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



December 26, 2022

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3333
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 Scheduled date of filing quarterly securities report: December 28, 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 Nine Months Ended November 20, 2022 (February 21, 2022 - November 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	%
Nine months ended November 20, 2022	59,057	–	5,305	–	5,411	–	3,605	–
November 20, 2021	56,534	3.4	5,685	(17.4)	5,898	(18.3)	3,933	(18.9)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended November 20, 2022	138.08		–	
November 20, 2021	150.71		–	

(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 nine months ended November 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 November 20, 2022	50,666		35,337		69.7	
As of February 20, 2022	46,473		35,346		76.1	

(Reference) Equity: As of November 20, 2022: ¥35,337 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 November 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, (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):

November 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:

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

Nine months ended November 20, 2022:	26,114,344 shares
Nine months ended November 20, 2021:	26,099,381 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 November 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 November 20, 2022, and 141,033 shares as of November 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 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.

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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 nine months ended November 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 nine months ended November 20, 2022, underwent frequent switches between control of economic activities and its relaxation amid the prolonged effects of COVID-19. Under such circumstances, the future outlook for the economic conditions remained uncertain as consumers became increasingly budget-conscious due to the energy price hikes caused by the Russian invasion of Ukraine as well as the rise in prices in general resulting from the continuing depreciation of the yen triggered by the divergence in monetary policies between Japan and the US.

In the bicycle industry, the situation continued to be unstable owing to such factors as the significant rise in purchasing costs of bicycles caused mainly by a surge in resource prices and marine transportation costs as well as the rapid depreciation of the yen, which prompted manufacturers to raise selling prices, and also the prolonged lead times resulting from supply chain disruptions following lockdowns in China. In addition, the trend among consumers for budget-consciousness brought about a shift towards products in lower price ranges and a reluctance to buy new products that led to an increase in demand for repair and maintenance.

The Company has raised selling prices twice in February and August, having considered that purchasing prices had risen above the level at which they could be absorbed by corporate efforts. It also worked to secure stock by making use of its logistics warehouses and stores located in key regions across the country in order to cope with the prolonged lead times. In September and October, the number of customers dropped temporarily due to the closing or the shortening of business hours at stores in Hokuriku and Chubu regions and across western Japan when these areas were hit by typhoons, as well as the impact of shorter business hours and narrower range of services offered at some of the stores due to the COVID-19 pandemic. However, the price revisions did not lead to a decline in the number of customers, and net sales remained steady in November. 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 in a stable manner to meet the growing demand.

Regarding store openings and closures, the Company opened one new store in the Tohoku region, seven in the Kanto region, three in the Chubu region, and one in the Kyushu region, while closing one store in the Kinki region and converting one franchise store in the same region to a directly operated store following the termination of franchise agreement. As a result, the total number of stores at the end of the third quarter of the fiscal year under review was 516, consisting of 498 directly operated stores and 18 franchise stores.

As a result of the above activities, net sales for the nine months ended November 20, 2022, was ¥59,057,979 thousand (¥56,534,269 thousand for the same period of the previous fiscal year). Operating profit was ¥5,305,358 thousand (¥5,685,026 thousand for the same period of the previous fiscal year), ordinary profit was ¥5,411,159 thousand (¥5,898,647 thousand for the same period of the previous fiscal year), and profit was ¥3,605,797 thousand (¥3,933,348 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 third quarter of the fiscal year under review were ¥27,903,847 thousand, an increase of ¥2,957,313 thousand (11.9%) from the end of the previous fiscal year. This was due mainly to increases in cash and deposits of ¥1,853,039 thousand, merchandise of ¥980,222 thousand, and accounts receivable - trade of ¥224,891 thousand. Non-current assets were ¥22,762,212 thousand, an increase of ¥1,235,430 thousand (5.7%) from the end of the previous fiscal year. This was due mainly to increases in deferred tax assets of ¥222,033 thousand and software in progress of ¥188,939 thousand, as well as an increase in deferred tax assets of ¥646,150 thousand resulting from the application of the Revenue Recognition Standard.

As a result, total assets were ¥50,666,060 thousand, an increase of ¥4,192,743 thousand (9.0%) from the end of the previous fiscal year.

2) Liabilities

Current liabilities at the end of the third quarter of the fiscal year under review were ¥14,239,914 thousand, an increase of ¥4,168,394 thousand (41.4%) from the end of the previous fiscal year. This was due mainly to an increase in accrued consumption taxes of ¥486,263 thousand and a decrease in income taxes payable of ¥236,505 thousand, as well as an increase in contract liabilities of ¥4,237,683 thousand resulting from the application of the Revenue Recognition Standard. Non-current liabilities were ¥1,088,748 thousand, an increase of ¥33,203 thousand (3.1%) from the end of the previous fiscal year. This was due mainly to increases in asset retirement obligations of ¥34,547 thousand and provision for share-based compensation of ¥13,000 thousand, as well as a decrease in provision for merchandise warranties of ¥13,932 thousand resulting from the application of the Revenue Recognition Standard, etc.

As a result, total liabilities were ¥15,328,662 thousand, an increase of ¥4,201,597 thousand (37.8%) from the end of the previous fiscal year.

3) Net assets

Total net assets at the end of the third quarter of the fiscal year under review were ¥35,337,397 thousand, a decrease of ¥8,854 thousand (0.0%) from the end of the previous fiscal year. This was due mainly to an increase of ¥3,605,797 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 69.7% (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 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 November 20, 2022
Assets		
Current assets		
Cash and deposits	5,958,649	7,811,689
Accounts receivable - trade	3,155,879	3,380,770
Merchandise	13,516,721	14,496,943
Goods in transit	1,006,429	1,187,122
Supplies	171,453	135,970
Other	1,138,360	892,310
Allowance for doubtful accounts	(960)	(960)
Total current assets	24,946,534	27,903,847
Non-current assets		
Property, plant and equipment		
Buildings, net	8,689,846	8,840,448
Land	3,163,012	3,163,012
Other, net	1,177,531	1,409,349
Total property, plant and equipment	13,030,390	13,412,810
Intangible assets	515,450	617,810
Investments and other assets		
Guarantee deposits	5,154,383	5,161,908
Construction assistance fund receivables	961,082	877,393
Other	1,870,239	2,696,333
Allowance for doubtful accounts	(4,765)	(4,045)
Total investments and other assets	7,980,941	8,731,591
Total non-current assets	21,526,782	22,762,212
Total assets	46,473,316	50,666,060

(Thousand yen)

	As of February 20, 2022	As of November 20, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	4,665,041	4,629,179
Income taxes payable	765,877	529,372
Contract liabilities	-	4,237,683
Provision for bonuses	930,273	1,424,713
Provision for shareholder benefit program	182,926	69,747
Reserve for commodity warranties	54,694	-
Other	3,472,706	3,349,217
Total current liabilities	10,071,519	14,239,914
Non-current liabilities		
Provision for share-based compensation	122,000	135,000
Provision for merchandise warranties	13,932	-
Asset retirement obligations	668,412	702,959
Other	251,201	250,788
Total non-current liabilities	1,055,545	1,088,748
Total liabilities	11,127,065	15,328,662
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	31,340,410
Treasury shares	(180,112)	(180,112)
Total shareholders' equity	35,220,362	35,386,824
Valuation and translation adjustments		
Deferred gains or losses on hedges	125,888	(49,427)
Total valuation and translation adjustments	125,888	(49,427)
Total net assets	35,346,251	35,337,397
Total liabilities and net assets	46,473,316	50,666,060

(2) Quarterly Non-consolidated Statements of Income

Nine Months Ended November 20

(Thousand yen)

	For the nine months ended November 20, 2021	For the nine months ended November 20, 2022
Net sales	56,534,269	59,057,979
Cost of sales	28,469,831	30,458,450
Gross profit	28,064,437	28,599,529
Selling, general and administrative expenses	22,379,411	23,294,170
Operating profit	5,685,026	5,305,358
Non-operating income		
Interest income	34,923	32,350
Rental income from buildings	86,363	87,547
Commission income	41,011	54,328
Compensation income	95,575	69,831
Other	48,001	36,226
Total non-operating income	305,875	280,284
Non-operating expenses		
Foreign exchange losses	13,656	93,986
Rental costs on real estate	66,780	69,405
Other	11,818	11,091
Total non-operating expenses	92,254	174,483
Ordinary profit	5,898,647	5,411,159
Extraordinary losses		
Loss on sale and retirement of non-current assets	18,617	8,193
Impairment losses	1,877	19
Total extraordinary losses	20,494	8,213
Profit before income taxes	5,878,153	5,402,946
Income taxes - current	2,080,000	1,402,000
Income taxes - deferred	(135,195)	395,148
Total income taxes	1,944,804	1,797,148
Profit	3,933,348	3,605,797

(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 nine months ended November 20, 2022, net sales decreased by ¥1,711 thousand, cost of sales increased by ¥2,950 thousand, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥4,661 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 nine months ended November 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

Nine months ended November 20, 2022 (February 21, 2022 – November 20, 2022)

(Thousand yen)

	Items				
	Bicycles	Parts and accessories	Royalties	Other	Total
Goods and services transferred at a point in time	42,578,390	10,158,237	–	4,098,245	56,834,873
Goods and services transferred over a period	–	–	118,219	2,104,886	2,223,106
Revenue from contracts with customers	42,578,390	10,158,237	118,219	6,203,132	59,057,979
Revenue from other sources	–	–	–	–	–
Sales to external customers	42,578,390	10,158,237	118,219	6,203,132	59,057,979

(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.