Total JPY'000 | Non-controlling interests JPY'000 | Total equity JPY'000 |
| At 1 April 2023 | | 153 | 1,060,017 | (665,153) | 466,546 | 4,342 | 16,584,008 | 8,626,541 | 26,076,454 | (45,526) | 26,030,928 |
| Profit for the year | | – | – | – | – | – | – | 4,828,057 | 4,828,057 | 71 | 4,828,128 |
| Other comprehensive income/(loss) for the year: | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | | – | – | (591,020) | – | – | – | – | (591,020) | – | (591,020) |
| Remeasurement gains on defined benefit plans | | – | – | – | – | – | – | 249,224 | 249,224 | – | 249,224 |
| Gain on equity instruments at fair value through other comprehensive income, net of tax | | – | – | – | – | 6,578 | – | – | 6,578 | – | 6,578 |
| Total comprehensive income for the year | | – | – | (591,020) | – | 6,578 | – | 5,077,281 | 4,492,839 | 71 | 4,492,910 |
| Dividends declared | 13 | – | – | – | – | – | – | (1,851,458) | (1,851,458) | – | (1,851,458) |
| At 31 March 2024 | | 153 | 1,060,017 | (1,256,173) | 466,546 | 10,920 | 16,584,008 | 11,852,364 | 28,717,835 | (45,455) | 28,672,380 |

* These reserve accounts comprise the consolidated reserves of JPY27,725,380,000 (2024: JPY28,717,682,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

*Year Ended 31 March 2025*

| | Notes | 2025 JPY'000 | 2024 JPY'000 |
|---|---|---|---|
| | | Year ended 31 March | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| (Loss)/profit before tax | | **(937,931)** | 5,152,315 |
| Adjustments for: | | | |
| Provision for impairment of property, plant and equipment | 15 | **17,392** | 83,835 |
| Provision for impairment of right-of-use assets | 16 | **–** | 85,953 |
| Write-down of inventories to net realisable value | 9 | **1,077,525** | 1,387,824 |
| Provision for/(reversal of) impairment of trade receivables | 23 | **213,132** | (38,385) |
| Impairment of other receivables | | **–** | 15,055 |
| Net losses on disposal of property, plant and equipment and intangible assets | 9 | **33,630** | 36,867 |
| Net losses on disposal of right-of-use assets | 9 | **(11,674)** | 4,320 |
| Depreciation of property, plant and equipment | 15 | **874,650** | 572,328 |
| Depreciation of right-of-use assets | 16 | **1,335,902** | 1,315,181 |
| Amortisation of intangible assets | 18 | **54,148** | 54,980 |
| Defined benefit plan expenses | 31 | **48,462** | 62,066 |
| Foreign exchange losses/(gains) | | **679,010** | (1,938,197) |
| Finance costs | 7 | **224,430** | 190,436 |
| Finance income | 8 | **(22,633)** | (11,128) |
| | | **3,586,043** | 6,973,450 |
| Decrease in inventories | | **2,218,167** | 730,401 |
| Decrease/(increase) in trade and bills receivables | | **89,596** | (488,900) |
| Decrease/(increase) in prepayments, deposits and other receivables | | **720,317** | (575,933) |
| Decrease/(increase) in an amount due from a related party | | **15,425** | (72,766) |
| Withdrawal/(placement) of pledged deposits | | **16,042** | (16,830) |
| (Increase)/decrease in other non-current assets | | **(57,680)** | 132,226 |
| Increase/(decrease) in trade and bills payables | | **17,044** | (251,720) |
| Decrease in other payables and accruals | | **(299,009)** | (381,678) |
| Decrease in other non-current liabilities | | **(11,555)** | (16,255) |
| Payment of the defined benefit obligations | | **(267,218)** | (199,167) |
| Contributions in plan assets | | **240** | (32) |
| **Cash generated from operating activities** | | **6,027,412** | 5,832,796 |
| Interest received | | **22,633** | 11,128 |
| Interest paid | | **(224,430)** | (190,436) |
| Income tax paid | | **(328,974)** | (237,370) |
| **Net cash flows generated from operating activities** | | **5,496,641** | 5,416,118 |

continued/…

# Consolidated Statement of Cash Flows

*Year Ended 31 March 2025*

| | | Year ended 31 March | |
|---|---|---|---|
| | | 2025 | 2024 |
| | Notes | JPY'000 | JPY'000 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of items of property, plant and equipment and intangible assets | | (1,560,867) | (698,150) |
| Proceeds from disposal of items of property, plant and equipment and intangible assets | | – | 17,264 |
| Decrease in finance lease receivables | | 109,467 | 97,498 |
| **Net cash flows used in investing activities** | | (1,451,400) | (583,388) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| New bank borrowings | | 69,543,540 | 36,990,000 |
| Repayment of bank borrowings | | (70,014,720) | (37,290,000) |
| Principal portion of lease payments | 41 | (1,510,766) | (1,412,526) |
| Dividends paid | 41 | (908,463) | (1,851,458) |
| **Net cash flows used in financing activities** | | (2,890,409) | (3,563,984) |
| **Net increase in cash and cash equivalents** | | 1,154,832 | 1,268,746 |
| Cash and cash equivalents at the beginning of year | | 16,617,120 | 14,084,777 |
| Effect of foreign exchange rate changes, net | | (421,926) | 1,263,597 |
| **Cash and cash equivalents at the end of year** | | 17,350,026 | 16,617,120 |
| **Analysis of balances of cash and cash equivalents** | | | |
| Cash and cash equivalents as stated in the consolidated statement of financial position | 25 | 17,350,026 | 16,617,120 |

## 1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 7 October 2013. The registered office address of the Company is that of the offices of Maples Corporate Services Limited, which is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. Shares of the Company were listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 October 2016 (the "Listing Date").

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the manufacture and sale of golf related products.

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

| Name | Place and date of incorporation/ registration | Nominal value of issued ordinary shares/registered share capital | Percentage of equity interest attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Seiyou Holdings Limited | British Virgin Islands ("BVI") 25 October 2013 | US$1,000 | 100% | – | Investment holding |
| Honma Holdings Group Limited | Hong Kong 18 November 2013 | US$10 | – | 100% | Investment holding and trading |
| World Power International Trading (Shanghai) Co., Ltd. * | PRC/Mainland China 27 December 2013 | RMB10,000,000 | – | 100% | Trading |
| Hong Kong Honma Golf Company Limited | Hong Kong 2 April 1996 | HKD28,782,200 | – | 100% | Trading |
| Honma Golf Co., Ltd. ("Honma Japan") | Japan 18 February 1959 | JPY500,000,000 | – | 100% | Manufacture and sale of golf related products |
| Honma Golf Stock Company Limited | Taiwan 10 June 1996 | NTD68,000,000 | – | 100% | Trading |
| Honma Golf (Thailand) Company Limited ("Honma Thailand")** | Thailand 28 May 1997 | THB2,000,000 | – | 48.99% | Trading |
| Honma Golf US Ltd. | United States 28 November 2016 | US$100 | – | 100% | Trading |
| Honma Golf Europe GmbH | Switzerland 9 February 2017 | CHF20,000 | – | 100% | Trading |

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Notes:

* World Power International Trading (Shanghai) Co., Ltd. is registered as a wholly-foreign-owned enterprise under PRC law.

** Honma Thailand is accounted for as a subsidiary of the Group even though the Group has only a 48.99% equity interest in this company because the Group has the power to control the board of directors and to govern the financial and operating policies of Honma Thailand. The Group holds 48.99% of the total shares of Honma Thailand, which are ordinary shares. The rest of the shares of Honma Thailand, being 51.01% of the total shares, are preference shares. Each preference share only entitles the holder to one fifth of the voting right as compared to each ordinary share. As a result, the Group is entitled to appoint all directors to the board of directors of Honma Thailand.

Honma Thailand has been in the process of liquidation since January 2017 and the process has not been completed by the date of approval of these financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 2. ACCOUNTING POLICIES

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with IFRS Accounting Standards (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) as issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in Japanese Yen ("JPY") and all values are rounded to the nearest thousand except when otherwise indicated.

## 2. ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income/(loss) are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange translation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2. ACCOUNTING POLICIES (continued)

### 2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised IFRS Accounting Standards for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to IFRS 16 | *Lease Liability in a Sale and Leaseback* |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current (the "2020 Amendments")* |
| Amendments to IAS 1 | *Non-current Liabilities with Covenants (the "2022 Amendments")* |
| Amendments to IAS 7 and IFRS 7 | *Supplier Finance Arrangements* |

The nature and the impact of the revised IFRS Accounting Standards are described below:

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 April 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

## 2. ACCOUNTING POLICIES (continued)

### 2.3 Issued but not yet effective IFRS Accounting Standards

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

| | |
|---|---|
| IFRS 18 | *Presentation and Disclosure in Financial Statements*[3] |
| IFRS 19 | *Subsidiaries without Public Accountability: Disclosures*[3] |
| Amendments to IFRS 9 and IFRS 7 | *Amendments to the Classification and Measurement of Financial Instruments*[2] |
| Amendments to IFRS 9 and IFRS 7 | *Contracts Referencing Nature-dependent Electricity*[2] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| Amendments to IAS 21 | *Lack of Exchangeability*[1] |
| Annual Improvements to IFRS Accounting Standards – Volume 11 | *Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[2] |

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRSs. IFRS 18 and the consequential amendments to other IFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and statement of cash flows and additional disclosure will be included in the financial statements.

Save as disclosed above, none of these IFRSs is expected to have a significant impact on the Group's results of operations and financial position.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies

**Fair value measurement**

The Group measures its bills receivable and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories, deferred tax assets and net employed defined benefit assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Related parties**

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group, or of a parent of the Group.

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| Category | Annual rate |
|---|---|
| Building | 2% to 33% |
| Machinery | 6% to 11% |
| Leasehold improvements | Shorter of the lease terms and 20% to 100% |
| Motor vehicles | 14% to 50% |
| Equipment, furniture and fittings | 12.5% to 50% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

| | |
|---|---|
| Licences | 10 years |
| Software | 3 to 10 years |
| Telephone use right | Infinite life |

*Research and development costs*

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Freehold land**

Land is stated at actual cost on initial recognition less accumulated impairment. The Group's land is in Japan, which is freehold and not depreciated. The Group's land is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

**Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|---|---|
| Shops | 2 to 5 years |
| Office properties | 2 to 3 years |
| Motor vehicles | 2 to 5 years |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Leases** (continued)

*Group as a lessee (continued)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Leases** (continued)

*Group as a lessor*

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in other income and gains in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income and gains in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Investments and other financial assets

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Investments and other financial assets** (continued)

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Impairment of financial assets** (continued)

*General approach (continued)*

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Impairment of financial assets (continued)

*Simplified approach*

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

#### Financial liabilities

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, interest-bearing bank borrowings, other payables and accruals and other non-current liabilities.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Income tax** (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

#### Revenue recognition

*Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Revenue recognition** (continued)

*Revenue from contracts with customers (continued)*

(a) Sale of golf related products

Revenue from the sale of golf related products is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance of the golf related products. The normal credit term is 30 to 120 days for major customers. Payment in advance is required for some contracts.

Some contracts for the sale of golf related products provide customers with rights of return, giving rise to variable consideration.

Rights of return

For contracts which provide a customer with a right to return the goods, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Sales rebates

Sales rebates may be provided to certain customers once the products purchased during the period exceed a threshold specified in the contract. Rebates are settled by the delivery of products. To estimate the variable consideration for the expected future rebates, the most likely amount method is used.

(b) Rendering of services

The Group provides services relating to golf related products. The performance obligation is satisfied over time as services are rendered. Payment is generally due within 30 to 45 days upon completion of services and acceptance by the customer.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Revenue recognition** (continued)

*Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

*Revenue from other sources*

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

**Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

**Right-of-return assets**

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

**Refund liabilities**

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Share-based payments**

Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted by using an income approach (discounted cash flow method, in particular).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in the employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Other employee benefits**

*Pension schemes*

Subsidiaries of the Group incorporated in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

*Defined benefit plan*

Subsidiaries of the Group incorporated in Japan and Taiwan operate defined benefit pension plans which require contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding the amount included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in the statement of profit or loss at the earlier of

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring related costs.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Other employee benefits** (continued)

*Defined benefit plan (continued)*

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales", "selling and distribution expenses" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and

- net interest expense or income.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Events after the reporting period**

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

**Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

**Foreign currencies**

These financial statements are presented in JPY, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries operating overseas other than subsidiaries in Japan are currencies other than the JPY. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into JPY at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange translation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into JPY at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into JPY at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

#### Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in notes 15,16,17,18 and 31 to the financial statements.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### Estimation uncertainty (continued)

#### Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 23 to the financial statements.

#### Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The key assumptions and inputs used in estimating future taxable profits include forecasted revenue and operating profit ratio. Further details are disclosed in note 21 to the financial statements.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### Estimation uncertainty (continued)

#### Defined benefit plans

The cost of the defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, salary increase rate, mortality rate and turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with those of the currencies of the post-employment benefit obligation with at least an "AA" rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on condition that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. The salary increase rate is based on expected future inflation rates for the respective countries. The turnover rate is based on historical analysis of the withdrawal rate. Further details are disclosed in note 31 to the financial statements.

#### Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in market conditions. Management reassesses these estimates at each reporting date after considering specific factors such as the ageing of the inventories, the subsequent or estimated selling price and forecasted market demand. Further details are disclosed in note 22 to the financial statements.

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has only one reportable operating segment: the manufacture and sale of golf related products and the rendering of services relating to such products. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resource allocation and performance assessment. Accordingly, no further operating segment information is presented.

### Geographic information

#### (a) Revenue from external customers

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Japan | **9,045,405** | 9,363,144 |
| China (including Hong Kong and Macau) | **6,618,592** | 7,508,463 |
| Korea | **2,666,806** | 5,988,553 |
| North America | **625,342** | 632,957 |
| Europe | **420,967** | 361,792 |
| Other regions | **2,295,030** | 2,367,948 |
| Total revenue | **21,672,142** | 26,222,857 |

The revenue information above is based on the locations of the customers.

## 4. OPERATING SEGMENT INFORMATION (continued)

### Geographic information (continued)

### (b) Non-current assets

| | At 31 March 2025 JPY'000 | At 31 March 2024 JPY'000 |
|---|---|---|
| Japan | **5,666,778** | 4,869,911 |
| Other Asia Pacific Area | **920,312** | 1,605,617 |
| North America | **46,030** | 75,135 |
| Total non-current assets | **6,633,120** | 6,550,663 |

The non-current asset information above is based on the locations of the assets and excludes financial instruments, net employee defined benefit assets and deferred tax assets.

### Information about major customers

No revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer for the year ended 31 March 2025.

Revenue of approximately JPY5,000,224,000 was derived from one major customer for the year ended 31 March 2024.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold and services rendered, after allowances for returns and trade discounts during the year.

An analysis of revenue and other income and gains is as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Revenue from contracts with customers | | |
| Sale of goods | **21,604,162** | 26,141,370 |
| Rendering of services | **67,980** | 81,487 |
| Total revenue | **21,672,142** | 26,222,857 |

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Other income and gains | | |
| Foreign exchange gains, net | **–** | 2,507,892 |
| Government grants* | **16,344** | 49,354 |
| Gain on disposal of right-of-use assets, net | **11,674** | – |
| Compensation income | **533** | 20,485 |
| Others | **78,816** | 96,227 |
| Total other income and gains | **107,367** | 2,673,958 |

* The income-related government grants were mainly financial incentives provided by local government authorities in Japan. There are no unfulfilled conditions or contingencies relating to these grants.

## 5. REVENUE, OTHER INCOME AND GAINS (continued)

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Types of goods or services | | |
| Sale of golf related products | **21,604,162** | 26,141,370 |
| Rendering of services relating to golf related products | **67,980** | 81,487 |
| Total | **21,672,142** | 26,222,857 |
| Timing of revenue recognition | | |
| Goods transferred at a point in time | **21,604,162** | 26,141,370 |
| Services transferred over time | **67,980** | 81,487 |
| Total | **21,672,142** | 26,222,857 |

The disaggregation of the Group's revenue based on the geographical region for the year ended 31 March 2025 is included in note 4 to the financial statements.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Sale of golf related products | **605,561** | 818,532 |

## 5. REVENUE, OTHER INCOME AND GAINS (continued)

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Amounts expected to be recognised as revenue: | | |
| Within one year | **412,510** | 605,561 |

## 6. OTHER EXPENSES, NET

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Net losses on disposal of property, plant and equipment and intangible assets | **33,630** | 36,867 |
| Net loss on disposal of right-of-use assets | **–** | 4,320 |
| Provision for impairment of property, plant and equipment | **17,392** | 83,835 |
| Provision for impairment of right-of-use assets | **–** | 85,953 |
| Foreign exchange loss, net | **1,113,958** | – |
| Others | **65,574** | 16,876 |
| Total | **1,230,554** | 227,851 |

## 7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Interest on bank borrowings | **164,753** | 134,725 |
| Interest on lease liabilities | **59,677** | 55,711 |
| Total | **224,430** | 190,436 |

## 8. FINANCE INCOME

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Interest income | **22,633** | 11,128 |
| Total | **22,633** | 11,128 |

## 9. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

| | | Year ended 31 March | |
|---|---|---|---|
| | | **2025** | 2024 |
| | Notes | **JPY'000** | JPY'000 |
| Cost of inventories sold | | **9,858,297** | 12,737,780 |
| Cost of services provided | | **29,760** | 52,389 |
| Depreciation of property, plant and equipment | 15 | **874,650** | 572,328 |
| Depreciation of right-of-use assets | 16 | **1,335,902** | 1,315,181 |
| Amortisation of intangible assets | 18 | **54,148** | 54,980 |
| Research and development costs | | **240,380** | 228,851 |
| Provision for impairment of property, plant and equipment | 15 | **17,392** | 83,835 |
| Provision for impairment of right-of-use assets | 16 | **–** | 85,953 |
| Provision for/(reversal of) impairment of trade receivables | 23 | **213,132** | (38,385) |
| Impairment of other receivables | 24 | **–** | 15,055 |
| Lease payments not included in the measurement of lease liabilities | 36(b) | **222,147** | 212,361 |
| Auditors' remuneration | | **140,880** | 130,360 |
| Employee benefit expense (including directors' and chief executive's remuneration (note 10)): | | | |
| Wages and salaries | | **3,569,648** | 3,487,500 |
| Pension and social security costs* | | **343,301** | 325,626 |
| Defined benefit plan expenses | 31 | **48,462** | 62,066 |
| Employee benefits | | **412,643** | 406,087 |
| Other benefits | | **202,034** | 210,685 |
| Total | | **4,576,088** | 4,491,964 |
| Foreign exchange loss/(gains), net | 5/6 | **1,113,958** | (2,507,892) |
| Write-down of inventories to net realisable value | | **1,077,525** | 1,387,824 |
| Net losses on disposal of items of property, plant and equipment and intangible assets | 6 | **33,630** | 36,867 |
| Net (gain)/loss on disposal of right-of-use assets | 5/6 | **(11,674)** | 4,320 |

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Fees | **38,424** | 30,395 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **86,407** | 93,394 |
| Pension scheme contributions | **11,236** | 11,948 |
| Subtotal | **97,643** | 105,342 |
| Total | **136,067** | 135,737 |

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Mr. Lu Pochin Christopher | **10,722** | 10,137 |
| Mr. Xu Hui | **6,407** | 6,075 |
| Mr. Wang Jianguo | **6,407** | 6,075 |
| Ms. Tian Qing * | **2,100** | – |
| Total | **25,636** | 22,287 |

* Ms. Tian Qing was appointed as an independent non-executive director on 20 December 2024.

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

### (b) Executive directors

| | Fees JPY'000 | Salaries, allowances and benefits in kind JPY'000 | Pension scheme contributions JPY'000 | Total remuneration JPY'000 |
|---|---|---|---|---|
| **Year ended 31 March 2025** | | | | |
| **Executive directors:** | | | | |
| Mr. Liu Jianguo | – | 36,079 | 3,425 | 39,504 |
| Mr. Liu Hongli | – | 28,765 | 3,348 | 32,113 |
| Mr. Yasuki Ito | – | 10,939 | 1,388 | 12,327 |
| Mr. Zuojun | – | 10,624 | 3,075 | 13,699 |
| Subtotal | – | 86,407 | 11,236 | 97,643 |
| **Non-executive directors:** | | | | |
| Mr. Yang Xiaoping | 4,289 | – | – | 4,289 |
| Mr. Ho Ping-hsien Robert * | 4,289 | – | – | 4,289 |
| Mr. Soopakij Chearavanont ** | 4,210 | – | – | 4,210 |
| Subtotal | 12,788 | – | – | 12,788 |
| Total | 12,788 | 86,407 | 11,236 | 110,431 |

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

### (b) Executive directors (continued)

| | Fees JPY'000 | Salaries, allowances and benefits in kind JPY'000 | Pension scheme contributions JPY'000 | Total remuneration JPY'000 |
|---|---|---|---|---|
| **Year ended 31 March 2024** | | | | |
| **Executive directors:** | | | | |
| Mr. Liu Jianguo | – | 34,114 | 3,140 | 37,254 |
| Mr. Liu Hongli | – | 27,844 | 3,293 | 31,137 |
| Mr. Yasuki Ito | – | 10,108 | 2,748 | 12,856 |
| Mr. Yuji Murai *** | – | 10,951 | 1,401 | 12,352 |
| Mr. Zuojun | – | 10,377 | 1,366 | 11,743 |
| Subtotal | – | 93,394 | 11,948 | 105,342 |
| **Non-executive directors:** | | | | |
| Mr. Yang Xiaoping | 4,054 | – | – | 4,054 |
| Mr. Ho Ping-hsien Robert | 4,054 | – | – | 4,054 |
| Subtotal | 8,108 | – | – | 8,108 |
| Total | 8,108 | 93,394 | 11,948 | 113,450 |

* Mr. Ho Ping-hsien Robert passed away on 18 September 2024.

** Mr. Soopakij Chearavanont was appointed as a non-executive director on 29 November 2024.

*** Mr. Yuji Murai retired from 15 September 2023.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

## 11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2024: two). Details of the directors' remuneration are set out in note 10 above. Details of the total remuneration of the remaining three (2024: three) highest paid employees who are neither a director nor the chief executive of the Group are as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Salaries, allowances and benefits in kind | **131,340** | 127,955 |
| Pension scheme contributions | **3,525** | 6,040 |
| Total | **134,865** | 133,995 |

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

| | Number of employees<br>Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| HK$1,000,001 to HK$1,500,000 | **1** | – |
| HK$1,500,001 to HK$2,000,000 | **1** | 2 |
| HK$2,000,001 to HK$2,500,000 | **–** | – |
| HK$3,500,001 to HK$4,000,000 | **1** | 1 |
| Total | **3** | 3 |

## 12. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company and the Company's subsidiary incorporated in the BVI are not subject to corporate income tax ("CIT") as they do not have a place of business (other than a registered office) or carry on any business in the Cayman Islands and BVI.

The subsidiaries of the Company incorporated in Hong Kong were subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year (2024: 16.5%).

Pursuant to the rules and regulations of Japan, the subsidiary incorporated in Japan is subject mainly to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rate for these taxes was 30.62% for the year (2024: 30.62%).

The subsidiary of the Company registered in the Mainland China is subject to PRC enterprise income tax on the taxable income as reported in its PRC statutory accounts adjusted in accordance with relevant PRC income tax laws based on a statutory rate of 25% (2024: 25%).

The subsidiaries incorporated in Taiwan and Thailand are subject to income tax at the rates of 20% and 20% on the assessable profits (2024: 20% and 20%), respectively.

The Company's subsidiary incorporated and operating in the United States was subject to federal corporation income tax at a rate of 21% during the year (2024: 21%), as well as state tax at a rate of approximately 8.84% (2024: 8.84%).

The Company's subsidiary incorporated and operating in Switzerland was subject to federal corporation income tax at a rate of 8.5% during the year (2024: 8.5%), as well as cantonal and communal taxes at rates ranging from 2% to 5% (2024: 2% to 5%).

Tax in the statement of profit or loss represents:

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Current income tax | **539,949** | 337,486 |
| Deferred tax (note 21) | **(1,213,706)** | (13,299) |
| Total | **(673,757)** | 324,187 |

## 12. INCOME TAX (continued)

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate for Japan to the tax charge at the effective tax rate is as follows:

| | Year ended 31 March | | | |
|---|---|---|---|---|
| | **2025** | | 2024 | |
| | **JPY'000** | **%** | JPY'000 | % |
| (Loss)/profit before tax | **(937,931)** | | 5,152,315 | |
| Tax at the statutory tax rate (30.62% for the year ended 31 March 2025, and 2024) | **(287,194)** | **30.62** | 1,577,639 | 30.62 |
| Different tax rates or tax bases for entities outside Japan | **(255,383)** | **27.23** | (274,280) | (5.32) |
| Expenses not deductible for tax | **72,012** | **(7.68)** | 5,163 | 0.10 |
| Income not subject to tax | **(35,293)** | **3.76** | (140,778) | (2.73) |
| Effect of withholding tax on the distributable profits of the Group's subsidiaries in the Mainland China and Japan | **(70,183)** | **7.48** | (37,302) | (0.72) |
| Impact of unrecognised tax losses and temporary differences | **(97,716)** | **10.42** | (806,255) | (15.65) |
| Tax (credit)/charge at the Group's effective rate | **(673,757)** | **71.83** | 324,187 | 6.30 |

## 13. DIVIDENDS

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Proposed final – Nil (2024: JPY1.50) per ordinary share | **–** | 908,464 |
| Interim declared – Nil (2024: JPY1.50) per ordinary share | **–** | 908,464 |

The directors did not declare any interim and final dividend for 2025.

## 14. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss (2024: earnings) per share is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares outstanding during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2025 and 2024 in respect of a dilution as the Group had no dilutive potentially ordinary shares outstanding during the years ended 31 March 2025 and 2024.

The following reflects the income and the share data used in the basic earnings per share calculation:

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| (Loss)/earnings | | |
| (Loss)/profit attributable to ordinary equity holders of the parent | **(264,233)** | 4,828,057 |

| | Number of shares | |
|---|---|---|
| | **2025** | 2024 |
| | **'000** | '000 |
| Shares | | |
| Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation | **605,643** | 605,643 |

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Building JPY'000 | Machinery JPY'000 | Leasehold improvements JPY'000 | Motor vehicles JPY'000 | Equipment, furniture and fittings JPY'000 | Construction in progress JPY'000 | Total JPY'000 |
|---|---|---|---|---|---|---|---|
| **31 March 2025** | | | | | | | |
| Cost: | | | | | | | |
| At 1 April 2024 | 6,461,817 | 2,008,131 | 2,995,753 | 46,731 | 1,784,547 | 214,366 | 13,511,345 |
| Additions | 82,379 | 16,778 | 678,560 | 4,180 | 510,754 | 5,295 | 1,297,946 |
| Transfer from construction in progress | – | 11,300 | 184,006 | – | 13,438 | (208,744) | – |
| Disposals | (26,152) | (53,742) | (106,614) | (26,166) | (288,502) | – | (501,176) |
| Exchange realignment | – | (674) | (42,021) | – | (3,328) | (5,622) | (51,645) |
| At 31 March 2025 | 6,518,044 | 1,981,793 | 3,709,684 | 24,745 | 2,016,909 | 5,295 | 14,256,470 |
| Accumulated depreciation: | | | | | | | |
| At 1 April 2024 | 5,798,277 | 1,761,312 | 1,907,830 | 46,590 | 1,436,809 | – | 10,950,818 |
| Depreciation provided during the year | 79,424 | 76,454 | 335,204 | 1,090 | 382,478 | – | 874,650 |
| Disposals | (21,606) | (53,742) | (65,540) | (26,166) | (278,252) | – | (445,306) |
| Exchange realignment | – | (649) | (11,993) | – | (1,647) | – | (14,289) |
| At 31 March 2025 | 5,856,095 | 1,783,375 | 2,165,501 | 21,514 | 1,539,388 | – | 11,365,873 |
| Accumulated impairment: | | | | | | | |
| At 1 April 2024 | 93,339 | 1,697 | 390,201 | – | 75,662 | – | 560,899 |
| Impairment provided during the year | – | – | 16,596 | – | 796 | – | 17,392 |
| Disposals | – | – | (17,718) | – | (10,044) | – | (27,762) |
| Exchange realignment | – | – | (2,859) | – | (156) | – | (3,015) |
| At 31 March 2025 | 93,339 | 1,697 | 386,220 | – | 66,258 | – | 547,514 |
| Net book value: | | | | | | | |
| At 31 March 2025 | 568,610 | 196,721 | 1,157,963 | 3,231 | 411,263 | 5,295 | 2,343,083 |

## 15. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Building JPY'000 | Machinery JPY'000 | Leasehold improvements JPY'000 | Motor vehicles JPY'000 | Equipment, furniture and fittings JPY'000 | Construction in progress JPY'000 | Total JPY'000 |
|---|---|---|---|---|---|---|---|
| 31 March 2024 | | | | | | | |
| Cost: | | | | | | | |
| At 1 April 2023 | 6,460,678 | 1,977,008 | 2,447,579 | 46,731 | 1,886,174 | 4,532 | 12,822,702 |
| Additions | 32,026 | 46,641 | 453,610 | – | 168,777 | 218,073 | 919,127 |
| Transfer from construction in progress | 3,706 | 4,533 | – | – | – | (8,239) | – |
| Disposals | (34,593) | (23,625) | (54,059) | – | (285,889) | – | (398,166) |
| Exchange realignment | – | 3,574 | 148,623 | – | 15,485 | – | 167,682 |
| At 31 March 2024 | 6,461,817 | 2,008,131 | 2,995,753 | 46,731 | 1,784,547 | 214,366 | 13,511,345 |
| Accumulated depreciation: | | | | | | | |
| At 1 April 2023 | 5,744,197 | 1,696,535 | 1,557,552 | 45,276 | 1,553,289 | – | 10,596,849 |
| Depreciation provided during the year | 79,235 | 84,970 | 278,120 | 1,314 | 128,689 | – | 572,328 |
| Disposals | (25,155) | (23,625) | (46,217) | – | (256,102) | – | (351,099) |
| Exchange realignment | – | 3,432 | 118,375 | – | 10,933 | – | 132,740 |
| At 31 March 2024 | 5,798,277 | 1,761,312 | 1,907,830 | 46,590 | 1,436,809 | – | 10,950,818 |
| Accumulated impairment: | | | | | | | |
| At 1 April 2023 | 93,339 | 1,697 | 308,996 | – | 71,862 | – | 475,894 |
| Impairment provided during the year | – | – | 78,348 | – | 5,487 | – | 83,835 |
| Disposals | – | – | – | – | (1,717) | – | (1,717) |
| Exchange realignment | – | – | 2,857 | – | 30 | – | 2,887 |
| At 31 March 2024 | 93,339 | 1,697 | 390,201 | – | 75,662 | – | 560,899 |
| Net book value: | | | | | | | |
| At 31 March 2024 | 570,201 | 245,122 | 697,722 | 141 | 272,076 | 214,366 | 1,999,628 |

An impairment of JPY19,064,000 (2024: JPY83,835,000) has been provided for certain loss-making shops during the year ended 31 March 2025 with recoverable amount of nil. The recoverable amounts of these shops have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a period over the remaining useful lives of the relevant assets.

## 16. RIGHT-OF-USE ASSETS

| | Shops JPY'000 | Office properties JPY'000 | Motor vehicles JPY'000 | Total JPY'000 |
|---|---|---|---|---|
| Carrying amount at 1 April 2024 | **2,011,040** | **364,994** | **44,729** | **2,420,763** |
| Addition | **1,085,575** | **373,738** | **35,645** | **1,494,958** |
| Depreciation during the year | **(1,182,288)** | **(146,917)** | **(6,697)** | **(1,335,902)** |
| Revision of a lease term arising from a change in the non-cancellable period of a lease | **(126,303)** | **(247,257)** | **–** | **(373,560)** |
| Exchange realignment | **(16,855)** | **(1,347)** | **–** | **(18,202)** |
| Carrying amount at 31 March 2025 | **1,771,169** | **343,211** | **73,677** | **2,188,057** |

| | Shops JPY'000 | Office properties JPY'000 | Motor vehicles JPY'000 | Total JPY'000 |
|---|---|---|---|---|
| Carrying amount at 1 April 2023 | 1,633,034 | 144,970 | 34,842 | 1,812,846 |
| Addition | 1,538,758 | 354,445 | 19,055 | 1,912,258 |
| Depreciation during the year | (1,172,044) | (135,337) | (7,800) | (1,315,181) |
| Revision of a lease term arising from a change in the non-cancellable period of a lease | (15,249) | – | (1,643) | (16,892) |
| Impairment | (85,953) | – | – | (85,953) |
| Exchange realignment | 112,494 | 916 | 275 | 113,685 |
| Carrying amount at 31 March 2024 | 2,011,040 | 364,994 | 44,729 | 2,420,763 |

## 17. FREEHOLD LAND

The carrying amount of the Group's freehold land is analysed as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Cost: | | |
| As at 1 April and 31 March | **1,940,789** | 1,940,789 |
| Impairment: | | |
| As at 1 April and 31 March | **–** | – |
| Net book value: | | |
| As at 31 March | **1,940,789** | 1,940,789 |

The freehold land is owned by Honma Japan and is located in Japan.

## 18. INTANGIBLE ASSETS

**31 March 2025**

| | Licences JPY'000 | Software JPY'000 | Telephone use right JPY'000 | Total JPY'000 |
|---|---|---|---|---|
| Cost at 1 April 2024, net of accumulated amortisation and impairment | 923 | 83,014 | 5,970 | 89,907 |
| Additions | – | 69,130 | – | 69,130 |
| Disposal | – | (5,580) | – | (5,580) |
| Amortisation provided during the year | (372) | (53,776) | – | (54,148) |
| Exchange realignment | – | (482) | – | (482) |
| At 31 March 2025 | 551 | 92,306 | 5,970 | 98,827 |
| At 31 March 2025: | | | | |
| Cost | 5,596 | 977,437 | 41,767 | 1,024,800 |
| Accumulated amortisation | (5,045) | (885,131) | – | (890,176) |
| Impairment | – | – | (35,797) | (35,797) |
| Net carrying amount | 551 | 92,306 | 5,970 | 98,827 |

31 March 2024

| | Licences JPY'000 | Software JPY'000 | Telephone use right JPY'000 | Total JPY'000 |
|---|---|---|---|---|
| Cost at 1 April 2023, net of accumulated amortisation and impairment | 1,338 | 121,068 | 5,970 | 128,376 |
| Additions | – | 21,706 | – | 21,706 |
| Disposal | – | (8,781) | – | (8,781) |
| Amortisation provided during the year | (415) | (54,565) | – | (54,980) |
| Exchange realignment | – | 3,586 | – | 3,586 |
| At 31 March 2024 | 923 | 83,014 | 5,970 | 89,907 |
| At 31 March 2024: | | | | |
| Cost | 5,596 | 925,282 | 41,767 | 972,645 |
| Accumulated amortisation | (4,673) | (842,268) | – | (846,941) |
| Impairment | – | – | (35,797) | (35,797) |
| Net carrying amount | 923 | 83,014 | 5,970 | 89,907 |

## 19. FINANCE LEASE RECEIVABLES

The total future lease payments receivable under finance leases and their present values were as follows:

| | At 31 March 2025 JPY'000 | At 31 March 2024 JPY'000 |
|---|---|---|
| Within one year | **77,889** | 106,990 |
| After one year but within two years | **80,226** | 81,470 |
| After two years but within three years | **13,773** | 81,309 |
| After three years but within four years | **–** | 13,958 |
| Total minimum finance lease receivables | **171,888** | 283,727 |
| Unearned finance income | **(1,538)** | (3,339) |
| Total net finance lease receivables | **170,350** | 280,388 |
| Portion classified as current assets | **(77,556)** | (106,586) |
| Non-current portion | **92,794** | 173,802 |

## 19. FINANCE LEASE RECEIVABLES (continued)

| | At 31 March 2025 JPY'000 | 2024 JPY'000 |
|---|---|---|
| Within one year | **77,556** | 106,586 |
| After one year but within two years | **79,252** | 80,498 |
| After two years but within three years | **13,542** | 79,687 |
| After three years but within four years | **–** | 13,617 |
| Total present value of minimum finance lease receivables | **170,350** | 280,388 |

During the year, JPY1,504,000 (2024: JPY1,731,000) was recognised as the finance income of finance lease receivables.

The Group applies a simplified approach in calculating ECLs prescribed by IFRS 9, which permits the use of the lifetime expected losses for lease receivables. All of the finance lease receivables are not past due. To measure the expected credit losses, finance lease receivables have been grouped based on shared credit risk characteristics and the days past due. The determination of expected credit losses has also incorporated forward-looking information. All the finance lease receivables are classified as Stage 1 without any significant increase in credit risk tracked since initial recognition. The expected credit loss for finance lease receivables that were not yet past due is minimal.

## 20. OTHER NON-CURRENT ASSETS

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Equity instruments at fair value through other comprehensive income | | |
| Unlisted equity investments, at fair value | **100** | 100 |
| Listed equity investments, at fair value | **26,414** | 10,812 |
| | **26,514** | 10,912 |
| Rental deposits | **759,310** | 677,128 |
| Long-term prepaid expenses | **62,364** | 99,576 |
| Total | **848,188** | 787,616 |

## 21. DEFERRED TAX

### Deferred tax assets

| | Unrealised profit JPY'000 | Tax losses JPY'000 | Impairment of inventories JPY'000 | Accrued payroll JPY'000 | Defined benefit plans JPY'000 | Bad debt JPY'000 | Lease liabilities JPY'000 | Others JPY'000 | Total JPY'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 April 2023 | 572,038 | 321,285 | 197,878 | 25,442 | 107,060 | 2,766 | 494,224 | 178,751 | 1,899,444 |
| Deferred tax charged to other comprehensive income during the year | – | – | – | – | (95,212) | – | – | – | (95,212) |
| Deferred tax (charged)/credited to profit or loss during the year | (53,845) | 67,040 | 29,436 | (2,718) | (11,848) | (86) | 162,175 | 4,383 | 194,537 |
| Exchange realignment | 35,468 | – | 11,093 | – | – | – | 25,693 | 10,400 | 82,654 |
| Gross deferred tax assets at 31 March 2024 | 553,661 | 388,325 | 238,407 | 22,724 | – | 2,680 | 682,092 | 193,534 | 2,081,423 |
| At 1 April 2024 | 553,661 | 388,325 | 238,407 | 22,724 | – | 2,680 | 682,092 | 193,534 | 2,081,423 |
| Deferred tax (charged)/credited to profit or loss during the year | (115,509) | 1,404,603 | (81,384) | (10,851) | – | 203 | (70,153) | 13,882 | 1,140,791 |
| Exchange realignment | (37,067) | (9,002) | (6,876) | – | – | – | (4,040) | (2,865) | (59,850) |
| Gross deferred tax assets at 31 March 2025 | 401,085 | 1,783,926 | 150,147 | 11,873 | – | 2,883 | 607,899 | 204,551 | 3,162,364 |

## 21. DEFERRED TAX (continued)

### Deferred tax liabilities

| | Right-of-use assets JPY'000 | Defined benefit plans JPY'000 | Change in fair value JPY'000 | Depreciation allowance in excess of related depreciation JPY'000 | Withholding tax JPY'000 | Total JPY'000 |
|---|---|---|---|---|---|---|
| At 1 April 2023 | 494,224 | – | 3,812 | 826 | 107,485 | 606,347 |
| Deferred tax charged to other comprehensive income during the year | – | 13,237 | 2,845 | – | – | 16,082 |
| Deferred tax charged/(credited) to profit or loss during the year | 175,230 | 29,992 | – | 13,318 | (37,302) | 181,238 |
| Exchange realignment | 25,399 | – | – | – | – | 25,399 |
| Gross deferred tax liabilities at 31 March 2024 | 694,853 | 43,229 | 6,657 | 14,144 | 70,183 | 829,066 |
| At 1 April 2024 | 694,853 | 43,229 | 6,657 | 14,144 | 70,183 | 829,066 |
| Deferred tax charged to other comprehensive income during the year | – | 10,389 | 1,354 | – | – | 11,743 |
| Deferred tax charged/(credited) to profit or loss during the year | (65,679) | 67,028 | – | (4,081) | (70,183) | (72,915) |
| Exchange realignment | (3,745) | – | – | – | – | (3,745) |
| Gross deferred tax liabilities at 31 March 2025 | 625,429 | 120,646 | 8,011 | 10,063 | – | 764,149 |

## 21. DEFERRED TAX (continued)

### Deferred tax liabilities (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Net deferred tax assets recognised in the consolidated statement of financial position | **2,408,278** | 1,336,684 |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | **10,063** | 84,327 |

Deferred tax assets have not been recognised in respect of the following items:

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Tax losses | **5,641,970** | 5,150,407 |
| Deductible temporary differences | **2,193,035** | 3,489,054 |
| Total | **7,835,005** | 8,639,461 |

The Group has tax losses of JPY5,260,027,000 (2024: JPY5,018,275,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses of JPY381,942,000 (2024: JPY132,132,000) that will expire in one to ten years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 21. DEFERRED TAX (continued)

### Deferred tax liabilities (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. In addition, pursuant to the tax law in Japan, a 20.24% withholding tax is levied on dividends declared to foreign investors from the enterprises established in Japan. A 5% withholding tax is levied on dividends declared to Hong Kong investors from enterprises established in Japan pursuant to the tax treaty between Japan and Hong Kong. Furthermore, pursuant to the tax law in Taiwan, a 20% withholding tax is levied on dividends declared to foreign investors from the enterprises established in Taiwan. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008 and by the subsidiaries established in Japan and Taiwan.

As at 31 March 2025 and 2024, there were no significant unrecognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted due to the availability of double taxation relief.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 22. INVENTORIES

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Raw materials | **1,545,016** | 2,692,537 |
| Work in progress | **795,947** | 1,285,914 |
| Finished goods | **6,408,205** | 9,611,749 |
| Subtotal | **8,749,168** | 13,590,200 |
| Less: provision | **(1,865,754)** | (3,411,094) |
| Net carrying amount | **6,883,414** | 10,179,106 |

## 23. TRADE AND BILLS RECEIVABLES

| | At 31 March 2025 JPY'000 | At 31 March 2024 JPY'000 |
|---|---|---|
| Trade receivables | **3,981,044** | 3,806,145 |
| Bills receivable | **117,738** | 400,836 |
| Subtotal | **4,098,782** | 4,206,981 |
| Less: provision | **(360,730)** | (166,201) |
| Net carrying amount | **3,738,052** | 4,040,780 |

The Group's trading terms with its customers are mainly on credit. The credit period ranges from 30 to 120 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

| | At 31 March 2025 JPY'000 | At 31 March 2024 JPY'000 |
|---|---|---|
| Within 1 month | **3,468,029** | 3,070,137 |
| 1 to 3 months | **133,558** | 352,702 |
| 3 to 12 months | **14,365** | 162,064 |
| Over 1 year | **4,362** | 55,041 |
| Total | **3,620,314** | 3,639,944 |

## 23. TRADE AND BILLS RECEIVABLES (continued)

The movements in provision for impairment of trade receivables are as follows:

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Opening balance | **166,201** | 204,684 |
| Addition | **226,081** | 9,251 |
| Reversal | **(12,949)** | (47,636) |
| Amount written off as uncollectable | **(18,603)** | (98) |
| Ending balance | **360,730** | 166,201 |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**As at 31 March 2025**

| | **Expected loss rates** | **Gross carrying amounts JPY'000** | **Impairment JPY'000** |
|---|---|---|---|
| Defaulted receivables | **100.00%** | **298,905** | **298,905** |
| Current and past due within 6 months | **1.23%** | **3,665,432** | **45,151** |
| 6 to 12 months past due | **31.25%** | **48** | **15** |
| Over 1 year past due | **100.00%** | **16,659** | **16,659** |
| Total | | **3,981,044** | **360,730** |

## 23. TRADE AND BILLS RECEIVABLES (continued)

As at 31 March 2024

| | Expected loss rates | Gross carrying amounts JPY'000 | Impairment JPY'000 |
|---|---|---|---|
| Current and past due within 6 months | 2.21% | 3,568,324 | 78,844 |
| 6 to 12 months past due | 28.85% | 211,473 | 61,009 |
| Over 1 year past due | 100% | 26,348 | 26,348 |
| Total | | 3,806,145 | 166,201 |

### Transferred financial assets that are derecognised in their entirety

At 31 March 2025, the Group endorsed certain bills receivable accepted by banks in Japan (the "Derecognised Bills") with a carrying amount in aggregate of JPY478,165,000 (2024: Nil). The Derecognised Bills had a maturity of one month to four months at the end of the reporting period. In accordance with the Law, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the "Continuing Involvement"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

## 24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Prepaid rental expenses | **46,766** | 56,399 |
| Prepaid expenses | **116,919** | 95,097 |
| Deductible input value added tax | **29,117** | 589,264 |
| Advances to suppliers | **985,628** | 1,424,285 |
| Rental deposits | **161,223** | 270,597 |
| Other receivables | **13,774** | 4,013 |
| Right-of-return assets | **263,183** | 140,044 |
| Impairment allowance | **–** | – |
| Total | **1,616,610** | 2,579,699 |

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

## 24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Movements in the provision for impairment of other receivables are as follows:

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| At beginning of year | **–** | – |
| Impairment losses, net | **–** | 15,055 |
| Amounts written off as uncollectible | **–** | (15,055) |
| At ending of year | **–** | – |

The Group applies a general approach in calculating ECLs for other receivables and rental deposits. Other receivables related to debtors that are in default are classified as Stage 3 and the lifetime ECL rate was estimated to be 100% based on historical credit loss experience. The remaining other receivables and rental deposits are classified as Stage 1 without any significant increase in credit risk since initial recognition. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit loss as at 31 March 2025 was considered to be insignificant.

The carrying amount of prepayments, deposits and other receivables approximates to their fair value due to their short term maturity.

## 25. CASH AND CASH EQUIVALENTS

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Cash and bank balances | **17,350,026** | 16,617,120 |
| Time deposits | **5,957** | 21,999 |
| Subtotal | **17,355,983** | 16,639,119 |
| Less: Pledged deposits for litigation | **–** | (15,967) |
| Others | **(5,957)** | (6,032) |
| Cash and cash equivalents | **17,350,026** | 16,617,120 |

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to JPY16,649,506,000 (31 March 2024: JPY15,456,261,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 26. TRADE AND BILLS PAYABLES

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Trade payables | **1,067,488** | 1,030,960 |
| Bills payable | **–** | 19,484 |
| Total | **1,067,488** | 1,050,444 |

The ageing analysis of trade and bills payables as at 31 March 2025 and 2024 is as follows:

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Within 3 months | **1,067,488** | 1,041,251 |
| Over 3 months | **–** | 9,193 |
| Total | **1,067,488** | 1,050,444 |

The trade and bills payables are non-interest-bearing and normally settled on terms of two to four months.

## 27. OTHER PAYABLES AND ACCRUALS

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Payables for purchase of property, plant and equipment | **79,841** | 275,131 |
| Contract liabilities | **412,510** | 605,561 |
| Staff payroll and welfare payables | **366,211** | 392,767 |
| Other tax payables | **117,290** | 182,919 |
| Refund liabilities | **328,553** | 262,222 |
| Other payables and accruals | **797,340** | 877,444 |
| Total | **2,101,745** | 2,596,044 |

Financial liabilities included in the above balances are non-interest-bearing and have no significant balances with ageing over one year.

Details of contract liabilities are as follows:

| | At 31 March | | |
|---|---|---|---|
| | **2025** | 2024 | 2023 |
| | **JPY'000** | JPY'000 | JPY'000 |
| Sale of golf related products | **412,510** | 605,561 | 818,532 |

The decrease in contract liabilities as at 31 March 2025 and 2024 was mainly due to the decrease in sales rebate and short-term advances received from customers in relation to the sale of golf related products.

## 28. INTEREST-BEARING BANK BORROWINGS

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Current | | |
| Bank loans – unsecured | **6,024,720** | 6,411,180 |
| Non-current | | |
| Bank loans – unsecured | **494,100** | 578,820 |
| Total | **6,518,820** | 6,990,000 |
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year | **6,024,720** | 6,411,180 |
| In the second year | **63,540** | 84,720 |
| In the third to fifth years, inclusive | **254,160** | 254,160 |
| Beyond five years | **176,400** | 239,940 |
| Total | **6,518,820** | 6,990,000 |

The Group's bank borrowings bore interest at effective interest rates as follows:

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| Effective interest rates | **0.17% to 3.08%** | 0.17% to 3.08% |

At 31 March 2025 and 2024, there were no properties pledged to secure bank borrowings granted to the Group.

## 29. LEASE LIABILITIES

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| At beginning of year | **2,777,470** | 2,153,237 |
| Addition | **1,459,035** | 1,886,424 |
| Accretion of interest | **59,677** | 55,711 |
| Payment | **(1,570,443)** | (1,468,237) |
| Revision of a lease term arising from a change in the non-cancellable period of a lease | **(385,234)** | (12,572) |
| Exchange realignment | **(20,689)** | 162,907 |
| At end of year | **2,319,816** | 2,777,470 |

## 29. LEASE LIABILITIES (continued)

Maturity profile of lease liabilities as at 31 March 2025 and 2024 is as follows:

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Within one year | **1,195,052** | 1,372,574 |
| In the second year | **726,039** | 869,490 |
| In the third to five years, inclusive | **470,584** | 621,027 |
| Total undiscounted lease liabilities | **2,391,675** | 2,863,091 |
| Discount amount | **(71,859)** | (85,621) |
| Total present value of lease liabilities | **2,319,816** | 2,777,470 |
| Portion classified as current liabilities | **(1,181,395)** | (1,358,166) |
| Non-current portion | **1,138,421** | 1,419,304 |
| Analysed into: | | |
| Lease liabilities: | | |
| Within one year | **1,181,395** | 1,358,166 |
| In the second year | **700,483** | 835,350 |
| In the third to fifth years, inclusive | **437,938** | 583,954 |
| Total | **2,319,816** | 2,777,470 |

## 30. OTHER NON-CURRENT LIABILITIES

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Asset retirement obligations | **122,927** | 98,437 |
| Rental deposits received as lessor | **9,123** | 9,245 |
| Total | **132,050** | 107,682 |

The Group makes provision for rehabilitation costs expected to arise on the closure of shops. The provision is determined based on the assessments of the cost per square metre to rehabilitate the shops. The estimation is reviewed on an ongoing basis and revised where appropriate.

## 31. EMPLOYEE DEFINED BENEFIT PLANS

Net employee defined benefit assets/(liabilities):

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Retirement benefit plans | **399,575** | 145,506 |

The Group operates funded defined benefit plans for all its qualified employees in Japan and Taiwan and the majority of the plans are operated in Japan.

Under the plans, the employees are entitled to guaranteed fixed retirement benefits on attainment of a retirement age of 60.

The Group's defined benefit plans are post-employment benefit plans, which require contributions to be made to a separately administered fund. The plans have the legal form of a foundation and they are administrated by independent trustees with the assets held separately from those of the Group. The trustees are responsible for the determination of the investment strategy of the plans.

## 31. EMPLOYEE DEFINED BENEFIT PLANS (continued)

The trustees review the level of funding in the plans by the end of each reporting period. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The trustees decide the contributions based on the results of the annual review.

The plans are exposed to interest rate risk, the risk of changes in the life expectancy for pensioners and equity market risk.

Honma Japan partly shifted its retirement benefit plans from defined benefit corporate pension plans to defined contribution pension plans in January 2017.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligations have been carried out by Mizuho Trust & Banking Co., Ltd. and Professional Actuary Management Consulting Co., Ltd. which are members of the actuarial societies of Japan and Taiwan, respectively, using the projected unit credit actuarial valuation method.

The total expenses recognised in the consolidated statement of profit or loss in respect of the plans are as follows:

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Current service cost | **49,643** | 60,173 |
| Interest (income)/cost | **(1,181)** | 1,893 |
| Net benefit expenses | **48,462** | 62,066 |
| Recognised in cost of sales | **16,817** | 21,537 |
| Recognised in selling and distribution expenses | **21,426** | 27,441 |
| Recognised in administrative expenses | **10,219** | 13,088 |
| Total | **48,462** | 62,066 |

## 31. EMPLOYEE DEFINED BENEFIT PLANS (continued)

The following tables summarise the components of net benefit expenses recognised in the statement of profit or loss and the funding status and amounts recognised in the statement of financial position for the plans:

Changes for the year ended 31 March 2025 in the defined benefit obligations and fair value of plan assets:

| | 1 April 2024 JPY'000 | Current service cost JPY'000 | Net interest JPY'000 | Sub-total included in profit or loss JPY'000 (note 9) | Benefits paid JPY'000 | Return on plan assets JPY'000 | Actuarial changes arising from changes in financial assumptions JPY'000 | Experience adjustments JPY'000 | Sub-total included in other comprehensive income JPY'000 | Contributions by employer JPY'000 | 31 March 2025 JPY'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Defined benefit obligations | 1,984,896 | 49,643 | 14,478 | 64,121 | (451,014) | – | (63,448) | (58) | (63,506) | – | 1,534,497 |
| Fair value of plan assets | (2,130,402) | – | (15,659) | (15,659) | 183,796 | 27,953 | – | – | 27,953 | 240 | (1,934,072) |
| Benefit (asset)/liability | (145,506) | 49,643 | (1,181) | 48,462 | (267,218) | 27,953 | (63,448) | (58) | (35,553) | 240 | (399,575) |

Changes for the year ended 31 March 2024 in the defined benefit obligations and fair value of plan assets:

| | 1 April 2023 JPY'000 | Current service cost JPY'000 | Net interest JPY'000 | Sub-total included in profit or loss JPY'000 (note 9) | Benefits paid JPY'000 | Return on plan assets JPY'000 | Actuarial changes arising from changes in financial assumptions JPY'000 | Experience adjustments JPY'000 | Sub-total included in other comprehensive income JPY'000 | Contributions by employer JPY'000 | 31 March 2024 JPY'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Defined benefit obligations | 2,237,991 | 60,173 | 12,945 | 73,118 | (328,262) | – | 3,998 | (1,949) | 2,049 | – | 1,984,896 |
| Fair value of plan assets | (1,888,691) | – | (11,052) | (11,052) | 129,095 | (359,722) | – | – | (359,722) | (32) | (2,130,402) |
| Benefit (asset)/liability | 349,300 | 60,173 | 1,893 | 62,066 | (199,167) | (359,722) | 3,998 | (1,949) | (357,673) | (32) | (145,506) |

## 31. EMPLOYEE DEFINED BENEFIT PLANS (continued)

The major categories of the fair value of the total plan assets are as follows:

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Stocks | **988,069** | 1,096,013 |
| Bonds | **743,248** | 813,738 |
| General account of life insurance companies | **149,216** | 148,048 |
| Others | **53,539** | 72,603 |

The principal actuarial assumptions used in determining the defined benefit obligations for the retirement benefit plans are shown below:

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| Method of allocating projected retirement benefits | **Projected unit credit method** | Projected unit credit method |
| Discount rate | **1.53%** | 0.73% |
| Mortality (Mortality Table published by Ministry of Health, Labour and Welfare dated on) | **26 March 2015** | 26 March 2015 |

A quantitative sensitivity analysis for the significant assumption is shown below:

| | | Increase/(decrease) in defined benefit obligations At 31 March | |
|---|---|---|---|
| | | **2025** | 2024 |
| *Assumption* | *Change in assumption* | **JPY'000** | JPY'000 |
| Discount rate | Increase by 0.5% | **(37,960)** | (44,088) |
| | Decrease by 0.5% | **37,960** | 44,088 |

## 31. EMPLOYEE DEFINED BENEFIT PLANS (continued)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

The average durations of the defined benefit plan obligations as at 31 March 2025 and 2024 were 4.4 years and 4.3 years, respectively.

The actuarial valuation showed that the market values of plan assets were JPY1,934,072,000 and JPY2,130,402,000 as at 31 March 2025 and 2024 and represented 126% and 107% of the defined benefit obligations, respectively, that had accrued to qualified employees. The sufficiency of JPY399,575,000 and sufficiency of JPY145,506,000 as at 31 March 2025 and 2024, respectively, were expected to be cleared over the remaining service period.

## 32. SHARE CAPITAL

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| Issued capital in USD: (As at 31 March 2025: 20,000,000,000 authorised shares of USD0.0000025 each, 605,642,500 ordinary shares in issue; as at 31 March 2024: 20,000,000,000 authorised shares of USD0.0000025 each, 605,642,500 ordinary shares in issue) | **1,514** | 1,514 |
| Equivalent to JPY | **153,000** | 153,000 |

## 33. SHARE-BASED PAYMENT

The Company operates a restricted share unit scheme ("the Scheme") for the purpose of providing incentives and rewards to eligible participants who will contribute to the success of the Group's operations. The Scheme includes three batches, which became effective on 20 October 2015 and 31 May 2016 ("2015 and 2016 RSU scheme") and 6 October 2017 ("2017 RSU scheme").

### 2015 and 2016 RSU scheme

By a resolution of the board of directors on 20 October 2015 and 31 May 2016, the Group granted 17,554,550 shares represented by RSUs and 952,250 shares represented by RSUs, respectively for the purpose of providing incentives and rewards to eligible participants who will contribute to the success of the Group's operations in future years. All the RSUs granted were based on the Company's and individuals' performance. The vesting schedule of the RSUs is 40% on the date on which the shares of the Company are listed on The Main Board of The Stock Exchange of Hong Kong Limited, 30% after 12 months from the Listing Date and 30% after 24 months from the Listing Date.

During the year ended 31 March 2018, as agreed by employees who accepted the grant of the above RSUs, 286,042 shares represented by RSUs were cancelled and the vesting schedule of the above RSUs was modified to 40% on the date on which the shares of the Company were listed on The Main Board of The Stock Exchange of Hong Kong Limited, 30% on 30 April 2018 or the date on which the Company published its annual results for the fiscal year ended 31 March 2018 (whichever is earlier) and 30% on 30 April 2019 or the date on which the Company publishes its annual results for the fiscal year ended 31 March 2019 (whichever is earlier), which was accounted for as the cancellation and modification of share-based payment.

During the year ended 31 March 2021, the vesting schedule of the above RSUs was modified to 40% on the date on which the shares of the Company were listed on The Main Board of The Stock Exchange of Hong Kong Limited, 30% on 30 April 2018 or the date on which the Company published its annual results for the fiscal year ended 31 March 2018 (whichever is earlier) and 30% on 19 October 2025, which was accounted for as the cancellation and modification of share-based payment.

During the year ended 31 March 2025, 1,447,134 shares represented by RSUs were cancelled which was accounted for as the cancellation and modification of share-based payment.

## 33. SHARE-BASED PAYMENT (continued)

### 2017 RSU scheme

During the year ended 31 March 2018, the Group granted 318,396 shares represented by RSUs, which has been approved by the board of directors, for the purpose of providing incentives and rewards to eligible participants who will contribute to the success of the Group's operations in future years. All the RSUs granted were based on the Company's and individuals' performance. The vesting schedule of the RSUs was 50% on 30 April 2018 or the date on which the Company publishes its annual results for the fiscal year ended 31 March 2018 (whichever is earlier) and 50% on 30 April 2019 or the date on which the Company published its annual results for the fiscal year ended 31 March 2019 (whichever is earlier).

During the year ended 31 March 2021, the vesting schedule of the above RSUs was modified to 50% on 30 April 2018 or the date on which the Company publishes its annual results for the fiscal year ended 31 March 2018 (whichever is earlier) and 50% on 19 October 2025, which was accounted for as the cancellation and modification of share-based payment.

During the year ended 31 March 2025, 71,253 shares represented by RSUs were cancelled which was accounted for as the cancellation and modification of share-based payment.

The following RSUs were outstanding during the year:

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| At the beginning of the year | **2,805,387** | 2,883,972 |
| Cancelled during the year | **(1,518,387)** | – |
| Forfeited during the year | **(49,140)** | (78,585) |
| Total | **1,237,860** | 2,805,387 |

The Group had no RSU expenses during the year ended 31 March 2025 (31 March 2024: Nil).

## 34. RESERVES

### (i) Surplus reserve

Pursuant to the related countries' regulations and the subsidiaries' board meetings, the Group made appropriations to the reserve fund based on net profits.

### (ii) Fair value reserve

The fair value reserve represents the valuation difference in the fair value of equity instruments measured at fair value through other comprehensive income.

### (iii) Exchange translation reserve

The exchange translation reserve refers to the foreign currency translation differences that occurred when consolidating the financial statements of foreign subsidiaries prepared in foreign currencies.

## 35. CONTINGENT LIABILITIES

As at 31 March 2025 and 2024, the Group had no significant contingent liabilities.

## 36. OPERATING LEASE COMMITMENTS

### As lessor

The Group leases retail shops, under operating lease arrangements, with a lease term of five to six years. The terms of the leases generally also require the tenants to provide for periodic rent adjustments according to the then prevailing market conditions. Rental income from retail shops for the year was JPY2,292,000 (2024: JPY2,310,000).

**Operating lease commitments as at 31 March 2025**

The undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Within one year | **2,292** | 2,310 |
| After one year but within two years | **2,292** | 2,310 |
| After two years but within three years | **–** | 2,310 |
| Total | **4,584** | 6,930 |

## 36. OPERATING LEASE COMMITMENTS (continued)

### As lessee

The Group leases certain of its office properties, shops and motor vehicles under operating lease arrangements. Lease terms of these lease contracts are disclosed in note 2.4 to the financial statements.

**(a) Right-of-use assets and lease liabilities**

Detailed information regarding right-of-use assets and lease liabilities is set out in notes 16 and 29, respectively, to the financial statements.

**(b)** The amounts recognised in profit or loss in relation to leases are as follows:

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Interest on lease liabilities | **59,677** | 55,711 |
| Depreciation charge of right-of-use assets | **1,335,902** | 1,315,181 |
| Expense relating to short-term leases | **222,147** | 212,361 |
| Net (gain)/loss on disposal of right-of-use assets | **(11,674)** | 4,320 |
| Total amount recognised in profit or loss | **1,606,052** | 1,587,573 |

**(c)** Total cash outflows for leases and non-cash additions to right-of-use assets and lease liabilities are disclosed in notes 41(c) and 41(a) to the financial statements, respectively.

## 37. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Group include:

| Related party | Relationship |
|---|---|
| Shanghai POVOS Enterprise (Group) Co., Ltd. | Company controlled by a shareholder |

### (a) Transactions with a related party

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Rental expense charged by a related party | | |
| Shanghai POVOS Enterprise (Group) Co., Ltd.* | **40,401** | 39,290 |

The rental expense charged by the related party was paid according to the prices and terms agreed between the party and the subsidiaries.

* The related party transaction also constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Due from a related party | | |
| Shanghai POVOS Enterprise (Group) Co., Ltd.* | **89,787** | 105,212 |

Included in the amounts due from a related party, JPY34,777,000 (2024: JPY50,078,000) were prepaid rental expenses and JPY55,010,000 (2024: JPY55,134,000) were rental deposits.

Rental deposits included in amounts due from a related party were interest-free and unsecured and had no fixed repayment terms.

## 37. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (b) Compensation of key management personnel of the Group:

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Short-term employee benefits | **161,967** | 136,986 |
| Pension scheme contributions | **11,586** | 8,985 |
| Total compensation paid to key management personnel | **173,553** | 145,971 |

Further details of directors' emoluments are included in note 10 to the financial statements.

## 38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

### 31 March 2025

#### Financial assets

| | Financial assets at amortised cost JPY'000 | Debt instruments at fair value through other comprehensive income JPY'000 | Equity instruments at fair value through other comprehensive income JPY'000 | Total JPY'000 |
|---|---|---|---|---|
| Trade and bills receivables | 3,620,314 | 117,738 | – | 3,738,052 |
| Pledged deposits | 5,957 | – | – | 5,957 |
| Cash and cash equivalents | 17,350,026 | – | – | 17,350,026 |
| Financial assets included in prepayments, deposits and other receivables | 174,997 | – | – | 174,997 |
| Finance lease receivables | 170,350 | – | – | 170,350 |
| Other non-current assets | 759,310 | – | 26,514 | 785,824 |
| Total | 22,080,954 | 117,738 | 26,514 | 22,225,206 |

#### Financial liabilities

| | Financial liabilities at amortised cost JPY'000 |
|---|---|
| Trade and bills payables | 1,067,488 |
| Interest-bearing bank borrowings | 6,518,820 |
| Financial liabilities included in other payables and accruals | 877,181 |
| Financial liabilities included in other non-current liabilities | 9,123 |
| Total | 8,472,612 |

## 38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

### 31 March 2024

**Financial assets**

| | Financial assets at amortised cost JPY'000 | Debt instruments at fair value through other comprehensive income JPY'000 | Equity instruments at fair value through other comprehensive income JPY'000 | Total JPY'000 |
|---|---|---|---|---|
| Trade and bills receivables | 3,639,944 | 400,836 | – | 4,040,780 |
| Pledged deposits | 21,999 | – | – | 21,999 |
| Cash and cash equivalents | 16,617,120 | – | – | 16,617,120 |
| Financial assets included in prepayments, deposits and other receivables | 274,610 | – | – | 274,610 |
| Finance lease receivables | 280,388 | – | – | 280,388 |
| Other non-current assets | 677,128 | – | 10,912 | 688,040 |
| Total | 21,511,189 | 400,836 | 10,912 | 21,922,937 |

**Financial liabilities**

| | Financial liabilities at amortised cost JPY'000 |
|---|---|
| Trade and bills payables | 1,050,444 |
| Interest-bearing bank borrowings | 6,990,000 |
| Financial liabilities included in other payables and accruals | 1,152,575 |
| Financial liabilities included in other non-current liabilities | 9,245 |
| Total | 9,202,264 |

## 39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | Carrying amounts | | Fair values | |
|---|---|---|---|---|
| | **March 31 2025** | March 31 2024 | **March 31 2025** | March 31 2024 |
| | **JPY'000** | JPY'000 | **JPY'000** | JPY'000 |
| **Financial liabilities** | | | | |
| Interest-bearing bank borrowings | **6,518,820** | 6,990,000 | **6,471,999** | 6,939,798 |

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, current portion of interest-bearing bank borrowings and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

Management has assessed that the fair values of rental deposits paid as lessee included in other non-current assets and rental deposits received as lessor included in other non-current liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to approximate to their carrying amounts.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for the non-current portion of interest-bearing bank borrowings as at 31 March 2025 were assessed to be insignificant.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the vice president responsible for finance. The valuation process and results are discussed with the board of directors once a year for annual financial reporting.

The Group has estimated the fair value of bills receivable by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of unlisted equity investments have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they are the most appropriate values at the end of each reporting period.

## 39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

**31 March 2025**

| | Level 1 JPY'000 | Level 2 JPY'000 | Level 3 JPY'000 | Total JPY'000 |
|---|---|---|---|---|
| Equity instruments at fair value through other comprehensive income | **26,414** | **–** | **100** | **26,514** |
| Bills receivable | **–** | **117,738** | **–** | **117,738** |
| Total | **26,414** | **117,738** | **100** | **144,252** |

**31 March 2024**

| | Level 1 JPY'000 | Level 2 JPY'000 | Level 3 JPY'000 | Total JPY'000 |
|---|---|---|---|---|
| Equity instruments at fair value through other comprehensive income | 10,812 | – | 100 | 10,912 |
| Bills receivable | – | 400,836 | – | 400,836 |
| Total | 10,812 | 400,836 | 100 | 411,748 |

During the years ended 31 March 2025 and 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, trade and bills payables, and financial liabilities included in other payables and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, cash and short-term deposits, which arise directly from its operations. The main risks faced by the Group are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarised below:

### Interest rate risk

The Group's exposure to risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts and using interest rate swaps contracts.

As at 31 March 2025, if interest rates had been 100 basis points higher/lower with all other variables held constant, profit before tax for the year would have been JPY65,188,000 lower/higher (2024: profit before tax for the year would have been JPY69,900,000 lower/higher), mainly as a result of the higher/lower interest expense on floating rate bank borrowings.

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 50.9% (2024: 44.4%) of the Group's sales for the year were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 46.7% (2024: 72.7%) of costs for the year were denominated in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's (loss)/profit before tax (due to changes in the translated value of monetary assets and liabilities).

| | Increase/(decrease) in rate of foreign currency | Increase/(decrease) in (loss)/profit before tax |
|---|---|---|
| | % | JPY'000 |
| Year ended 31 March 2025 | | |
| If RMB strengthens against JPY | **5** | **661,069** |
| If RMB weakens against JPY | **(5)** | **(661,069)** |
| If JPY strengthens against USD | **5** | **(278,928)** |
| If JPY weakens against USD | **(5)** | **278,928** |
| Year ended 31 March 2024 | | |
| If RMB strengthens against JPY | 5 | 666,577 |
| If RMB weakens against JPY | (5) | (666,577) |
| If JPY strengthens against USD | 5 | (253,083) |
| If JPY weakens against USD | (5) | 253,083 |

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables).

The Group trades only with recognised and creditworthy third parties and related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The carrying amounts of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, finance lease receivables and rental deposits included in other non-current assets in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

Further qualitative and quantitative information regarding trade receivables, which apply the simplified approach under IFRS 9, is disclosed in note 23 to the financial statements.

All the carrying amounts of financial assets at amortised cost and bills receivable, applying the general approach under IFRS 9, were classified in Stage 1 in terms of ECLs as at 31 March 2025 and 31 March 2024.

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group maintains a balance between continuity of funding and flexibility through the use of interest-bearing loans and borrowings.

The maturity profile of the Group's financial liabilities as at 31 March 2025 and 2024, based on contractual undiscounted payments, is as follows:

**31 March 2025**

| | On demand JPY'000 | Less 1 year JPY'000 | Over 1 year JPY'000 | Total JPY'000 |
|---|---|---|---|---|
| Trade and bills payables | – | 1,067,488 | – | 1,067,488 |
| Financial liabilities included in other payables and accruals | 877,181 | – | – | 877,181 |
| Interest-bearing bank borrowings | – | 5,974,385 | 603,312 | 6,577,697 |
| Lease liabilities | – | 1,195,052 | 1,196,623 | 2,391,675 |
| Other non-current liabilities | – | – | 9,123 | 9,123 |
| Total | 877,181 | 8,236,925 | 1,809,058 | 10,923,164 |

**31 March 2024**

| | On demand JPY'000 | Less 1 year JPY'000 | Over 1 year JPY'000 | Total JPY'000 |
|---|---|---|---|---|
| Trade and bills payables | – | 1,050,444 | – | 1,050,444 |
| Financial liabilities included in other payables and accruals | 1,152,575 | – | – | 1,152,575 |
| Interest-bearing bank borrowings | – | 6,414,941 | 604,208 | 7,019,149 |
| Lease liabilities | – | 1,372,574 | 1,490,517 | 2,863,091 |
| Other non-current liabilities | 9,245 | – | – | 9,245 |
| Total | 1,161,820 | 8,837,959 | 2,094,725 | 12,094,504 |

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy debt to equity ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2025 and 2024.

The Group monitors capital, which is the total equity, using a debt-to-equity ratio, which is interest-bearing bank borrowings plus lease liabilities divided by total equity. The debt-to-equity ratios as at the end of the reporting periods were as follows:

| | **31 March 2025** | 31 March 2024 |
|---|---|---|
| | **JPY'000** | JPY'000 |
| Interest-bearing bank borrowings | **6,518,820** | 6,990,000 |
| Lease liabilities | **2,319,816** | 2,777,470 |
| Total debt | **8,838,636** | 9,767,470 |
| Total equity | **27,680,137** | 28,672,380 |
| Debt-to-equity ratio | **32%** | 34% |

## 41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of JPY1,494,958,000 and JPY1,459,035,000, respectively, in respect of lease arrangements for office properties, shops and motor vehicles (31 March 2024: JPY1,912,258,000 and JPY1,886,424,000).

### (b) Changes in liabilities arising from financing activities are as follows:

| | Interest-bearing bank borrowings | Dividend payable included in other payables | Lease liabilities |
|---|---|---|---|
| | JPY'000 | JPY'000 | JPY'000 |
| At 31 March 2023 and 1 April 2023 | 7,290,000 | – | 2,153,237 |
| Changes from financing cash flows | (300,000) | (1,851,458) | (1,412,526) |
| New leases | – | – | 1,886,424 |
| Interest expenses | – | – | 55,711 |
| Interest paid classified as operating cash flows | – | – | (55,711) |
| Revision of a lease term arising from a change in the non-cancellable period of a lease term | – | – | (12,572) |
| Foreign exchange movements | – | – | 162,907 |
| Interim and final dividends payable | – | 1,851,458 | – |
| At 31 March 2024 and 1 April 2024 | 6,990,000 | – | 2,777,470 |
| Changes from financing cash flows | (471,180) | (908,463) | (1,510,766) |
| New leases | – | – | 1,459,035 |
| Interest expenses | – | – | 59,677 |
| Interest paid classified as operating cash flows | – | – | (59,677) |
| Revision of a lease term arising from a change in the non-cancellable period of a lease term | – | – | (385,234) |
| Foreign exchange movements | – | – | (20,689) |
| Interim and final dividends payable | – | 908,463 | – |
| At 31 March 2025 | 6,518,820 | – | 2,319,816 |

## 41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| Within operating activities | **281,824** | 268,072 |
| Within financing activities | **1,510,766** | 1,412,526 |
| Total | **1,792,590** | 1,680,598 |

## 42. EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 31 March 2025.

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | At 31 March | |
|---|---|---|
| | **2025** | 2024 |
| | **JPY'000** | JPY'000 |
| **NON-CURRENT ASSET** | | |
| Investment in a subsidiary | **466,646** | 466,646 |
| **CURRENT ASSETS** | | |
| Prepayments, deposits and other receivables | **5,580** | 4,557 |
| Due from subsidiaries | **7,423,050** | 8,595,970 |
| Cash and cash equivalents | **3,427** | 5,210 |
| Total current assets | **7,432,057** | 8,605,737 |
| **CURRENT LIABILITIES** | | |
| Other payables and accruals | **8,158** | 22,022 |
| **NET CURRENT ASSETS** | **7,423,899** | 8,583,715 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **7,890,545** | 9,050,361 |
| **NET ASSETS** | **7,890,545** | 9,050,361 |
| **EQUITY** | | |
| Share capital | **153** | 153 |
| Reserves (note) | **7,890,392** | 9,050,208 |
| Total equity | **7,890,545** | 9,050,361 |

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

| | Equity-settled share-based payment reserve | Accumulated losses | Share premium | Total |
|---|---|---|---|---|
| | JPY'000 | JPY'000 | JPY'000 | JPY'000 |
| Balance at 31 March 2023 | 466,546 | (7,044,903) | 16,584,008 | 10,005,651 |
| Total comprehensive income for the year | – | 896,015 | – | 896,015 |
| Dividend declared | – | (1,851,458) | – | (1,851,458) |
| Balance at 31 March 2024 | 466,546 | (8,000,346) | 16,584,008 | 9,050,208 |
| Total comprehensive loss for the year | **–** | **(251,352)** | **–** | **(251,352)** |
| Dividend declared | **–** | **(908,464)** | **–** | **(908,464)** |
| Balance at 31 March 2025 | **466,546** | **(9,160,162)** | **16,584,008** | **7,890,392** |

## 44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 June 2025.

HONMA GOLF LIMITED
本間高爾夫有限公司