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Non-consolidated Financial Results for the Fiscal Year Ended February 20, 2023 [Japanese GAAP]



April 3, 2023

Company name: ASAHI CO., LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3333
 URL: <https://www.cb-asahi.co.jp/>
 Representative: Yoshifumi Shimoda, President and Representative Director
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 Scheduled date of general shareholders' meeting: May 13, 2023
 Scheduled date of commencing dividend payments: May 15, 2023
 Scheduled date of filing securities report: May 15, 2023
 Availability of supplementary explanatory materials on annual financial results: Available
 Schedule of annual financial results briefing session: Scheduled (for analysts and institutional investors)

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

1. Non-consolidated Financial Results for the Fiscal Year Ended February 20, 2023 (February 21, 2022–February 20, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended February 20, 2023	74,712	–	5,127	–	5,316	–	3,366	–
February 20, 2022	71,398	2.8	5,221	(23.9)	5,512	(24.8)	3,541	(24.9)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
February 20, 2023	128.90	–	10.0	11.0	6.9
February 20, 2022	135.68	–	10.4	12.0	7.3

(Reference) Equity in earnings of affiliated companies: Fiscal year ended February 20, 2023: ¥ – million
 Fiscal year ended February 20, 2022: ¥ – 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 fiscal year under review, and the figures for the fiscal year under review 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	Net assets per share
	Million yen	Million yen	%	Yen
As of February 20, 2023	50,411	34,987	69.4	1,339.80
As of February 20, 2022	46,473	35,346	76.1	1,353.52

(Reference) Equity: As of February 20, 2023: ¥34,987 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 fiscal year under review, and the figures for the fiscal year under review are those after applying the said accounting standard, etc.

(3) Non-consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
February 20, 2023	2,534	(2,638)	(734)	5,295
February 20, 2022	1,585	(2,414)	(733)	6,135

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (non-consolidated)	Ratio of dividends to net assets (non-consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
February 20, 2022	–	0.00	–	28.00	28.00	734	20.6	2.1
February 20, 2023	–	0.00	–	28.00	28.00	734	21.7	2.2
Fiscal year ending February 20, 2024 (Forecast)	–	22.50	–	22.50	45.00		34.6	

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending February 20, 2024 (February 21, 2023–February 20, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
First fiscal half	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	45,000	7.8	4,300	0.9	4,400	2.3	2,950	2.2	112.96
	80,000	7.1	5,200	1.4	5,400	1.6	3,400	1.0	130.19

*** Notes:**

(1) 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 “3. Non-consolidated Financial Statements and Principal Notes, (5) Notes to the Non-consolidated Financial Statements, (Changes in accounting policies)” on page 14 of the Attachment.

(2) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the year (including treasury shares):

February 20, 2023:	26,240,800 shares
February 20, 2022:	26,240,800 shares

2) Total number of treasury shares at the end of the year:

February 20, 2023:	126,456 shares
February 20, 2022:	126,456 shares

3) Average number of shares outstanding during the year:

Year ended February 20, 2023:	26,114,344 shares
Year ended February 20, 2022:	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 year includes the Company’s shares held by the trust (126,070 shares as of February 20, 2023 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 year (126,070 shares as of February 20, 2023, and 137,261 shares as of February 20, 2022).

* These non-consolidated financial results are outside the scope of audit 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. Overview of Operating Results, etc., (4) Future Outlook” on page 5 of Attachment.

(Access to supplementary explanatory materials on annual financial results and details of annual financial results briefing session)

The Company plans to hold an annual financial results briefing session for institutional investors and analysts on Tuesday, April 4, 2023.

The explanatory materials on financial results to be used on the day are disclosed on TDnet today and are also available on the Company’s website.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

The Japanese economy during the fiscal year under review underwent frequent switches between control of economic activities and its relaxation amid the prolonged effects of COVID-19. In addition, the economic environment continued to be unstable due to the energy price hikes in the wake of the situation in Ukraine, the rapid depreciation of the yen triggered by the divergence in monetary policies between Japan and the U.S., concerns over economic slowdowns in overseas countries, and other factors.

In the bicycle industry, purchasing costs rose in the first half of the fiscal year under review, caused mainly by the global energy price hikes, higher prices of all types of raw materials, higher labor costs in overseas production plants, and marine transportation cost hikes, which prompted manufacturers to raise selling prices. In addition, lockdowns in China amid the COVID-19 crisis caused a significant drop in the import volume of bicycles compared to the previous fiscal year. In the second half, however, the import volume of bicycles recovered, despite changes in demand trends observed. For example, a slowdown in consumption amid the rise in prices in general, including basic necessities of life, caused a decrease in new bicycle sales, a shift toward products in lower price ranges, and an increase in demand for repair and maintenance.

The Company worked to secure stock by making use of its logistics warehouses and stores located in key regions across the country in the first half of the fiscal year under review. The Company also raised selling prices twice in February and August 2022 because the higher purchasing costs made it difficult for the Company to ensure profits. In the area of sales, we focused our efforts on securing merchandise mainly for electric assist bicycles, which have become popular with a wide range of generations due to functional advances and expansion of models in recent years, and ordinary bicycles for which demand is on the rise among consumers for budget-consciousness. Meanwhile, we grew net sales from our online order for store pickup service, which makes use of our strength of operating stores nationwide and the convenience of e-commerce. In addition, in response to a rise in the number of maintenance and repair orders, we deployed skilled staff members to our stores nationwide in a stable manner to meet the growing demand.

Gross profit increased as net sales exceeded year-on-year thanks to our efforts to ensure hot-selling merchandise, such as electric assist bicycles and ordinary bicycles, and respond to the growing demand for repair and maintenance. However, the gross profit margin fell as the price revisions in response to the rise in purchasing costs were not enough to offset it because we passed the increase along to customers in phases while carefully monitoring market trends. Selling, general and administrative expenses were slightly higher than past fiscal years owing to planned additions to the workforce and an increase in store opening costs to open more stores and expand business as well as increases in electricity prices, delivery costs, and commission fees resulting from an increasing number of customers making cashless payments.

For the progress of the medium-term management plan ASAHI VISION 2025, which was launched in the fiscal year ended February 20, 2022, the Company strengthened the three areas of People Power, Product Power, and Store Power which comprise its Culture Model. We also concentrated our efforts on building three growth foundations in the areas of “digital and IT platforms,” “supply chain management,” and “brand management,” with an eye on the realization and extension of our four key strategies, namely “strengthening our customer relationship management (CRM),” “refreshing our existing physical and online stores,” “developing new store formats,” and “expanding our business domain.” As specific initiatives in the areas of “digital and IT platforms” and “supply chain management,” we facilitated the project aimed at introducing new infrastructure systems, developed our existing logistics facilities, planned and designed our basic logistics concept into the future, and facilitated the introduction of warehouse management systems. In the area of “brand management,” we provided education and training to our people to enhance our internal brand management and reshaped our private label product portfolio. With these and other efforts, we worked toward our goals of enhancing corporate value and achieving sustainable growth.

In store-opening strategy, we opened more stores in urban areas, in addition to our conventional suburban-type stores. Although these urban stores have a smaller sales floor area than suburban-type stores, they have a

high affinity with e-commerce. We have therefore pursued the strategy with a view to further leveraging our online order for store pickup service, and made progress in establishing a new store format.

Regarding store openings and closures, the Company opened one new store in the Tohoku region, nine in the Kanto region, four 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 fiscal year under review was 519, consisting of 501 directly operated stores and 18 franchise stores.

(Overview of Business Performance in the 48th Business Term)

As a result of the above activities, the Company's operating results for the fiscal year under review are as shown below.

Net sales	¥74,712,107 thousand	(¥71,398,999 thousand for the same period of the previous fiscal year)
Operating profit	¥5,127,637 thousand	(¥5,221,419 thousand for the same period of the previous fiscal year)
Ordinary profit	¥5,316,037 thousand	(¥5,512,897 thousand for the same period of the previous fiscal year)
Profit	¥3,366,076 thousand	(¥3,541,677 thousand for the same period of the previous fiscal year)

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

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

The balance of total assets at the end of the fiscal year under review was ¥50,411,490 thousand, an increase of ¥3,938,173 thousand (8.5%) from the end of the previous fiscal year.

The balance of current assets at the end of the fiscal year under review was ¥27,638,055 thousand, an increase of ¥2,691,521 thousand (10.8%) from the end of the previous fiscal year. This was due mainly to increases in merchandise of ¥2,966,667 thousand and goods in transit of ¥539,664 thousand, which were partially offset by decreases in cash and deposits of ¥646,309 thousand and forward exchange contracts of ¥254,073 thousand.

The balance of non-current assets at the end of the fiscal year under review was ¥22,773,434 thousand, an increase of ¥1,246,652 thousand (5.8%) from the end of the previous fiscal year. This was due mainly to increases in software in progress of ¥350,807 thousand, deferred tax assets of ¥221,501 thousand, and tools, furniture and fixtures, net of ¥199,908 thousand as well as an increase in deferred tax assets of ¥497,920 thousand resulting from the application of the Accounting Standard for Revenue Recognition (hereinafter, the "Revenue Recognition Standard").

(Liabilities)

The balance of total liabilities at the end of the fiscal year under review was ¥15,423,605 thousand, an increase of ¥4,296,540 thousand (38.6%) from the end of the previous fiscal year.

The balance of current liabilities at the end of the fiscal year under review was ¥14,321,540 thousand, an increase of ¥4,250,020 thousand (42.2%) from the end of the previous fiscal year. This was due mainly to an increase in accounts payable - trade of ¥511,446 thousand and an increase in contract liabilities of ¥4,296,017 thousand resulting from the application of the Revenue Recognition Standard, which were partially offset by a decrease in income taxes payable of ¥411,581 thousand.

The balance of non-current liabilities at the end of the fiscal year under review was ¥1,102,065 thousand, an increase of ¥46,520 thousand (4.4%) from the end of the previous fiscal year. This was due mainly to increases in asset retirement obligations of ¥48,238 thousand and provision for share-based compensation of ¥12,750 thousand, which were partially offset by a decrease in provision for merchandise warranties of ¥13,932 thousand resulting from the application of the Revenue Recognition Standard.

(Net assets)

The balance of net assets at the end of the fiscal year under review was ¥34,987,884 thousand, a decrease of

¥358,366 thousand (1.0%) from the end of the previous fiscal year. This was due mainly to a decrease due to dividends of surplus of ¥734,731 thousand, a decrease in deferred gains or losses on hedges of ¥285,107 thousand, and 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, which were partially offset by an increase in profit of ¥3,366,076 thousand.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereinafter referred to as “net cash”) at the end of the fiscal year under review decreased by ¥839,532 thousand from the end of the previous fiscal year (a decrease of ¥1,562,471 thousand in the previous fiscal year) to ¥5,295,845 thousand.

(Cash Flows from Operating Activities)

Net cash provided by operating activities was ¥2,534,228 thousand (¥1,585,662 thousand provided for the same period of the previous fiscal year). The principal cash inflow factors included profit before income taxes of ¥5,125,946 thousand, depreciation of ¥1,481,148 thousand, an increase in trade payables of ¥511,446 thousand, and the amount of rent offset of construction assistance fund receivables of ¥305,654 thousand. The principal cash outflow factors included an increase in inventories of ¥3,496,703 thousand and income taxes paid of ¥1,560,373 thousand.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥2,638,804 thousand (¥2,414,315 thousand used for the same period of the previous fiscal year). The principal cash outflow factors included purchase of property, plant and equipment of ¥2,062,779 thousand for store openings and purchase of intangible assets of ¥435,922 thousand. The principal cash inflow factors included proceeds from refund of guarantee deposits of ¥87,713 thousand.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥734,956 thousand (¥733,818 thousand used for the same period of the previous fiscal year). This cash outflow factor was dividends paid.

(Reference) Trends of Cash Flow Indicators

	Fiscal year ended February 20				
	2019	2020	2021	2022	2023
Equity ratio	71.1	74.4	71.8	76.1	69.4
Equity ratio at fair value	107.3	86.9	87.7	74.3	70.5
Ratio of interest-bearing debt to cash flow	0.4	0.0	0.0	0.0	0.0
Interest coverage ratio	1,252.2	8,277.1	32,045.8	0.0	0.0

(Notes) 1. Equity ratio: Equity/Total assets

Equity ratio at fair value: Market capitalization/Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest paid

2. Market capitalization is calculated on the basis of the number of shares issued excluding treasury shares.

3. Interest-bearing debt covers all liabilities recorded on the Balance Sheets that bear interest. Interest

payments recorded in the Statements of Cash Flows are used for Interest paid.

4. The cash flows from operating activities recorded in the Statements of Cash Flows are used as Operating cash flow.

(4) Future Outlook

The Japanese economy underwent frequent switches between control of economic activities and its relaxation amid the prolonged effects of COVID-19, but economic activities are gradually returning to pre-pandemic normal levels. In addition, energy prices that soared in the wake of the situation in Ukraine are beginning to go down, and the yen that rapidly depreciated due to the divergence in monetary policies between Japan and the U.S. is becoming less dramatic. However, the future outlook is expected to remain unclear because exactly when consumer spending will recover is uncertain as prices in general, including basic necessities of life, are rising due to increasing raw material prices.

In the bicycle industry, while demand for making the switch from ordinary bicycles to electric assist bicycles is expected to remain firm, new bicycle sales are expected to keep declining because manufacturers' higher selling prices of bicycles and the rising prices in general, including basic necessities of life, prompt a slowdown in consumption and more budget-consciousness among consumers. Demand for repair and maintenance is expected to grow. Following amendments to the Road Traffic Act effective from April 1, 2023, Japan urges cyclists to wear helmets. We expect that people will become more aware of the safety of riding bicycles.

In light of such changes in the environment, the Company will continue in its endeavors to be the most trusted partner in customers' bicycle life, so that customers can enjoy a more comfortable bicycle life.

First, our sales strategy is to focus on strengthening our CRM¹ and OMO². In strengthening our CRM¹, we will send out optimized information to customers on the Asahi official app to have close touchpoints and build up relationships with customers. In strengthening our OMO², we will do so while simultaneously opening new stores in urban areas with strong demand for online shopping in order to improve customer convenience with our network of stores that allows customers to pick up merchandise they order online at any of the stores. This way will help improve the quality of our service. To refine our greatest strength, People Power that undergirds our organization, we will seek to provide value and service that is catered to each customer by improving our employee support capability at stores, the primary touchpoint with customers. To this end, we will visualize operations and improve existing business processes with IT tools to operate stores more efficiently. We will also create an environment to sustainably revitalize our employee support capability at stores.

Our product strategy is to broaden the perception of our products by organizing our brand architecture to make directions and concepts clearer and by differentiating our products from competitors'. We will also place efforts into product development that reflects customer voices in a timely manner so we may offer merchandise with higher added value.

Our supply chain management strategy is to make use of our own large-scale logistics warehouse to secure stocks of popular merchandise, with a focus on electric assist bicycles and ordinary bicycles; ensure stocks of merchandise solely for e-commerce; and optimize our logistics facilities to shorten delivery lead times to stores.

In the wholesale business, while boosting delivery efficiency in line with the supply chain management strategy, we will work at strengthening our sales structure to put more effort into selling merchandise to bicycle shops with several urban stores, in addition to our existing sales channels of family-owned bicycle stores.

Based on these efforts going forward, the Company forecasts net sales of ¥80,000,000 thousand (up 7.1% year-on-year), operating profit of ¥5,200,000 thousand (up 1.4% year-on-year), ordinary profit of ¥5,400,000 thousand (up 1.6% year-on-year), and profit of ¥3,400,000 thousand (up 1.0% year-on-year).

(Notes) 1. CRM is the abbreviation for Customer Relationship Management.

The Company sends out information on its Cycle Base Asahi official app to help make customers' bicycle lifestyles more convenient and comfortable. This approach is aimed at building up relationships with customers.

2. OMO, or online-merge-offline, is an approach that integrates the sales channels of stores and e-commerce to make it easier for customers to shop. At the Company, this refers to our online order for store pickup service that leverages our nationwide network of stores, the convenience of e-commerce, and our logistics network.

(5) Basic Policy on the Distribution of Profit and the Dividend Payout for the Current and Next Fiscal Years

1) Basic policy on the distribution of profit

The Company positions the return of profits to shareholders as one of important management issues. The Company's basic policy on the distribution of profit is to continue to distribute dividends with a target payout ratio of 35% from the fiscal year ending February 20, 2024 while securing internal reserves necessary for further strengthening its management foundations and making growth investments in the medium to long run. The Company previously conducted the dividends of surplus as a year-end dividend once a year; however, from the fiscal year ending February 20, 2024, the Company will pay an interim dividend to offer more opportunities of returning profits to shareholders.

The Company stipulates in its Articles of Incorporation that it is able to pay an interim dividend with the record date of August 20 every year by resolution of the Board of Directors.

2) Dividends of surplus for the current fiscal year ended February 20, 2023

The Company plans to pay a year-end dividend of ¥28.00 per share for the fiscal year ended February 20, 2023.

3) Dividends of surplus for the next fiscal year ending February 20, 2024

Following the change of the basic policy that the Company distributes dividends with a target payout ratio of 35%, the Company plans to pay an interim dividend of ¥22.50 per share and a year-end dividend of ¥22.50 per share for the fiscal year ending February 20, 2024.

2. Basic Policy on Selection of Accounting Standards

Since the Company does not prepare consolidated financial statements, we have prepared our financial statements based on Japanese accounting standards, in consideration of the burden and other aspects of establishing a system for the preparation of financial statements based on International Financial Reporting Standards.

3. Non-consolidated Financial Statements and Principal Notes

(1) Non-consolidated Balance Sheets

(Thousand yen)

	As of February 20, 2022	As of February 20, 2023
Assets		
Current assets		
Cash and deposits	5,958,649	5,312,339
Accounts receivable – trade	3,155,879	3,527,730
Merchandise	13,516,721	16,483,389
Goods in transit	1,006,429	1,546,094
Supplies	171,453	161,824
Accounts receivable – other	246,942	194,285
Prepaid expenses	440,014	404,408
Forward exchange contracts	254,073	–
Other	197,330	8,944
Allowance for doubtful accounts	(960)	(960)
Total current assets	24,946,534	27,638,055
Non-current assets		
Property, plant and equipment		
Buildings	19,896,175	20,905,680
Accumulated depreciation	(11,206,329)	(12,094,873)
Buildings, net	8,689,846	8,810,806
Structures	1,110,871	1,295,345
Accumulated depreciation	(601,714)	(689,430)
Structures, net	509,157	605,915
Machinery and equipment	134,534	138,606
Accumulated depreciation	(117,732)	(121,810)
Machinery and equipment, net	16,801	16,796
Vehicles	31,476	31,476
Accumulated depreciation	(27,867)	(29,754)
Vehicles, net	3,608	1,721
Tools, furniture and fixtures	1,807,901	2,216,318
Accumulated depreciation	(1,246,488)	(1,454,996)
Tools, furniture and fixtures, net	561,412	761,321
Land	3,163,012	3,163,012
Construction in progress	86,550	40,574
Total property, plant and equipment	13,030,390	13,400,147
Intangible assets		
Software	423,227	411,029
Other	92,223	424,618
Total intangible assets	515,450	835,647

(Thousand yen)

	As of February 20, 2022	As of February 20, 2023
Investments and other assets		
Investments in capital	10	10
Investments in capital of subsidiaries and associates	91,083	91,083
Long-term loans receivable from employees	500	372
Long-term accounts receivable – other	4,765	3,805
Long-term prepaid expenses	521,578	479,882
Guarantee deposits	5,154,383	5,150,966
Construction assistance fund receivables	961,082	851,121
Deferred tax assets	1,057,109	1,776,532
Investment property	247,519	247,519
Accumulated depreciation	(139,259)	(147,964)
Investment property, net	108,260	99,555
Other	86,932	88,114
Allowance for doubtful accounts	(4,765)	(3,805)
Total investments and other assets	7,980,941	8,537,638
Total non-current assets	21,526,782	22,773,434
Total assets	46,473,316	50,411,490
Liabilities		
Current liabilities		
Accounts payable – trade	4,665,041	5,176,487
Accounts payable – other	982,696	874,477
Accrued expenses	1,646,301	1,764,604
Income taxes payable	765,877	354,296
Accrued consumption taxes	106,230	304,181
Contract liabilities	–	4,296,017
Advances received	567,783	–
Deposits received	161,089	117,449
Unearned revenue	3,898	3,833
Provision for bonuses	930,273	954,222
Provision for shareholder benefit program	182,926	214,076
Reserve for commodity warranties	54,694	–
Asset retirement obligations	2,292	–
Forward exchange contracts	–	259,703
Other	2,414	2,189
Total current liabilities	10,071,519	14,321,540
Non-current liabilities		
Provision for share-based compensation	122,000	134,750
Provision for merchandise warranties	13,932	–
Asset retirement obligations	668,412	716,650
Other	251,201	250,664
Total non-current liabilities	1,055,545	1,102,065
Total liabilities	11,127,065	15,423,605

(Thousand yen)

	As of February 20, 2022	As of February 20, 2023
Net assets		
Shareholders' equity		
Share capital	2,061,356	2,061,356
Capital surplus		
Legal capital surplus	2,165,171	2,165,171
Total capital surplus	2,165,171	2,165,171
Retained earnings		
Legal retained earnings	18,688	18,688
Other retained earnings		
Reserve for special depreciation	146,417	4,889
General reserve	24,090,000	26,090,000
Retained earnings brought forward	6,918,843	4,987,111
Total retained earnings	31,173,948	31,100,689
Treasury shares	(180,112)	(180,112)
Total shareholders' equity	35,220,362	35,147,103
Valuation and translation adjustments		
Deferred gains or losses on hedges	125,888	(159,218)
Total valuation and translation adjustments	125,888	(159,218)
Total net assets	35,346,251	34,987,884
Total liabilities and net assets	46,473,316	50,411,490

(2) Non-consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Net sales	71,398,999	74,712,107
Cost of sales		
Beginning merchandise inventory	11,910,317	13,516,721
Cost of purchased goods	37,905,130	41,620,923
Provision of reserve for product warranties	68,626	–
Total	49,884,073	55,137,644
Transfer to other account	203,806	138,000
Ending merchandise inventory	13,516,721	16,483,389
Total cost of sales	36,163,546	38,516,255
Gross profit	35,235,453	36,195,852
Selling, general and administrative expenses	30,014,033	31,068,215
Operating profit	5,221,419	5,127,637
Non-operating income		
Interest income	46,599	43,158
Rental income from buildings	115,433	116,638
Commission income	56,415	70,106
Compensation income	111,971	106,735
Other	91,109	40,699
Total non-operating income	421,529	377,337
Non-operating expenses		
Foreign exchange losses	23,498	85,972
Rental costs on real estate	91,329	91,734
Other	15,223	11,229
Total non-operating expenses	130,051	188,937
Ordinary profit	5,512,897	5,316,037
Extraordinary losses		
Loss on sale and retirement of non-current assets	18,877	10,918
Impairment losses	125,515	179,172
Total extraordinary losses	144,393	190,091
Profit before income taxes	5,368,504	5,125,946
Income taxes – current	1,903,000	1,167,778
Income taxes – deferred	(76,173)	592,091
Total income taxes	1,826,826	1,759,870
Profit	3,541,677	3,366,076

(3) Non-consolidated Statements of Changes in Equity

Fiscal year ended February 20, 2022 (from February 21, 2021 to February 20, 2022)

(Thousand yen)

	Shareholders' equity							
	Share capital	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Reserve for special depreciation	General reserve	Retained earnings brought forward	
Balance at beginning of period	2,061,356	2,165,171	2,165,171	18,688	331,777	22,090,000	5,926,536	28,367,001
Cumulative effects of changes in accounting policies								
Restated balance								
Changes during period								
Dividends of surplus							(734,731)	(734,731)
Reversal of reserve for special depreciation					(185,360)		185,360	–
Profit							3,541,677	3,541,677
Provision of general reserve						2,000,000	(2,000,000)	–
Disposal of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	–	–	–	–	(185,360)	2,000,000	992,306	2,806,946
Balance at end of period	2,061,356	2,165,171	2,165,171	18,688	146,417	24,090,000	6,918,843	31,173,948

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(230,764)	32,362,765	133,961	133,961	32,496,726
Cumulative effects of changes in accounting policies					
Restated balance					
Changes during period					
Dividends of surplus		(734,731)			(734,731)
Reversal of reserve for special depreciation		–			–
Profit		3,541,677			3,541,677
Provision of general reserve					–
Disposal of treasury shares	50,651	50,651			50,651
Net changes in items other than shareholders' equity			(8,073)	(8,073)	(8,073)
Total changes during period	50,651	2,857,597	(8,073)	(8,073)	2,849,524
Balance at end of period	(180,112)	35,220,362	125,888	125,888	35,346,251

Fiscal year ended February 20, 2023 (from February 21, 2022 to February 20, 2023)

(Thousand yen)

	Shareholders' equity							
	Share capital	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Reserve for special depreciation	General reserve	Retained earnings brought forward	
Balance at beginning of period	2,061,356	2,165,171	2,165,171	18,688	146,417	24,090,000	6,918,843	31,173,948
Cumulative effects of changes in accounting policies							(2,704,604)	(2,704,604)
Restated balance	2,061,356	2,165,171	2,165,171	18,688	146,417	24,090,000	4,214,239	28,469,344
Changes during period								
Dividends of surplus							(734,731)	(734,731)
Reversal of reserve for special depreciation					(141,527)		141,527	–
Profit							3,366,076	3,366,076
Provision of general reserve						2,000,000	(2,000,000)	–
Disposal of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	–	–	–	–	(141,527)	2,000,000	772,872	2,631,344
Balance at end of period	2,061,356	2,165,171	2,165,171	18,688	4,889	26,090,000	4,987,111	31,100,689

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(180,112)	35,220,362	125,888	125,888	35,346,251
Cumulative effects of changes in accounting policies		(2,704,604)			(2,704,604)
Restated balance	(180,112)	32,515,758	125,888	125,888	32,641,647
Changes during period					
Dividends of surplus		(734,731)			(734,731)
Reversal of reserve for special depreciation		–			–
Profit		3,366,076			3,366,076
Provision of general reserve		–			–
Disposal of treasury shares					–
Net changes in items other than shareholders' equity			(285,107)	(285,107)	(285,107)
Total changes during period	–	2,631,344	(285,107)	(285,107)	2,346,237
Balance at end of period	(180,112)	35,147,103	(159,218)	(159,218)	34,987,884

(4) Non-consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Cash flows from operating activities		
Profit before income taxes	5,368,504	5,125,946
Depreciation	1,352,575	1,481,148
Impairment losses	125,515	179,172
Amortization of long-term prepaid expenses	17,068	22,619
The amount of rent offset of construction assistance fund receivables	326,819	305,654
Increase (decrease) in allowance for doubtful accounts	(960)	(960)
Increase (decrease) in provision for bonuses	51,822	23,948
Increase (decrease) in provision for shareholder benefit program	30,196	31,150
Increase (decrease) in provision for goods warranties	(17,961)	–
Increase (decrease) in provision for share-based compensation	22,000	12,750
Interest and dividend income	(46,599)	(43,158)
Compensation income	(111,971)	(106,735)
Loss (gain) on sale and retirement of non-current assets	18,877	10,918
Decrease (increase) in trade receivables	14,421	(371,850)
Decrease (increase) in inventories	(1,978,104)	(3,496,703)
Decrease (increase) in accounts receivable – other	49,204	57,841
Increase (decrease) in trade payables	313,322	511,446
Increase (decrease) in contract liabilities	–	(231,390)
Increase (decrease) in accrued consumption taxes	(843,476)	197,950
Increase (decrease) in accounts payable – other	(179,617)	81,530
Increase (decrease) in accrued expenses	91,930	118,303
Other, net	(21,393)	82,958
Subtotal	4,582,175	3,992,540
Interest and dividends received	68	60
Proceeds from compensation	134,937	102,000
Income taxes paid	(3,131,518)	(1,560,373)
Net cash provided by (used in) operating activities	1,585,662	2,534,228
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,933,004)	(2,062,779)
Purchase of intangible assets	(193,210)	(435,922)
Loan advances	(1,400)	(2,000)
Proceeds from collection of loans receivable	1,775	1,946
Purchase of long-term prepaid expenses	(97,572)	(20,309)
Payments for asset retirement obligations	(381)	(4,989)
Payments of guarantee deposits	(282,738)	(202,464)
Proceeds from refund of guarantee deposits	92,217	87,713
Net cash provided by (used in) investing activities	(2,414,315)	(2,638,804)
Cash flows from financing activities		
Dividends paid	(733,818)	(734,956)
Net cash provided by (used in) financing activities	(733,818)	(734,956)
Net increase (decrease) in cash and cash equivalents	(1,562,471)	(839,532)
Cash and cash equivalents at beginning of period	7,697,850	6,135,378
Cash and cash equivalents at end of period	6,135,378	5,295,845

(5) Notes to the Non-consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(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 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 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 the new accounting policies to periods prior to the beginning of the fiscal year under review were added to or subtracted from retained earnings at the beginning of the fiscal year under review, and the new accounting policies have been applied from the said beginning balance.

As a result of the above, for the fiscal year under review, net sales increased by ¥196,659 thousand, cost of sales increased by ¥12,453 thousand, and operating profit, ordinary profit, and profit before income taxes each increased by ¥184,206 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 sheet in the previous fiscal year, is now included in “Contract liabilities” from the fiscal year under review. In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes on revenue recognition for the previous fiscal year are not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

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 fiscal year under review, and will prospectively apply the new accounting policies stipulated in 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 non-consolidated financial statements.

(Equity in earnings (losses) of affiliates if equity method is applied)

There are no applicable matters as the Company does not have any affiliated companies.

(Matters related to revenue recognition)

Disaggregation of revenue from contracts with customers

Fiscal year ended February 20, 2023 (February 21, 2022–February 20, 2023)

(Thousand yen)

	Items				
	Bicycles	Parts and accessories	Royalties	Other	Total
Goods and services transferred at a point in time	53,750,898	12,802,169	–	5,206,919	71,759,987
Goods and services transferred over a period	–	–	149,234	2,802,885	2,952,120
Revenue from contracts with customers	53,750,898	12,802,169	149,234	8,009,805	74,712,107
Revenue from other sources	–	–	–	–	–
Sales to external customers	53,750,898	12,802,169	149,234	8,009,805	74,712,107

(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.

(Segment information, etc.)

[Segment information]

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

[Related information]

Previous fiscal year (February 21, 2021 to February 20, 2022)

1. Information by product or service

Since net sales to external customers in a single product and service category constitute more than 90% of net sales on the Non-consolidated Statement of Income, this information has been omitted.

2. Information by region

(1) Net sales

Since net sales to external customers in Japan constitute more than 90% of net sales on the Non-consolidated Statement of Income, this information has been omitted.

(2) Property, plant and equipment

Since the amount of property, plant and equipment located in Japan constitutes more than 90% of the amount of property, plant and equipment on the Non-consolidated Balance Sheet, this information has been omitted.

3. Information by major customer

Among net sales to external customers, since no customer accounts for 10% of net sales on the Non-consolidated Statement of Income, this information has been omitted.

Fiscal year under review (February 21, 2022 to February 20, 2023)

1. Information by product or service

Since net sales to external customers in a single product and service category constitute more than 90% of net sales on the Non-consolidated Statement of Income, this information has been omitted.

2. Information by region

(1) Net sales

Since net sales to external customers in Japan constitute more than 90% of net sales on the Non-consolidated Statement of Income, this information has been omitted.

(2) Property, plant and equipment

Since the amount of property, plant and equipment located in Japan constitutes more than 90% of the amount of property, plant and equipment on the Non-consolidated Balance Sheet, this information has been omitted.

3. Information by major customer

Among net sales to external customers, since no customer accounts for 10% of net sales on the Non-consolidated Statement of Income, this information has been omitted.

[Information regarding impairment losses on non-current assets by reporting segment]

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

[Information regarding amortization and unamortized balance of goodwill by reporting segment]

Not applicable.

[Information regarding gain on bargain purchase by reportable segment]

Not applicable.

(Per share information)

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Net assets per share	¥1,353.52	¥1,339.80
Basic earnings per share	¥135.68	¥128.90

(Notes) 1. Diluted earnings per share is not stated as there were no dilutive shares.

2. The basis for calculating basic earnings per share is as follows:

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Profit on the Non-consolidated Statements of Income (Thousand yen)	3,541,677	3,366,076
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit relating to common shares (Thousand yen)	3,541,677	3,366,076
Average number of shares outstanding during the period (Shares)	26,103,153	26,114,344

3. In the calculation of "Net assets per share," the Company's shares held by the Executive Remuneration BIP trust (126,070 shares in the previous fiscal year and 126,070 shares in the fiscal year under review) were included in the number of treasury shares deducted from the number of issued shares at the end of the fiscal year.

Furthermore, in the calculation of “Basic earnings per share,” the above-mentioned shares were included in the number of treasury shares deducted when calculating the average number of shares outstanding during the period (137,261 shares in the previous fiscal year and 126,070 shares in the fiscal year under review).

(Significant subsequent events)

Not applicable.

4. Other

Changes in Officers

- (i) Changes in Representative
Not applicable.

- (ii) Changes in Other Officers (Scheduled nomination / resignation date is May 13, 2023)

- Newly nominated candidate for director
Outside Director (Audit & Supervisory Committee Member) Makoto Horikawa

- Director who will resign from office
Outside Director (Audit & Supervisory Committee Member) Koichi Nishimura