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



September 26, 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: September 30, 2022

Scheduled date of commencing dividend payments: –

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Non-consolidated Financial Results for the Six Months Ended August 20, 2022 (February 21, 2022 - August 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	%
Six months ended August 20, 2022	41,725	–	4,263	–	4,301	–	2,885	–
August 20, 2021	40,060	2.3	4,984	(18.1)	5,140	(17.4)	3,466	(17.7)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 20, 2022	110.51		–	
August 20, 2021	132.87		–	

(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 six months ended August 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 August 20, 2022	50,756	34,618	68.2
As of February 20, 2022	46,473	35,346	76.1

(Reference) Equity: As of August 20, 2022: ¥34,618 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 August 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	–	0.00			
Fiscal year ending February 20, 2023 (Forecast)			–	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
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 full fiscal year ending February 20, 2023 are those after applying the said accounting standard, etc. Therefore, the percent changes from the previous fiscal year 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, (4) Notes to the Quarterly Non-consolidated Financial Statements, (Changes in accounting policies)” on page 9 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):

August 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:

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

Six months ended August 20, 2022:	26,114,344 shares
Six months ended August 20, 2021:	26,091,776 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 August 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 August 20, 2022, and 148,638 shares as of August 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. Qualitative Information on Quarterly Financial Results for the Period under Review, (3) Explanation of Financial Results Forecast and Other Forward-looking Information on page 4 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.

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1. Qualitative 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 six months ended August 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, (4) Notes to the Quarterly Non-consolidated Financial Statements, (Changes in accounting policies).”

(1) Explanation of Operating Results

The Japanese economy during the six months ended August 20, 2022 saw a recovery in consumption in response to the decline in the number of new COVID-19 cases and the lifting of priority preventive measures. The future outlook, however, remained uncertain, as a new variant of the coronavirus caused a rapid surge in infections on an unprecedented scale since July, with no end in sight, while there were concerns about a slowdown in consumption amid price hikes.

In the bicycle industry, purchasing costs of bicycles rose significantly due to prolonged lead times caused by supply chain disruptions following lockdowns in China, sharp exchange rate fluctuations, and a surge in resource prices and marine transportation costs. This prompted manufacturers to raise selling prices, which in turn caused consumers to refrain from making purchases and shift to lower-priced products. With these drastic changes in circumstances, finished bicycle imports showed a significant decrease compared to the previous fiscal year.

The Company responded to the changes in the market environment by minimizing selling price increases of Asahi-branded bicycles and securing stock by making use of its logistics warehouses and stores located in key regions across the country. Sales of Asahi-branded sports cycles were brisk, while sales of other companies' branded sports cycles declined due to substantial price revisions. Sales of general bicycles were strong, primarily because of a relative increase in the affordability of Asahi-branded general bicycles. In addition, in response to a rise in the number of maintenance and repair orders, the Company deployed skilled staff members to its stores nationwide to meet the growing demand.

Regarding store openings and closures, the Company opened one new store in the Tohoku region, four in the Kanto region, two in the Chubu region, and one in the Kyushu region, while closing one store in the Kinki region. As a result, the total number of stores at the end of the second quarter of the fiscal year under review was 512, consisting of 493 directly operated stores and 19 franchise stores.

As a result of the above activities, net sales for the six months ended August 20, 2022, was ¥41,725,707 thousand (¥40,060,835 thousand for the same period of the previous fiscal year). Operating profit was ¥4,263,063 thousand (¥4,984,207 thousand for the same period of the previous fiscal year), ordinary profit was ¥4,301,630 thousand (¥5,140,731 thousand for the same period of the previous fiscal year), and profit was ¥2,885,905 thousand (¥3,466,782 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) Status of assets, liabilities, and net assets

(Assets)

Current assets at the end of the second quarter of the fiscal year under review were ¥28,245,758 thousand, an increase of ¥3,299,224 thousand (13.2%) from the end of the previous fiscal year. This was due mainly to increases in cash and deposits of ¥4,668,632 thousand and goods in transit of ¥548,247 thousand, and a decrease in merchandise of ¥1,485,383 thousand. Non-current assets were ¥22,511,033 thousand, an increase of ¥984,251 thousand (4.6%) from the end of the previous fiscal year. This was due mainly to increases in deferred tax assets of ¥96,993 thousand and construction in progress of ¥62,112 thousand, as well as an increase in deferred tax assets of ¥809,070 thousand resulting from the application of the Revenue Recognition Standard.

As a result, total assets were ¥50,756,792 thousand, an increase of ¥4,283,475 thousand (9.2%) from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the second quarter of the fiscal year under review were ¥15,074,625 thousand, an increase of ¥5,003,105 thousand (49.7%) from the end of the previous fiscal year. This was due mainly to increases in accrued consumption taxes of ¥716,401 thousand and contract liabilities of ¥4,434,800 thousand resulting from the application of the Revenue Recognition Standard. Non-current liabilities were ¥1,064,065 thousand, an increase of ¥8,520 thousand (0.8%) from the end of the previous fiscal year. This was due mainly to increases in provision for share-based compensation of ¥8,000 thousand and asset retirement obligations of ¥14,748 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 ¥16,138,691 thousand, an increase of ¥5,011,626 thousand (45.0%) from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of the second quarter of the fiscal year under review were ¥34,618,100 thousand, a decrease of ¥728,150 thousand (2.1%) from the end of the previous fiscal year. This was due mainly to an increase of ¥2,885,905 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 68.2% (76.1% at the end of the previous fiscal year).

2) Status of cash flows

Cash and cash equivalents (hereinafter referred to as “net cash”) at the end of the second quarter of the fiscal year under review increased by ¥4,552,557 thousand (74.2%) from the end of the previous fiscal year to ¥10,687,936 thousand.

The details for cash flows in each area of activity and their contributing factors for the six months ended August 20, 2022 are as follows:

(Cash Flows from Operating Activities)

Net cash provided by operating activities was ¥6,537,341 thousand (¥3,440,922 thousand provided in the same period of the previous fiscal year). The principal cash inflow factors included profit before income taxes of ¥4,297,911 thousand, depreciation of ¥706,918 thousand, a decrease in inventories of ¥972,461 thousand, and an increase in accrued consumption taxes of ¥716,401 thousand, while the principal cash outflow factors included income taxes paid of ¥608,600 thousand.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥1,250,403 thousand (¥1,241,603 thousand used in the same period of the previous fiscal year). The principal cash outflow factors included purchase of property, plant and equipment of ¥1,035,251 thousand for new store openings, purchase of intangible assets of ¥118,233 thousand, and payments of guarantee deposits of ¥108,025 thousand.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥734,380 thousand (¥733,388 thousand used in the same period of the previous fiscal year). The principal cash outflow factor was dividends paid.

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

Our financial results forecast remains unchanged from the 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 August 20, 2022
Assets		
Current assets		
Cash and deposits	5,958,649	10,627,282
Accounts receivable - trade	3,155,879	3,063,860
Merchandise	13,516,721	12,031,337
Goods in transit	1,006,429	1,554,676
Supplies	171,453	136,129
Other	1,138,360	833,432
Allowance for doubtful accounts	(960)	(960)
Total current assets	24,946,534	28,245,758
Non-current assets		
Property, plant and equipment		
Buildings, net	8,689,846	8,661,307
Land	3,163,012	3,163,012
Other, net	1,177,531	1,324,417
Total property, plant and equipment	13,030,390	13,148,738
Intangible assets	515,450	537,474
Investments and other assets		
Guarantee deposits	5,154,383	5,178,048
Construction assistance fund receivables	961,082	905,469
Other	1,870,239	2,745,587
Allowance for doubtful accounts	(4,765)	(4,285)
Total investments and other assets	7,980,941	8,824,820
Total non-current assets	21,526,782	22,511,033
Total assets	46,473,316	50,756,792

(Thousand yen)

	As of February 20, 2022	As of August 20, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	4,665,041	4,640,617
Income taxes payable	765,877	1,224,526
Contract liabilities	-	4,434,800
Provision for bonuses	930,273	968,021
Provision for shareholder benefit program	182,926	94,747
Reserve for commodity warranties	54,694	-
Other	3,472,706	3,711,911
Total current liabilities	10,071,519	15,074,625
Non-current liabilities		
Provision for share-based compensation	122,000	130,000
Provision for merchandise warranties	13,932	-
Asset retirement obligations	668,412	683,160
Other	251,201	250,905
Total non-current liabilities	1,055,545	1,064,065
Total liabilities	11,127,065	16,138,691
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	30,620,518
Treasury shares	(180,112)	(180,112)
Total shareholders' equity	35,220,362	34,666,932
Valuation and translation adjustments		
Deferred gains or losses on hedges	125,888	(48,831)
Total valuation and translation adjustments	125,888	(48,831)
Total net assets	35,346,251	34,618,100
Total liabilities and net assets	46,473,316	50,756,792

(2) Quarterly Non-consolidated Statements of Income

Six Months Ended August 20

(Thousand yen)

	For the six months ended August 20, 2021	For the six months ended August 20, 2022
Net sales	40,060,835	41,725,707
Cost of sales	20,034,919	21,771,568
Gross profit	20,025,915	19,954,138
Selling, general and administrative expenses	15,041,707	15,691,075
Operating profit	4,984,207	4,263,063
Non-operating income		
Interest income	23,278	21,554
Rental income from buildings	57,289	58,396
Commission income	25,643	37,414
Compensation income	73,299	42,134
Other	32,046	17,697
Total non-operating income	211,557	177,197
Non-operating expenses		
Foreign exchange losses	3,559	83,589
Rental costs on real estate	45,035	46,761
Other	6,439	8,278
Total non-operating expenses	55,033	138,629
Ordinary profit	5,140,731	4,301,630
Extraordinary losses		
Loss on sale and retirement of non-current assets	6,162	3,699
Impairment losses	1,404	19
Total extraordinary losses	7,566	3,719
Profit before income taxes	5,133,164	4,297,911
Income taxes - current	1,673,000	1,055,000
Income taxes - deferred	(6,618)	357,006
Total income taxes	1,666,381	1,412,006
Profit	3,466,782	2,885,905

(3) Quarterly Non-consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended August 20, 2021	For the six months ended August 20, 2022
Cash flows from operating activities		
Profit before income taxes	5,133,164	4,297,911
Depreciation	635,047	706,918
Impairment losses	1,404	19
Amortization of long-term prepaid expenses	7,746	11,125
The amount of rent offset of construction assistance fund receivables	165,147	160,762
Increase (decrease) in allowance for doubtful accounts	(480)	(480)
Increase (decrease) in provision for bonuses	61,037	37,747
Increase (decrease) in provision for shareholder benefit program	(70,974)	(88,179)
Increase (decrease) in provision for merchandise warranties	341	-
Increase (decrease) in provision for share-based compensation	13,651	8,000
Interest and dividend income	(23,278)	(21,554)
Compensation income	(73,299)	(42,134)
Loss (gain) on sale and retirement of non-current assets	6,162	3,699
Decrease (increase) in trade receivables	515,244	92,019
Decrease (increase) in inventories	79,012	972,461
Decrease (increase) in accounts receivable - other	118,980	17,423
Increase (decrease) in trade payables	(891,440)	(24,423)
Increase (decrease) in contract liabilities	-	(92,606)
Increase (decrease) in accrued consumption taxes	(341,145)	716,401
Increase (decrease) in accounts payable - other	(285,974)	(20,159)
Increase (decrease) in accrued expenses	209,037	265,722
Other, net	(73,569)	111,956
Subtotal	5,185,817	7,112,632
Interest and dividends received	35	23
Proceeds from compensation	92,710	33,284
Income taxes paid	(1,837,641)	(608,600)
Net cash provided by (used in) operating activities	3,440,922	6,537,341
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,100,309)	(1,035,251)
Purchase of intangible assets	(54,538)	(118,233)
Loan advances	(700)	(900)
Proceeds from collection of loans receivable	950	900
Purchase of long-term prepaid expenses	(13,815)	(6,739)
Payments for asset retirement obligations	-	(3,300)
Payments of guarantee deposits	(124,612)	(108,025)
Proceeds from refund of guarantee deposits	51,421	21,146
Net cash provided by (used in) investing activities	(1,241,603)	(1,250,403)
Cash flows from financing activities		
Dividends paid	(733,388)	(734,380)
Net cash provided by (used in) financing activities	(733,388)	(734,380)
Net increase (decrease) in cash and cash equivalents	1,465,930	4,552,557
Cash and cash equivalents at beginning of period	7,697,850	6,135,378
Cash and cash equivalents at end of period	9,163,780	10,687,936

(4) 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, (4) 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 six months ended August 20, 2022, net sales decreased by ¥164,364 thousand, cost of sales increased by ¥2,090 thousand, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥166,454 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 six months ended August 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

Six months ended August 20, 2022 (February 21, 2022 – August 20, 2022)

(Thousand yen)

	Items				
	Bicycles	Parts and accessories	Royalties	Other	Total
Goods and services transferred at a point in time	30,821,315	6,865,157	–	2,549,178	40,235,651
Goods and services transferred over a period	–	–	83,278	1,406,777	1,490,056
Revenue from contracts with customers	30,821,315	6,865,157	83,278	3,955,956	41,725,707
Revenue from other sources	–	–	–	–	–
Sales to external customers	30,821,315	6,865,157	83,278	3,955,956	41,725,707

(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.