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



September 25, 2023

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 29, 2023

Scheduled date of commencing dividend payments: November 15, 2023

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled

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

1. Non-consolidated Financial Results for the Six Months Ended August 20, 2023 (February 21, 2023 – August 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	%
Six months ended August 20, 2023	43,763	4.9	4,218	(1.0)	4,363	1.4	2,920	1.2
August 20, 2022	41,725	–	4,263	–	4,301	–	2,885	–

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 20, 2023	111.84		–	
August 20, 2022	110.51		–	

(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 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, 2023	52,284	37,418	71.6
As of February 20, 2023	50,411	34,987	69.4

(Reference) Equity: As of August 20, 2023: ¥37,418 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	–	22.50			
Fiscal year ending February 20, 2024 (Forecast)			–	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
Full year	80,000	7.1	5,200	1.4	5,400	1.6	3,400	1.0	130.19

(Note) 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):

August 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:

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

Six months ended August 20, 2023:	26,114,344 shares
Six months ended August 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 August 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 August 20, 2023, and 126,070 shares as of August 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 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

(1) Explanation of Operating Results

The Japanese economy during the six months ended August 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., price hikes of resources and raw materials caused by the prolonged situation in Ukraine, and the rising prices for various goods including daily necessities. In addition, domestic demand for durable consumer goods began to sharply decline from around May, while travels, dining out, and foreign tourists have rapidly recovered resulting from the easing of restrictions on activities to contain COVID-19.

In the bicycle industry, despite a significant recovery in bicycle production in China, new bicycle sales have slowed down amid consumers' preference for lower prices and increasing demand for repairs due to higher selling prices of bicycles and the rising prices for various goods, resulting in the emergence of a supply-demand gap. For sports cycles in particular, manufacturers and bicycle dealers were taking more time to clear their inventory and, in turn, reduced the sales prices, leading to a severe situation with a sense of slowdown throughout the industry.

The Company achieved a year-on-year increase in net sales, thanks to the price revisions during the previous fiscal year and expansion of e-commerce sales by strengthening the foundation of our "online order for store pickup" service, as well as deploying skilled staff members to our stores nationwide in a stable manner to meet the growing demand for repairs and maintenance. Furthermore, inventory levels rose in June, due to a decline in demand becoming apparent in the entire bicycle industry and sluggish customer traffic caused by unfavorable weather. Therefore, as a measure to boost sales, we conducted sales promotion campaigns in July and onward to increase brand awareness of ASAHI's original electric-assist bicycles, "ENERSYS," and "LOUIS GARNEAU," for which the Company holds general sales agency rights in Japan.

In the bicycle industry as well, demand for reused products is increasing in line with consumers' preference for lower prices due to rising prices for various goods. In the reuse business, the Company expanded the number of purchase stores to secure sufficient merchandise and enhanced the functions for efficient commercialization after purchase, leading to an increase in the number of bicycles sold through physical and online stores. Moreover, for helmets whose demand has skyrocketed as wearing of helmets became a non-binding obligation, the popularity of casual types for ordinary bicycles remained high, causing short supply for some models. However, the Company secured a stable supply of merchandise, which contributed to the increase in net sales of parts and accessories.

Regarding store openings and closures, the Company opened four new stores in the Kanto region and two in the Kinki region. Meanwhile, one store in the Kanto region was forced to close upon the expiration of its contract. As a result, the total number of stores at the end of the second quarter of the fiscal year under review was 524, consisting of 506 directly operated stores and 18 franchise stores.

As a result of the above activities, net sales for the six months ended August 20, 2023 were ¥43,763,626 thousand (up 4.9% year-on-year). Operating profit was ¥4,218,701 thousand (down 1.0% year-on-year), ordinary profit was ¥4,363,065 thousand (up 1.4% year-on-year), and profit was ¥2,920,723 thousand (up 1.2% year-on-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 ¥29,299,944 thousand, an increase of ¥1,661,888 thousand (6.0%) from the end of the previous fiscal year. This was due mainly to an increase in cash and deposits of ¥3,830,552 thousand, which was partially offset by decreases in merchandise of ¥1,901,178 thousand and goods in transit of ¥424,365 thousand. Non-current assets were ¥22,984,942 thousand, an increase of ¥211,507 thousand (0.9%) from the end of the previous fiscal year. This was due mainly to increases in construction in progress of ¥256,951 thousand and software in progress of ¥187,183 thousand, which were partially offset by a decrease in deferred tax assets of ¥315,959 thousand.

As a result, total assets were ¥52,284,886 thousand, an increase of ¥1,873,396 thousand (3.7%) 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 ¥13,753,418 thousand, a decrease of ¥568,122 thousand (4.0%) from the end of the previous fiscal year. This was due mainly to increases in income taxes payable of ¥1,051,889 thousand and accrued consumption taxes of ¥656,969 thousand, which were partially offset by a decrease in accounts payable – trade of ¥2,319,837 thousand. Non-current liabilities were ¥1,112,705 thousand, an increase of ¥10,639 thousand (1.0%) from the end of the previous fiscal year. This was due mainly to an increase in asset retirement obligations of ¥14,579 thousand, which was partially offset by a decrease in long-term accounts payable – other of ¥7,020 thousand.

As a result, total liabilities were ¥14,866,123 thousand, a decrease of ¥557,482 thousand (3.6%) 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 ¥37,418,763 thousand, an increase of ¥2,430,878 thousand (6.9%) from the end of the previous fiscal year. This was due mainly to an increase of ¥2,920,723 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 71.6% (69.4% 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 ¥4,000,830 thousand from the end of the previous fiscal year to ¥9,296,676 thousand.

The details for cash flows in each area of activity and their contributing factors for the six months ended August 20, 2023 are as follows:

(Cash Flows from Operating Activities)

Net cash provided by operating activities was ¥6,134,758 thousand (¥6,537,341 thousand provided for the same period of the previous fiscal year). The principal cash inflow factors included profit before income taxes of ¥4,357,214 thousand, a decrease in inventories of ¥2,344,156 thousand, depreciation of ¥767,699 thousand, and an increase in accrued consumption taxes of ¥656,969 thousand. The principal cash outflow factors included a decrease in trade payables of ¥2,319,837 thousand.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥1,400,203 thousand (¥1,250,403 thousand used for the same period of the previous fiscal year). The principal cash outflow factors included purchase of property, plant and equipment of ¥1,051,867 thousand for new store openings, purchase of intangible assets of ¥265,319 thousand, and payments of guarantee deposits of ¥102,581 thousand.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥733,725 thousand (¥734,380 thousand used for the same period of the previous fiscal year). This 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 forecast 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 August 20, 2023
Assets		
Current assets		
Cash and deposits	5,312,339	9,142,892
Accounts receivable – trade	3,527,730	3,302,341
Merchandise	16,483,389	14,582,210
Goods in transit	1,546,094	1,121,728
Supplies	161,824	143,212
Other	607,637	1,008,518
Allowance for doubtful accounts	(960)	(960)
Total current assets	27,638,055	29,299,944
Non-current assets		
Property, plant and equipment		
Buildings, net	8,810,806	8,905,399
Land	3,163,012	3,163,012
Other, net	1,426,329	1,824,258
Total property, plant and equipment	13,400,147	13,892,669
Intangible assets	835,647	940,523
Investments and other assets		
Guarantee deposits	5,150,966	5,160,270
Construction assistance fund receivables	851,121	799,877
Other	2,539,355	2,194,926
Allowance for doubtful accounts	(3,805)	(3,325)
Total investments and other assets	8,537,638	8,151,749
Total non-current assets	22,773,434	22,984,942
Total assets	50,411,490	52,284,886

(Thousand yen)

	As of February 20, 2023	As of August 20, 2023
Liabilities		
Current liabilities		
Accounts payable – trade	5,176,487	2,856,650
Income taxes payable	354,296	1,406,186
Contract liabilities	4,296,017	4,288,031
Provision for bonuses	954,222	994,449
Provision for shareholder benefit program	214,076	115,956
Other	3,326,439	4,092,143
Total current liabilities	14,321,540	13,753,418
Non-current liabilities		
Provision for share-based compensation	134,750	143,900
Asset retirement obligations	716,650	731,229
Other	250,664	237,575
Total non-current liabilities	1,102,065	1,112,705
Total liabilities	15,423,605	14,866,123
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	33,286,680
Treasury shares	(180,112)	(180,112)
Total shareholders' equity	35,147,103	37,333,095
Valuation and translation adjustments		
Deferred gains or losses on hedges	(159,218)	85,668
Total valuation and translation adjustments	(159,218)	85,668
Total net assets	34,987,884	37,418,763
Total liabilities and net assets	50,411,490	52,284,886

(2) Quarterly Non-consolidated Statements of Income

Six Months Ended August 20

(Thousand yen)

	For the six months ended August 20, 2022	For the six months ended August 20, 2023
Net sales	41,725,707	43,763,626
Cost of sales	21,771,568	23,057,587
Gross profit	19,954,138	20,706,039
Selling, general and administrative expenses	15,691,075	16,487,337
Operating profit	4,263,063	4,218,701
Non-operating income		
Interest income	21,554	19,784
Rental income from buildings	58,396	55,648
Foreign exchange gains	–	535
Commission income	37,414	36,717
Compensation income	42,134	46,045
Other	17,697	39,941
Total non-operating income	177,197	198,672
Non-operating expenses		
Foreign exchange losses	83,589	–
Rental costs on real estate	46,761	42,032
Other	8,278	12,276
Total non-operating expenses	138,629	54,308
Ordinary profit	4,301,630	4,363,065
Extraordinary losses		
Loss on sale and retirement of non-current assets	3,699	4,802
Impairment losses	19	1,048
Total extraordinary losses	3,719	5,850
Profit before income taxes	4,297,911	4,357,214
Income taxes – current	1,055,000	1,228,000
Income taxes – deferred	357,006	208,491
Total income taxes	1,412,006	1,436,491
Profit	2,885,905	2,920,723

(3) Quarterly Non-consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended August 20, 2022	For the six months ended August 20, 2023
Cash flows from operating activities		
Profit before income taxes	4,297,911	4,357,214
Depreciation	706,918	767,699
Impairment losses	19	1,048
Amortization of long-term prepaid expenses	11,125	10,982
The amount of rent offset of construction assistance fund receivables	160,762	155,427
Increase (decrease) in allowance for doubtful accounts	(480)	(480)
Increase (decrease) in provision for bonuses	37,747	40,227
Increase (decrease) in provision for shareholder benefit program	(88,179)	(98,120)
Increase (decrease) in provision for share-based compensation	8,000	9,150
Interest and dividend income	(21,554)	(19,784)
Compensation income	(42,134)	(46,045)
Loss (gain) on sale and retirement of non-current assets	3,699	4,802
Decrease (increase) in trade receivables	92,019	225,388
Decrease (increase) in inventories	972,461	2,344,156
Decrease (increase) in accounts receivable – other	17,423	(57,204)
Increase (decrease) in trade payables	(24,423)	(2,319,837)
Increase (decrease) in contract liabilities	(92,606)	(7,985)
Increase (decrease) in accrued consumption taxes	716,401	656,969
Increase (decrease) in accounts payable – other	(20,159)	(47,108)
Increase (decrease) in accrued expenses	265,722	217,142
Other, net	111,956	111,140
Subtotal	7,112,632	6,304,785
Interest and dividends received	23	19
Proceeds from compensation	33,284	45,563
Income taxes paid	(608,600)	(215,608)
Net cash provided by (used in) operating activities	6,537,341	6,134,758
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,035,251)	(1,051,867)
Purchase of intangible assets	(118,233)	(265,319)
Loan advances	(900)	(1,070)
Proceeds from collection of loans receivable	900	1,170
Purchase of long-term prepaid expenses	(6,739)	(8,872)
Payments for asset retirement obligations	(3,300)	–
Payments of guarantee deposits	(108,025)	(102,581)
Proceeds from refund of guarantee deposits	21,146	28,336
Net cash provided by (used in) investing activities	(1,250,403)	(1,400,203)
Cash flows from financing activities		
Dividends paid	(734,380)	(733,725)
Net cash provided by (used in) financing activities	(734,380)	(733,725)
Net increase (decrease) in cash and cash equivalents	4,552,557	4,000,830
Cash and cash equivalents at beginning of period	6,135,378	5,295,845
Cash and cash equivalents at end of period	10,687,936	9,296,676

(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)

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

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.

Six months ended August 20, 2023 (February 21, 2023 – August 20, 2023)

(Thousand yen)

	Items				
	Bicycles	Parts and accessories	Royalties	Other	Total
Goods and services transferred at a point in time	31,302,508	7,775,432	–	3,211,983	42,289,924
Goods and services transferred over a period	–	–	83,336	1,390,365	1,473,702
Revenue from contracts with customers	31,302,508	7,775,432	83,336	4,602,348	43,763,626
Revenue from other sources	–	–	–	–	–
Sales to external customers	31,302,508	7,775,432	83,336	4,602,348	43,763,626

(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.