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Non-consolidated Financial Results for the Three Months Ended May 20, 2023 [Japanese GAAP]



June 26, 2023

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3333
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 Scheduled date of filing quarterly securities report: June 30, 2023
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Not scheduled

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

1. Non-consolidated Financial Results for the Three Months Ended May 20, 2023 (February 21, 2023 – May 20, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 20, 2023	26,025	7.3	3,644	5.9	3,720	7.7	2,532	7.8
May 20, 2022	24,246	–	3,440	–	3,455	–	2,349	–

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 20, 2023	96.96	–
May 20, 2022	89.99	–

(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 previous fiscal year, and the figures for the three months ended May 20, 2022 are those after applying the said accounting standard, etc. Therefore, the percent changes from the previous corresponding period are not presented.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 20, 2023	54,184	36,930	68.2
As of February 20, 2023	50,411	34,987	69.4

(Reference) Equity: As of May 20, 2023: ¥36,930 million

As of February 20, 2023: ¥34,987 million

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, 2023	–	0.00	–	28.00	28.00
Fiscal year ending February 20, 2024	–				
Fiscal year ending February 20, 2024 (Forecast)		22.50	–	22.50	45.00

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

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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First fiscal half	45,000	7.8	4,300	0.9	4,400	2.3	2,950	2.2	112.96
Full year	80,000	7.1	5,200	1.4	5,400	1.6	3,400	1.0	130.19

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

*** 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: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (3) Total number of issued shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):

May 20, 2023:	26,240,800 shares
February 20, 2023:	26,240,800 shares
 - 2) Total number of treasury shares at the end of the period:

May 20, 2023:	126,456 shares
February 20, 2023:	126,456 shares
 - 3) Average number of shares outstanding during the period:

Three months ended May 20, 2023:	26,114,344 shares
Three months ended May 20, 2022:	26,114,344 shares

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

The number of treasury shares at the end of the period includes the Company's shares held by the trust (126,070 shares as of May 20, 2023 and 126,070 shares as of February 20, 2023). In addition, the Company's shares held by the trust are included in the treasury shares to be deducted in the calculation of the average number of shares outstanding during the period (126,070 shares as of May 20, 2023, and 126,070 shares as of May 20, 2022).

* 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

(1) Explanation of Operating Results

The Japanese economy during the three months ended May 20, 2023 continued to face uncertainty over the future outlook. This was due to the continuing depreciation of the yen triggered by the divergence in monetary policies between Japan and the U.S., concerns over economic slowdowns in overseas countries, price hikes of resources and raw materials caused by the prolonged situation in Ukraine as well as the rise in prices in general including basic necessities of life, etc. On the other hand, economic activities were gradually returning to normal due to the recovery in travels, leisure, and the inbound demands, etc. resulting from the easing of restrictions on activities to contain COVID-19.

In the bicycle industry, bicycle sales remained sluggish amid the increasing budget-consciousness among consumers due to higher selling prices of bicycles and the rising prices in general which had continued from the previous year. Following amendments to the Road Traffic Act effective from April, Japan urges cyclists to wear helmets. This resulted in an increase in potential purchasers amid growing awareness of safety, and the demand exceeded the production capacity of manufacturers.

The Company worked to secure stocks of popular merchandise and to boost operational efficiency based on OMO strategy.* First, with the consumer trend shifting from physical stores to online stores, we strived for securing dedicated inventory for e-commerce in order to fully meet the growing demand during the busiest period. Also, we made preparations to maximize our net sales during the peak periods of demand through further improving operational efficiency in store operations as well as increasing man-hour for repair and maintenance in preparation for growing demand for repair and maintenance.

As a result of these sales strategies, net sales increased year-on-year thanks to the sales growth of electric assist bicycles in our online order for store pickup service, which makes use of our strength of operating stores nationwide and the convenience of e-commerce, and the effect of the selling price increases implemented in the middle of the previous fiscal year. 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 and streamlined operations to meet the growing demand. For helmet demand, demand for casual types for ordinary bicycles was higher than expected, causing short supply for some models. However, the Company has met the demand in general by securing stock in advance, which contributed to the increase in net sales of parts and accessories.

Regarding store openings and closures, the Company opened one new store in the Kanto region and one in the Kansai region. As a result, the total number of stores at the end of the first quarter of the fiscal year under review was 521, consisting of 503 directly operated stores and 18 franchise stores.

As a result of the above activities, net sales for the three months ended May 20, 2023, were ¥26,025,993 thousand (up 7.3% year-on-year). Operating profit was ¥3,644,156 thousand (up 5.9% year-on-year), ordinary profit was ¥3,720,172 thousand (up 7.7% year-on-year), and profit was ¥2,532,141 thousand (up 7.8% year-on-year).

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

*It is the abbreviation for Online Merges with Offline. It is designed to provide services from obtaining information, purchase and to usage as customer experience values by merging e-commerce and stores.

(2) Explanation of Financial Position

1) Assets

Current assets at the end of the first quarter of the fiscal year under review were ¥31,362,159 thousand, an increase of ¥3,724,103 thousand (13.5%) from the end of the previous fiscal year. This was due mainly to increases in cash and deposits of ¥3,889,626 thousand, and accounts receivable - trade of ¥726,633 thousand, which were partially offset by decreases in merchandise of ¥765,288 thousand and goods in transit of ¥422,100 thousand. Non-current assets were ¥22,822,127 thousand, an increase of ¥48,693 thousand (0.2%) from the end of the previous fiscal year. This was due mainly to an increase in construction in progress of ¥178,877 thousand, which was partially offset by a decrease in buildings of ¥144,110 thousand.

As a result, total assets were ¥54,184,286 thousand, an increase of ¥3,772,796 thousand (7.5%) from the end of the previous fiscal year.

2) Liabilities

Current liabilities at the end of the first quarter of the fiscal year under review were ¥16,148,826 thousand, an increase of ¥1,827,286 thousand (12.8%) from the end of the previous fiscal year. This was due mainly to increases in income taxes payable of ¥975,889 thousand, accrued consumption taxes of ¥704,841 thousand and provision for bonuses of ¥481,553 thousand, which were partially offset by a decrease in accounts payable – trade of ¥378,373 thousand. Non-current liabilities were ¥1,105,270 thousand, an increase of ¥3,204 thousand (0.3%) from the end of the previous fiscal year. This was due mainly to increases in asset retirement obligations of ¥5,774 thousand and provision for share-based compensation of ¥4,575 thousand, which were partially offset by a decrease in long-term accounts payable - other of ¥7,020 thousand.

As a result, total liabilities were ¥17,254,097 thousand, an increase of ¥1,830,491 thousand (11.9%) from the end of the previous fiscal year.

3) Net assets

Total net assets at the end of the first quarter of the fiscal year under review were ¥36,930,189 thousand, an increase of ¥1,942,304 thousand (5.6%) from the end of the previous fiscal year. This was due mainly to an increase of ¥2,532,141 thousand due to the posting of profit, which was partially offset by a decrease due to dividends of surplus of ¥734,731 thousand.

As a result, the equity ratio stood at 68.2% (69.4% 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 first fiscal half and full year forecasts published in the “Non-consolidated Financial Results for the Fiscal Year Ended February 20, 2023 [Japanese GAAP]” dated April 3, 2023.

2. Quarterly Non-consolidated Financial Statements and Principal Notes

(1) Quarterly Non-consolidated Balance Sheets

(Thousand yen)

	As of February 20, 2023	As of May 20, 2023
Assets		
Current assets		
Cash and deposits	5,312,339	9,201,966
Accounts receivable - trade	3,527,730	4,254,363
Merchandise	16,483,389	15,718,100
Goods in transit	1,546,094	1,123,993
Supplies	161,824	154,014
Other	607,637	910,681
Allowance for doubtful accounts	(960)	(960)
Total current assets	27,638,055	31,362,159
Non-current assets		
Property, plant and equipment		
Buildings, net	8,810,806	8,666,696
Land	3,163,012	3,163,012
Other, net	1,426,329	1,593,041
Total property, plant and equipment	13,400,147	13,422,749
Intangible assets	835,647	908,650
Investments and other assets		
Guarantee deposits	5,150,966	5,177,299
Construction assistance fund receivables	851,121	825,135
Other	2,539,355	2,491,857
Allowance for doubtful accounts	(3,805)	(3,565)
Total investments and other assets	8,537,638	8,490,726
Total non-current assets	22,773,434	22,822,127
Total assets	50,411,490	54,184,286

(Thousand yen)

	As of February 20, 2023	As of May 20, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	5,176,487	4,798,113
Income taxes payable	354,296	1,330,186
Contract liabilities	4,296,017	4,370,153
Provision for bonuses	954,222	1,435,775
Provision for shareholder benefit program	214,076	163,070
Other	3,326,439	4,051,526
Total current liabilities	14,321,540	16,148,826
Non-current liabilities		
Provision for share-based compensation	134,750	139,325
Asset retirement obligations	716,650	722,424
Other	250,664	243,520
Total non-current liabilities	1,102,065	1,105,270
Total liabilities	15,423,605	17,254,097
Net assets		
Shareholders' equity		
Share capital	2,061,356	2,061,356
Capital surplus	2,165,171	2,165,171
Retained earnings	31,100,689	32,898,098
Treasury shares	(180,112)	(180,112)
Total shareholders' equity	35,147,103	36,944,513
Valuation and translation adjustments		
Deferred gains or losses on hedges	(159,218)	(14,323)
Total valuation and translation adjustments	(159,218)	(14,323)
Total net assets	34,987,884	36,930,189
Total liabilities and net assets	50,411,490	54,184,286

(2) Quarterly Non-consolidated Statements of Income

Three Months Ended May 20

(Thousand yen)

	For the three months ended May 20, 2022	For the three months ended May 20, 2023
Net sales	24,246,108	26,025,993
Cost of sales	12,816,358	13,980,134
Gross profit	11,429,749	12,045,858
Selling, general and administrative expenses	7,988,839	8,401,702
Operating profit	3,440,910	3,644,156
Non-operating income		
Interest income	10,778	9,830
Foreign exchange gains	—	8,580
Rental income from buildings	29,216	29,090
Commission income	19,564	16,729
Compensation income	15,745	30,046
Other	9,854	8,958
Total non-operating income	85,158	103,235
Non-operating expenses		
Foreign exchange losses	41,989	—
Rental costs on real estate	24,032	23,951
Other	5,040	3,267
Total non-operating expenses	71,062	27,218
Ordinary profit	3,455,005	3,720,172
Extraordinary losses		
Loss on sale and retirement of non-current assets	213	1,139
Total extraordinary losses	213	1,139
Profit before income taxes	3,454,792	3,719,033
Income taxes - current	1,056,000	1,222,000
Income taxes - deferred	48,815	(35,107)
Total income taxes	1,104,815	1,186,892
Profit	2,349,976	2,532,141

(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)

Not applicable.

(Segment information, etc.)

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

(Matters related to revenue recognition)

Disaggregation of revenue from contracts with customers

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

(Thousand yen)

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

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

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

Three months ended May 20, 2023 (February 21, 2023 – May 20, 2023)

(Thousand yen)

	Items				
	Bicycles	Parts and accessories	Royalties	Other	Total
Goods and services transferred at a point in time	19,288,225	4,363,430	–	1,624,133	25,275,790
Goods and services transferred over a period	–	–	48,674	701,528	750,202
Revenue from contracts with customers	19,288,225	4,363,430	48,674	2,325,661	26,025,993
Revenue from other sources	–	–	–	–	–
Sales to external customers	19,288,225	4,363,430	48,674	2,325,661	26,025,993

(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.