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Non-consolidated Financial Results for the Three Months Ended May 20, 2022 [Japanese GAAP]



June 27, 2022

Company name: ASAHI CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 3333

URL: <https://www.cb-asahi.co.jp/>

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Scheduled date of filing quarterly securities report: July 1, 2022

Scheduled date of commencing dividend payments: –

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Non-consolidated Financial Results for the Three Months Ended May 20, 2022 (February 21, 2022 - May 20, 2022)

(1) Non-consolidated Operating Results (Cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
May 20, 2022	24,246	–	3,440	–	3,455	–	2,349	–
May 20, 2021	24,153	21.5	4,236	36.9	4,326	37.2	2,956	39.0

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended				
May 20, 2022	89.99		–	
May 20, 2021	113.37		–	

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year under review, and the figures for the three months ended May 20, 2022 are those after applying the said accounting standard, etc. Therefore, the percent changes from the previous corresponding period are not presented.

(2) Non-consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of May 20, 2022	50,693		34,227		67.5	
As of February 20, 2022	46,473		35,346		76.1	

(Reference) Equity: As of May 20, 2022: ¥34,227 million

As of February 20, 2022: ¥35,346 million

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year under review, and the figures as of May 20, 2022 are those after applying the said accounting standard, etc.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 20, 2022	–	0.00	–	28.00	28.00
Fiscal year ending February 20, 2023	–				
Fiscal year ending February 20, 2023 (Forecast)	–	0.00	–	28.00	28.00

(Note) Revisions to the most recently announced dividend forecast: None

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending February 20, 2023 (February 21, 2022 - February 20, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First fiscal half	45,000	–	5,600	–	5,650	–	3,700	–	141.75
Full year	78,000	–	5,600	–	5,700	–	3,700	–	141.75

(Notes) 1. Revisions to the most recently announced financial results forecast: None

2. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year under review, and the figures for the three months ended May 20, 2022 are those after applying the said accounting standard, etc. Therefore, the percent changes from the previous corresponding period are not presented.

*** Notes:**

- (1) Adoption of special accounting methods for the preparation of quarterly non-consolidated financial statements:
None
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (Note): For details, please refer to 2. Quarterly Non-consolidated Financial Statements and Principal Notes, (3) Notes to the Quarterly Non-consolidated Financial Statements, (Changes in accounting policies)” on page 7 of the Attachment.
- (3) Total number of issued shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):

May 20, 2022:	26,240,800 shares
February 20, 2022:	26,240,800 shares
 - 2) Total number of treasury shares at the end of the period:

May 20, 2022:	126,456 shares
February 20, 2022:	126,456 shares
 - 3) Average number of shares outstanding during the period:

Three months ended May 20, 2022:	26,114,344 shares
Three months ended May 20, 2021:	26,103,153 shares

(Note) The Company has adopted the Executive Remuneration BIP Trust since June 19, 2014.

The number of treasury shares at the end of the period includes the Company’s shares held by the trust (126,070 shares as of May 20, 2022 and 126,070 shares as of February 20, 2022). In addition, the Company’s shares held by the trust are included in the treasury shares to be deducted in the calculation of the average number of shares outstanding during the period (126,070 shares as of May 20, 2022, and 161,590 shares as of May 20, 2021).

* These quarterly non-consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

(Cautions regarding forward-looking statements, etc.)

The financial results forecast and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions that are deemed reasonable, and do not constitute a promise that the Company will achieve them. Actual results may differ materially from these statements due to various factors. For the assumptions on which the financial results forecast is based, cautions on the use of the forecast, and other information, please refer to 1. Quantitative Information on Quarterly Financial Results for the Period under Review, (3) Explanation of Financial Results Forecast and Other Forward-looking Information on page 3 of the Attachment.

(Access to supplementary explanatory materials on financial results)

The supplementary explanatory materials on financial results are disclosed on TDnet today and are also available on the Company’s website.

Table of Contents - Attachment

1. Quantitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Financial Results Forecast and Other Forward-looking Information	3
2. Quarterly Non-consolidated Financial Statements and Principal Notes	4
(1) Quarterly Non-consolidated Balance Sheets	4
(2) Quarterly Non-consolidated Statements of Income	6
Three Months Ended May 20	6
(3) Notes to the Quarterly Non-consolidated Financial Statements	7
(Notes on going concern assumption)	7
(Notes in case of significant changes in shareholders' equity)	7
(Changes in accounting policies)	7
(Segment information, etc.)	8
(Matters related to revenue recognition)	8

1. Quantitative Information on Quarterly Financial Results for the Period under Review

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Standard”), etc. from the beginning of the first quarter of the fiscal year under review. Therefore, the financial results for the three months ended May 20, 2022, are discussed without mentioning the increase or decrease in figures or year-on-year percentage changes (%) compared to the same period of the previous fiscal year. Details are explained in “2. Quarterly Non-consolidated Financial Statements and Principal Notes, (3) Notes to the Quarterly Non-consolidated Financial Statements, (Changes in accounting policies).”

(1) Explanation of Operating Results

The Japanese economy during the three months ended May 20, 2022, saw a recovery in consumption, as people began to move around again in response to the decline in the number of new COVID-19 cases and the lifting of priority preventive measures. Meanwhile, the future outlook remained uncertain due primarily to the Russian invasion of Ukraine, the exchange rate turbulence following a shift in the US monetary policy, and the rise in the prices of fuels, raw materials, and other commodities.

In the bicycle industry, the growth in demand that had continued until the previous fiscal year on the back of COVID-19 pandemic has taken a turn around. This can be attributed to several factors, such as the double-digit drop compared to the previous fiscal year in import volume of almost all types of bicycles, including general bicycles and children’s bicycles, owing to the disruption in the physical distribution of goods caused by the lockdown in China, and the rise in purchasing costs of bicycles resulting from the hike in resource prices and marine transportation costs, which has prompted manufacturers to raise selling prices. Sports cycles, especially popular items, remained in short supply due to ongoing stock-out of parts that are in undersupply from parts manufacturers. Meanwhile, demand for electric assist bicycles remained at a high level, if slightly weaker in terms of growth rate.

The Company focused on securing in a planned manner the stock of popular bicycles for commuting to work or school in preparation for the spring demand season, making use of its network of logistics warehouses located in key regions across the country. Looking at the trends by product category, sales of sports cycles declined due to substantial price revisions undertaken by brands other than the Company, while the sales of general bicycles saw a reversal of downward trend thanks to the abundant stock we had in different price ranges. Some bicycle types were faced with consumers’ reluctance to buy new bikes; the sales of children’s bicycles, which had been declining from the high levels recorded during the COVID-19 pandemic, slowed down further. The numbers of maintenance and repair orders are on the rise, however, and the Company, taking advantage of its forte of specialist expertise, posted an increase in income from services, which resulted in net sales as a whole exceeding the amount recorded in the same period of the previous fiscal year.

On the new product front, the Company further expanded its product line by launching “ENERSYS every,” an addition to its own electric assist bicycle brand “ENESYS,” in April. The new product features upgraded functions aimed at making it fit for ride with comfort for a broad range of everyday uses from outing, shopping to pick up and drop off of children.

Regarding store openings, the Company opened three new stores in the Kanto region and one in the Kyushu region. As a result, the total number of stores at the end of the first quarter of the fiscal year under review was 509, consisting of 490 directly operated stores and 19 franchise stores.

As a result of the above activities, net sales for the three months ended May 20, 2022, was ¥24,246,108 thousand (¥24,153,579 thousand for the same period of the previous fiscal year). Operating profit was ¥3,440,910 thousand (¥4,236,679 thousand for the same period of the previous fiscal year), ordinary profit was ¥3,455,005 thousand (¥4,326,954 thousand for the same period of the previous fiscal year), and profit was ¥2,349,976 thousand (¥2,956,452 thousand for the same period of the previous fiscal year).

Segment information is omitted as the Company has only one segment.

(2) Explanation of Financial Position

1) Assets

Current assets at the end of the first quarter of the fiscal year under review were ¥28,254,036 thousand, an increase of ¥3,307,501 thousand (13.3%) from the end of the previous fiscal year. This was due mainly to increases in cash and deposits of ¥4,441,842 thousand and accounts receivable – trade of ¥988,403 thousand, despite decreases in merchandise of ¥1,380,712 thousand and goods in transit of ¥415,126 thousand. Non-current assets were ¥22,439,875 thousand, an increase of ¥913,092 thousand (4.2%) from the end of the previous fiscal year. This was due mainly to an increase in deferred tax assets of ¥162,425 thousand, despite decreases in buildings, net of ¥83,445 thousand, software of ¥31,824 thousand, as well as the increase in deferred tax assets of ¥988,175 thousand resulting from the application of the Revenue Recognition Standard.

As a result, total assets were ¥50,693,911 thousand, an increase of ¥4,220,594 thousand (9.1%) from the end of the previous fiscal year.

2) Liabilities

Liabilities at the end of the first quarter of the fiscal year under review were ¥15,415,252 thousand, an increase of ¥5,343,732 thousand (53.1%) from the end of the previous fiscal year. This was due mainly to increases in accrued consumption taxes of ¥880,464 thousand and provision for bonuses of ¥479,582 thousand, as well as the increase in contract liabilities of ¥4,537,228 thousand resulting from the application of the Revenue Recognition Standard. Non-current liabilities were ¥1,051,440 thousand, a decrease of ¥4,104 thousand (0.4%) from the end of the previous fiscal year. This was due mainly to increases in provision for share-based compensation of ¥3,000 thousand and asset retirement obligations of ¥6,991 thousand, as well as a decrease in provision for merchandise warranties of ¥13,932 thousand resulting from the application of the Revenue Recognition Standard.

As a result, total liabilities were ¥16,466,692 thousand, an increase of ¥5,339,627 thousand (48.0%) from the end of the previous fiscal year.

3) Net assets

Total net assets at the end of the first quarter of the fiscal year under review were ¥34,227,218 thousand, a decrease of ¥1,119,032 thousand (3.2%) from the end of the previous fiscal year. This was due mainly to an increase of ¥2,349,976 thousand due to the posting of profit, a decrease due to dividends of surplus of ¥734,731 thousand, as well as a decrease in retained earnings at the beginning of the period of ¥2,704,604 thousand resulting from the application of the Revenue Recognition Standard.

As a result, the equity ratio stood at 67.5% (76.1% at the end of the previous fiscal year).

(3) Explanation of Financial Results Forecast and Other Forward-looking Information

Our financial results forecast remain unchanged from the first fiscal half and full year forecasts published in the “Non-consolidated Financial Results for the Fiscal Year Ended February 20, 2022 [Japanese GAAP]” dated April 4, 2022.

2. Quarterly Non-consolidated Financial Statements and Principal Notes

(1) Quarterly Non-consolidated Balance Sheets

(Thousand yen)

	As of February 20, 2022	As of May 20, 2022
Assets		
Current assets		
Cash and deposits	5,958,649	10,400,492
Accounts receivable – trade	3,155,879	4,144,282
Merchandise	13,516,721	12,136,008
Goods in transit	1,006,429	591,303
Supplies	171,453	153,554
Other	1,138,360	829,354
Allowance for doubtful accounts	(960)	(960)
Total current assets	24,946,534	28,254,036
Non-current assets		
Property, plant and equipment		
Buildings, net	8,689,846	8,606,400
Land	3,163,012	3,163,012
Other, net	1,177,531	1,123,008
Total property, plant and equipment	13,030,390	12,892,421
Intangible assets	515,450	481,947
Investments and other assets		
Guarantee deposits	5,154,383	5,136,176
Construction assistance fund receivables	961,082	932,986
Other	1,870,239	3,000,868
Allowance for doubtful accounts	(4,765)	(4,525)
Total investments and other assets	7,980,941	9,065,506
Total non-current assets	21,526,782	22,439,875
Total assets	46,473,316	50,693,911

(Thousand yen)

	As of February 20, 2022	As of May 20, 2022
Liabilities		
Current liabilities		
Accounts payable – trade	4,665,041	4,504,235
Income taxes payable	765,877	1,154,526
Contract liabilities	-	4,537,228
Provision for bonuses	930,273	1,409,856
Provision for shareholder benefit program	182,926	142,447
Reserve for commodity warranties	54,694	-
Other	3,472,706	3,666,958
Total current liabilities	10,071,519	15,415,252
Non-current liabilities		
Provision for share-based compensation	122,000	125,000
Provision for merchandise warranties	13,932	-
Asset retirement obligations	668,412	675,403
Other	251,201	251,037
Total non-current liabilities	1,055,545	1,051,440
Total liabilities	11,127,065	16,466,692
Net assets		
Shareholders' equity		
Share capital	2,061,356	2,061,356
Capital surplus	2,165,171	2,165,171
Retained earnings	31,173,948	30,084,589
Treasury shares	(180,112)	(180,112)
Total shareholders' equity	35,220,362	34,131,003
Valuation and translation adjustments		
Deferred gains or losses on hedges	125,888	96,215
Total valuation and translation adjustments	125,888	96,215
Total net assets	35,346,251	34,227,218
Total liabilities and net assets	46,473,316	50,693,911

(2) Quarterly Non-consolidated Statements of Income

Three Months Ended May 20

(Thousand yen)

	For the three months ended May 20, 2021	For the three months ended May 20, 2022
Net sales	24,153,579	24,246,108
Cost of sales	12,169,273	12,816,358
Gross profit	11,984,306	11,429,749
Selling, general and administrative expenses	7,747,626	7,988,839
Operating profit	4,236,679	3,440,910
Non-operating income		
Interest income	11,620	10,778
Rental income from buildings	28,115	29,216
Commission income	10,835	19,564
Other	70,229	25,599
Total non-operating income	120,801	85,158
Non-operating expenses		
Foreign exchange losses	3,899	41,989
Rental costs on real estate	23,290	24,032
Other	3,337	5,040
Total non-operating expenses	30,526	71,062
Ordinary profit	4,326,954	3,455,005
Extraordinary losses		
Loss on sale and retirement of non-current assets	2,261	213
Impairment losses	1,404	-
Total extraordinary losses	3,665	213
Profit before income taxes	4,323,288	3,454,792
Income taxes – current	1,482,000	1,056,000
Income taxes – deferred	(115,163)	48,815
Total income taxes	1,366,836	1,104,815
Profit	2,956,452	2,349,976

(3) Notes to the Quarterly Non-consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year under review, the effects of which are explained in "2. Quarterly Non-consolidated Financial Statements and Principal Notes, (3) Notes to the Quarterly Non-consolidated Financial Statements, (Changes in accounting policies)."

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Standard"), etc. from the beginning of the first quarter of the fiscal year under review. The Company now recognizes revenue when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

As a consequence, the long-term warranty service, for which revenue had previously been reported as provision for merchandise warranties in preparation for future expenses, is now identified as a distinct performance obligation and revenue is recognized over a certain period of time for the duration of warranty period. Following this change, provision for merchandise warranties has been reduced in full amount at the beginning of the first quarter of the fiscal year under review.

In applying the Revenue Recognition Standard, etc., in accordance with the transitional treatment set forth in the proviso to Paragraph 84 of the Revenue Recognition Standard, the cumulative effects of retrospectively applying new accounting policy to periods prior to the beginning of the first quarter of the fiscal year under review were added to or subtracted from retained earnings at the beginning of the first quarter of the fiscal year under review, and the new accounting policy has been applied from the said beginning balance.

As a result of the above, for the three months ended May 20, 2022, net sales decreased by ¥259,560 thousand, cost of sales increased by ¥1,397 thousand, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥260,957 thousand. The beginning balance of retained earnings decreased by ¥2,704,604 thousand.

Due to the application of the Revenue Recognition Standard, etc., "advances received," which had been reported under "current liabilities" on the balance sheets in the previous fiscal year, are now included in "contract liabilities" from the first quarter of the fiscal year under review. In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified using the new presentation method. Note also that, in accordance with the transitional treatment set forth in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), disaggregated revenue from contracts with customers for the three months ended May 20, 2021, is not presented herein.

(Application of accounting standards for calculating fair market values)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Fair Value Measurement Standard"), etc. from the beginning of the first quarter of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This does not affect the quarterly non-consolidated financial statements.

(Segment information, etc.)

Since the Company's business comprises a single segment, this information has been omitted.

(Matters related to revenue recognition)

Disaggregation of revenue from contracts with customers

Three months ended May 20, 2022 (February 21, 2022 – May 20, 2022)

(Thousand yen)

	Items				
	Bicycles	Parts and accessories	Royalties	Other	Total
Goods and services transferred at a point in time	18,496,280	3,714,004	–	1,283,891	23,494,176
Goods and services transferred over a period	–	–	48,320	703,611	751,932
Revenue from contracts with customers	18,496,280	3,714,004	48,320	1,987,503	24,246,108
Revenue from other sources	–	–	–	–	–
Sales to external customers	18,496,280	3,714,004	48,320	1,987,503	24,246,108

(Notes) 1. Since the Company's business comprises a single segment, breakdown by segment is not provided.

2. "Other" includes incidental services such as maintenance and repair works, and long-term warranty service.