



EXPLANATORY MATERIAL ON FINANCIAL RESULTS FOR THE THREE MONTHS ENDED MAY 20, 2024

ASAHI CO., LTD.
TSE Prime Market (Securities code: 3333)

June 2024

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 - **Medium-Term Management Plan “VISION 2025”**
 - **Materiality**

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- Materiality

1 Financial Results for the Three Months Ended May 20, 2024

**Bicycle business (1) Decrease in import volume of finished bicycles
(2) Increased demand for repair and maintenance services**

Responded to changes in the environment by utilizing our **strengths and advantages**

(1) Strengthened OMO*¹ and CRM*² Further spread of “Online order for store pickup” service
➢ E-commerce share grew significantly 13.7% ⇒ **17.0%**
[FY24 1Q] [FY25 1Q]

(2) Captured demand for repair and maintenance services

➢ **Our efforts to date to strengthen store network, e-commerce platform, logistics infrastructure, and product power in an integrated manner have been actualized**

*1 OMO is the abbreviation for Online Merges with Offline. OMO is an approach that merges e-commerce and stores to offer customer experience value, enabling customers to obtain information, shop, and use such channels.

*2 CRM is the abbreviation for customer relationship management. We are strengthening our customer relations by providing information via the official Cycle Base Asahi smartphone application to make their bicycle life more convenient and comfortable.

1 Financial Results for the Three Months Ended May 20, 2024

Year-on-Year Financial Results

(Millions of yen, %)

	For the Three months ended May 20, 2023		For the Three months ended May 20, 2024			
	Amount	Share	Amount	Share	Y/Y change	Major factors
Net sales	26,025	100.0	26,934	100.0	103.5	<ul style="list-style-type: none"> • Strengthened OMO and CRM • Captured demand for repair and maintenance services <p>Net sales: 103.5% (Sales per customer 103.9% x number of customers 99.3%)</p> <p>Impact of foreign exchange losses due to the weak yen ➢ Increase in non-operating expenses</p>
Gross profit	12,045	46.3	12,313	45.7	102.2	
Operating profit	3,644	14.0	3,667	13.6	100.6	
Ordinary profit	3,720	14.3	3,648	13.5	98.1	
Profit	2,532	9.7	2,486	9.2	98.2	

1 Financial Results for the Three Months Ended May 20, 2024

Net Sales by Division (Comparison with the Previous Fiscal Year)

(Millions of yen, %)

		For the Three months ended May 20, 2023		For the Three months ended May 20, 2024			
		Results	Retail share*1	Results	Retail share*1	Y/Y change	Factors
	Stores	21,892	86.3	21,725	83.0	99.2	<ul style="list-style-type: none"> • Strengthened OMO platform <ul style="list-style-type: none"> ➢ E-commerce share grew significantly • Net sales at existing stores: 102.2% (sales per customer 104.0% x number of customers 98.3%)
	E-commerce	3,465	13.7	4,459	17.0	128.7	
Retail (subtotal)		25,358	100.0	26,184	100.0	103.3	
Other*2		667	-	749	-	112.3	Sale to wholesale customers grew
Total		26,025	-	26,934	-	103.5	

*1 We use the retail share as the ratio of stores and e-commerce in retail.

*2 Other net sales include royalty income, product sales to franchise stores and wholesale customers, out-of-store sales, etc.

1 Financial Results for the Three Months Ended May 20, 2024

Net Sales by Item (Comparison with the Previous Fiscal Year)

(Millions of yen, %)

	For the Three months ended May 20, 2023		For the Three months ended May 20, 2024			
	Amount	Share	Amount	Share	Y/Y change	Factors
Ordinary bicycles	4,956	19.0	4,992	18.5	100.7	
Sports bicycles	3,893	15.0	3,983	14.8	102.3	Strong sales of Asahi brand
Children's bicycles	2,546	9.8	2,727	10.1	107.1	Strengthened product lineup
Electric assist bicycles	7,094	27.3	7,814	29.0	110.2	Strong sales of Asahi brand's ENERSYS
Other bicycles	797	3.1	757	2.8	95.0	
Parts/Other	6,737	25.9	6,658	24.7	98.8	<ul style="list-style-type: none"> • Decrease: Special demand for helmets in the previous year • Increase: Repair and maintenance services
Total	26,025	100.0	26,934	100.0	103.5	
Asahi brand net sales	12,550	48.2	13,145	48.8	104.7	Highly competitive product lineup offered to meet customers' needs as consumers become more budget-conscious

1 Financial Results for the Three Months Ended May 20, 2024

Electric assist bicycles: ¥7,814M
(110.2% year-on-year)

- Product lineup that accurately meets customers' needs
- Sales of ASAHI brand "ENERSYS" with high functionality and design at an affordable price remained strong



ASAHI's original electric assist bicycle "ENERSYS"

Parts/Other: ¥6,658M

(98.8% year-on-year)



➤ Helmets

- Decreased from the previous year when there was a special demand due to wearing of helmets becoming a non-binding obligation from April 2023
- Remained higher than two years ago
- Increased awareness of safety



➤ Repair and maintenance services

- Responded to demand with our strengths
 - Nationwide store network
 - Staff with technician services
- December 2023
The number of repair and maintenance orders has increased even after the pricing revisions

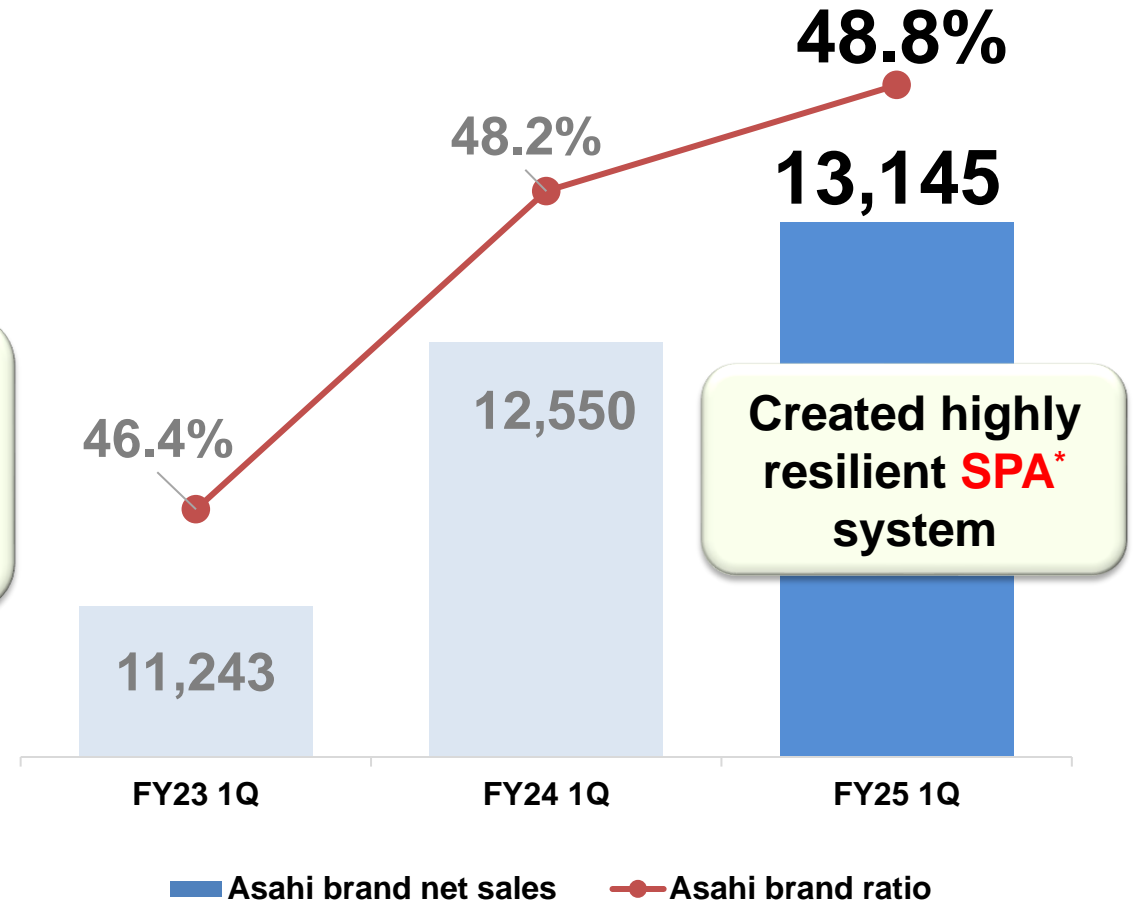
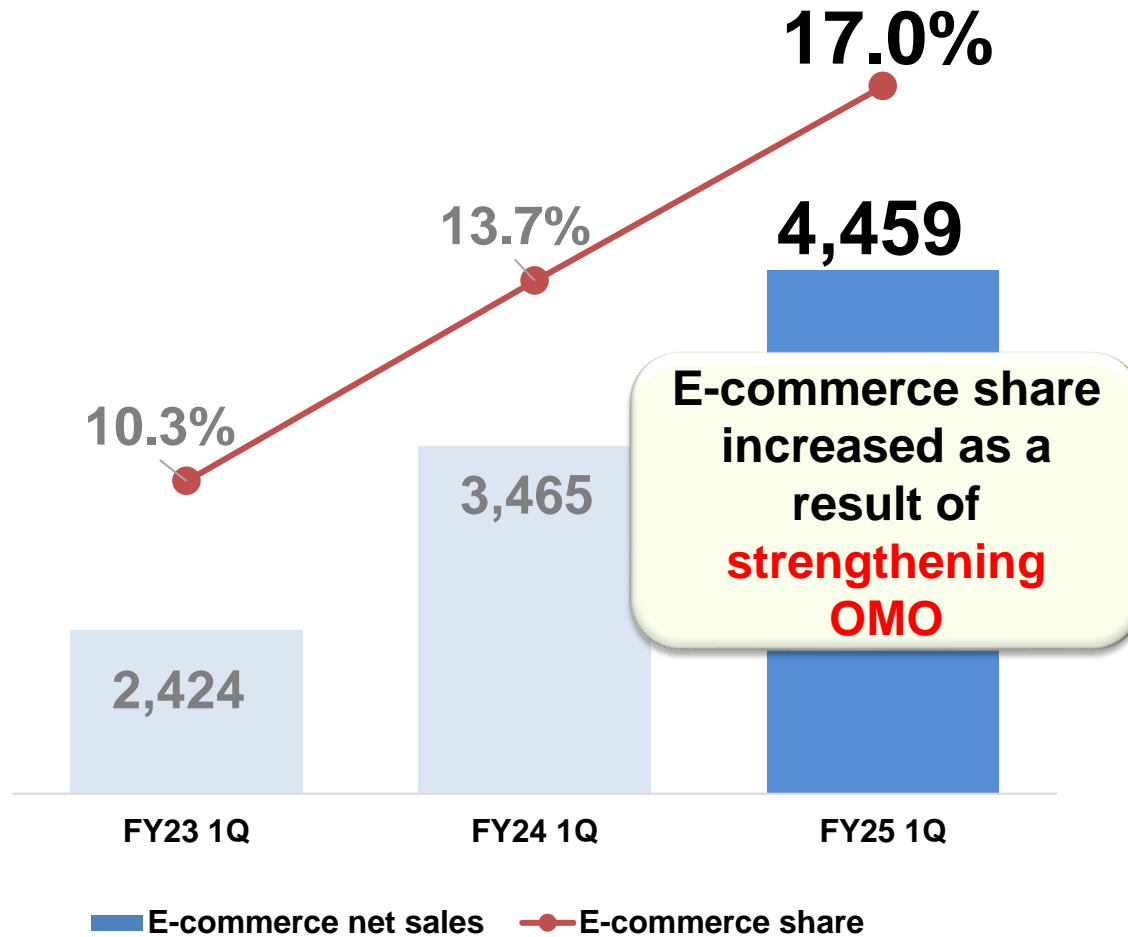
1 Financial Results for the Three Months Ended May 20, 2024

Results from Strengthening Growth Foundations

[E-commerce Net Sales and E-commerce Share]

[Asahi Brand Net Sales and Share]

(Millions of yen, %)



* A specialty store retailer of private label products, or SPA, is a vertically integrated supply chain model borrowed from the apparel industry that encompasses all stages from manufacturing to product planning, logistics, and retail.

1 Financial Results for the Three Months Ended May 20, 2024

SG&A Expenses and Capital Investment (Comparison with the Previous Fiscal Year)

(Millions of yen, %)

		For the Three months ended May 20, 2023		For the Three months ended May 20, 2024			
		Amount	Ratio to net sales	Amount	Ratio to net sales	Y/Y change	Factors
SG&A expenses		8,401	32.3	8,645	32.1	102.9	Increase as a result of the expansion of business scale
Breakdown	Personnel expenses	4,043	15.5	4,125	15.3	102.0	<ul style="list-style-type: none"> • Increase due to wage increases • Proper personnel assignment, strengthened management system
	Advertising expenses	188	0.7	233	0.9	123.5	Web advertisements, strengthened measures
	Logistics expenses*	567	2.2	580	2.2	102.2	Increase in the number of bicycles sold
	Depreciation	372	1.4	379	1.4	101.9	Opened new stores and renovated existing stores
	Other	3,229	12.4	3,327	12.4	103.0	<ul style="list-style-type: none"> • Opened new stores • Fees for cashless payment, electricity rates
Capital spending		300		275		91.7	Investments in core systems replacement

* Transport + Storage

1 Financial Results for the Three Months Ended May 20, 2024

Stores

	As of Feb. 21, 2024	Number of stores opened	As of May 20, 2024
Number of stores*	533	1	534
Of which, Urban stores	9	0	9

* Includes 17 franchise stores (6 stores in Osaka, 1 store in Hyogo, 4 stores in Kyoto, 4 stores in Mie, and 2 stores in Kagoshima)



Nerima Shakujiidai store (Tokyo) opened on April 11, 2024





1 Financial Results for the Three Months Ended May 20, 2024

2 Topics

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2 Topics

Strengthen Our Reuse Business



- Increase the number of used bicycle purchasing stores **424 stores (+105 stores*)**
- Strengthen advertisement on social media and in-store announcements

Number of used bicycles purchased: **210% or more***
Number of bicycles sold: **160% or more***

Strengthen the integrated system of purchase ⇒ commercialization ⇒ resale

*Y/Y change



1 Financial Results for the Three Months Ended May 20, 2024

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3 (Reference) Plan for the Fiscal Year Ending Feb. 20, 2025

Market Conditions and Our Initiatives

Item	Fiscal year ending Feb. 20, 2025
Bicycle market environment	<ul style="list-style-type: none">• The number of bicycles imported is expected to decrease gradually• Repair and maintenance services are expected to be concentrated in specialty stores
Our responses	<ul style="list-style-type: none">• Strengthen links between OMO and CRM ⇒ improve LTV• Enhance expertise ⇒ increase repair and maintenance services, and parts sales <p>Net sales Y/Y: 105% = <u>sales per customer 103%</u> x <u>number of customers 102%</u></p>

3 (Reference) Plan for the Fiscal Year Ending Feb. 20, 2025

Comparison with the Fiscal Year Ended Feb. 20, 2024

(Millions of yen, %)

	FY ended Feb. 20, 2024 Results		FY ending Feb. 20, 2025 Plan			
	Amount	Share	Amount	Share	Y/Y change	Factors
Net sales	78,076	100.0	82,500	100.0	105.7	• Strengthen links between CRM and OMO
Gross profit	37,305	47.8	39,600	48.0	106.2	
Operating profit	4,912	6.3	5,500	6.7	112.0	• Improve human productivity • Enhance digital and IT platforms
Ordinary profit	5,192	6.7	5,800	7.0	111.7	
Profit	3,113	4.0	3,680	4.5	118.2	

3 (Reference) Plan for the Fiscal Year Ending Feb. 20, 2025

Net Sales by Division

(Millions of yen, %)

		FY ended Feb. 20, 2024 Results		FY ending Feb. 20, 2025 Plan			
		Amount	Retail share	Amount	Retail share	Y/Y change	Factors
	Stores	65,566	86.4	69,053	86.0	105.3	<ul style="list-style-type: none"> • Increase charges and parts sales • Open new stores and refresh existing stores • Strengthen links between CRM and OMO
	E-commerce	10,321	13.6	11,240	14.0	108.9	
Retail (subtotal)		75,887	100.0	80,293	100.0	105.8	
Other		2,188	-	2,206	-	100.8	
Total		78,076	-	82,500	-	105.7	
Market share		24%	-	25%	-	-	

3 (Reference) Plan for the Fiscal Year Ending Feb. 20, 2025

Net Sales by Item

(Millions of yen, %)

	FY ended Feb. 20, 2024 Results		FY ending Feb. 20, 2025 Plan		
	Amount	Share	Amount	Share	Y/Y change
Ordinary bicycles	13,117	16.8	13,887	16.8	105.9
Sports bicycles	9,580	12.3	10,244	12.4	106.9
Children's bicycles	8,320	10.7	8,289	10.0	99.6
Electric assist bicycles	21,148	27.1	22,645	27.4	107.1
Other bicycles	2,611	3.3	2,706	3.3	103.6
Parts/Other	23,298	29.8	24,727	30.0	106.1
Total	78,076	100.0	82,500	100.0	105.7

3 (Reference) Plan for the Fiscal Year Ending Feb. 20, 2025

SG&A expenses and Capital Investment

(Millions of yen, %)

		FY ended Feb. 20, 2024 Results		FY ending Feb. 20, 2025 Plan			
		Amount	Ratio to net sales	Amount	Ratio to net sales	Y/Y change	Factors
SG&A expenses		32,393	41.5	34,100	41.3	105.3	
Breakdown	Personnel expenses	15,595	20.0	16,561	20.1	106.2	Increase wages, and increase personnel to expand business
	Advertising expenses	715	0.9	766	0.9	107.1	Continue to run more online advertisements
	Logistics expenses	1,761	2.3	1,901	2.3	108.0	Inventory transfer expenses related to the relocation of logistics bases
	Depreciation	1,583	2.0	1,686	2.0	106.4	Open new stores and renovate existing stores
	Other	12,737	16.3	13,185	16.0	103.5	Incur an increase in system-related maintenance costs
Capital spending			3,219		3,235	100.5	Growth foundations for stores and systems

3 (Reference) Plan for the Fiscal Year Ending Feb. 20, 2025

Points of SG&A expenses

- Personnel expenses: ¥16,561M (Up ¥966M or 106.2% year-on-year)
 - Enhance recruitment of new graduates (approx. 100) and mid-career hires
 - Increase wages

- Logistics expenses: ¥1,901M (Up ¥140M or 108.0% year-on-year)
 - Inventory transfer expenses related to the relocation of logistics bases

- 
- [Measures]
- Reduce inventories through proper inventory management
 - Relocate logistics bases
 - Improve delivery efficiency

3 (Reference) Plan for the Fiscal Year Ending Feb. 20, 2025

Stores

	As of Feb. 21, 2024	Number of stores to open	As of Feb. 20, 2025
Number of stores*	533	15	548
Of which, urban stores	9	4	13

Relocation and large renovation

	FY ended Feb. 20, 2024 Results	FY ending Feb. 20, 2025 Plan
Number of target stores	16	18

* Includes 17 franchise stores (as of Feb. 20, 2025) (6 stores in Osaka, 1 store in Hyogo, 4 stores in Kyoto, 4 stores in Mie, and 2 stores in Kagoshima)

3 (Reference) Management That is Conscious of Cost of Capital and Stock Price

Initiatives to Improve PBR

(1) Growth investments

- Investment in foundations that support future growth
(Strengthening stores, digital and IT platforms, logistics infrastructure, and refining the SPA business model)

(2) Profitability

- Efficient operation toward 8% operating profit margin

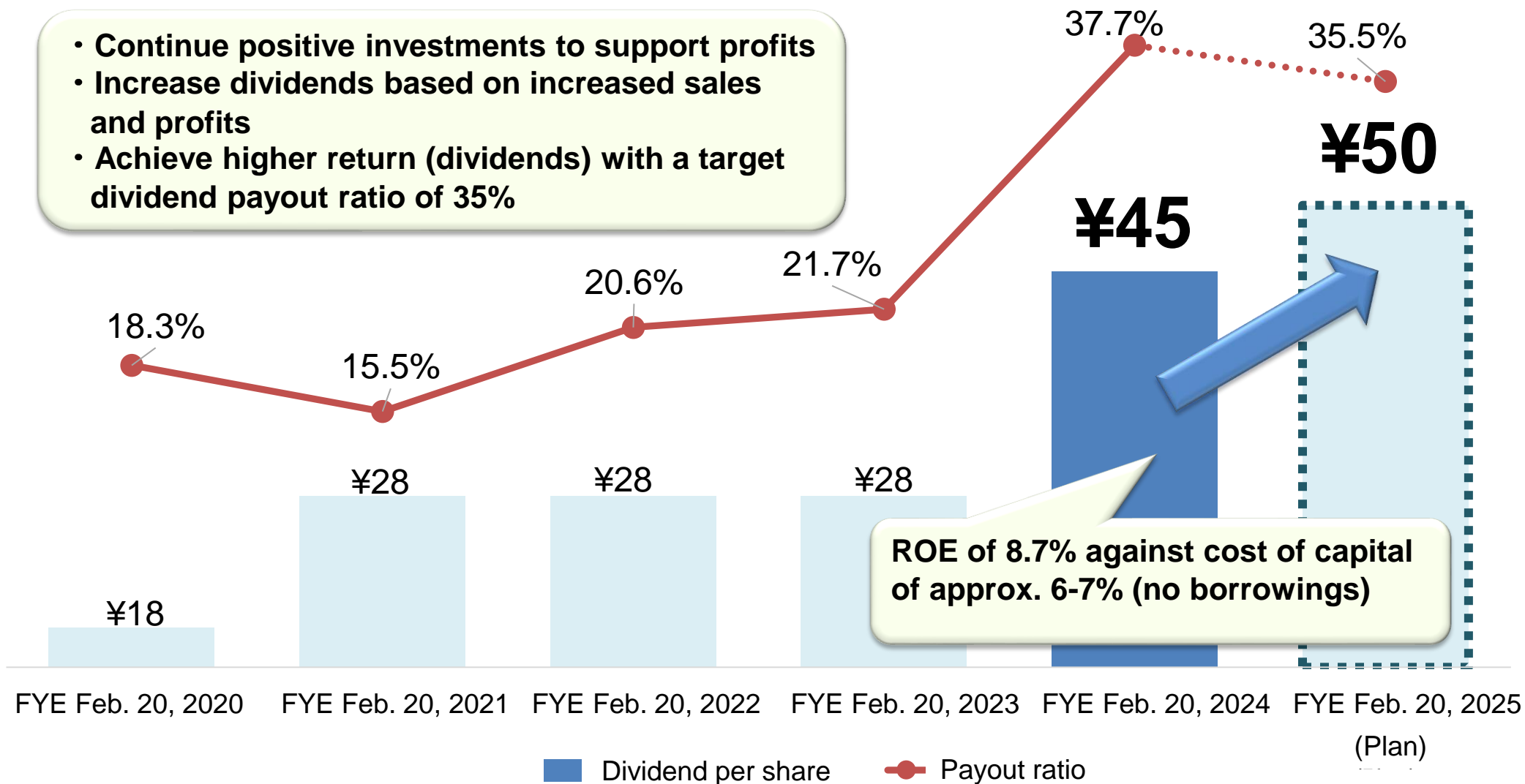
(3) Shareholder value

- Shareholder return with a target dividend payout ratio of 35%
- Increase dividends based on increased sales and profits

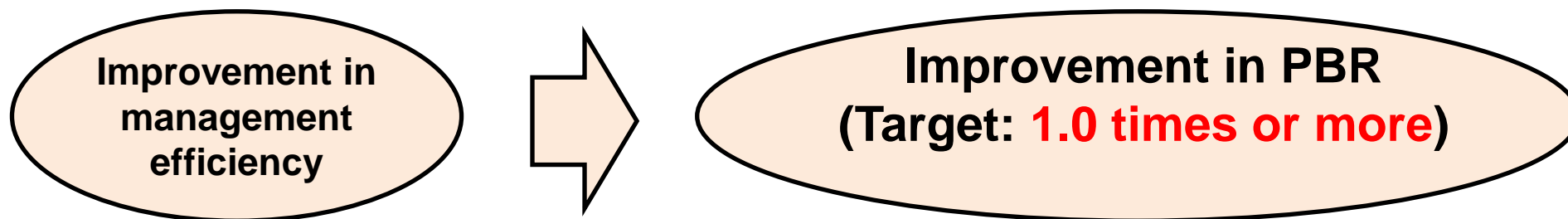
3 (Reference) Management That is Conscious of Cost of Capital and Stock Price

Changes in Dividend per Share and Payout Ratio

- Continue positive investments to support profits
- Increase dividends based on increased sales and profits
- Achieve higher return (dividends) with a target dividend payout ratio of 35%



3 (Reference) Management That is Conscious of Cost of Capital and Stock Price



[Reference] Changes in financial indicators

(Millions of yen, %, times, yen)

	FYE Feb. 20, 2020	FYE Feb. 20, 2021	FYE Feb. 20, 2022	FYE Feb. 20, 2023	FYE Feb. 20, 2024	FYE Feb. 20, 2025 [Plan, Target]
Net sales	59,852	69,456	71,398	74,712	78,056	82,500
Operating profit	4,006	6,863	5,221	5,127	4,912	5,500
Profit	2,559	4,717	3,541	3,366	3,113	3,680
ROE	9.4%	15.5%	10.4%	10.0%	8.7%	9.6%
Dividend per share	¥18	¥28	¥28	¥28	¥45	¥50
Total dividends	472	734	734	734	1,180	1,312
Payout ratio	18.3%	15.5%	20.6%	21.7%	37.7%	35.5%
PBR	1.2	1.2	1.0	1.0	0.9	1.0 or more

3 (Reference) Medium-Term Management Plan “VISION 2025”

Environment

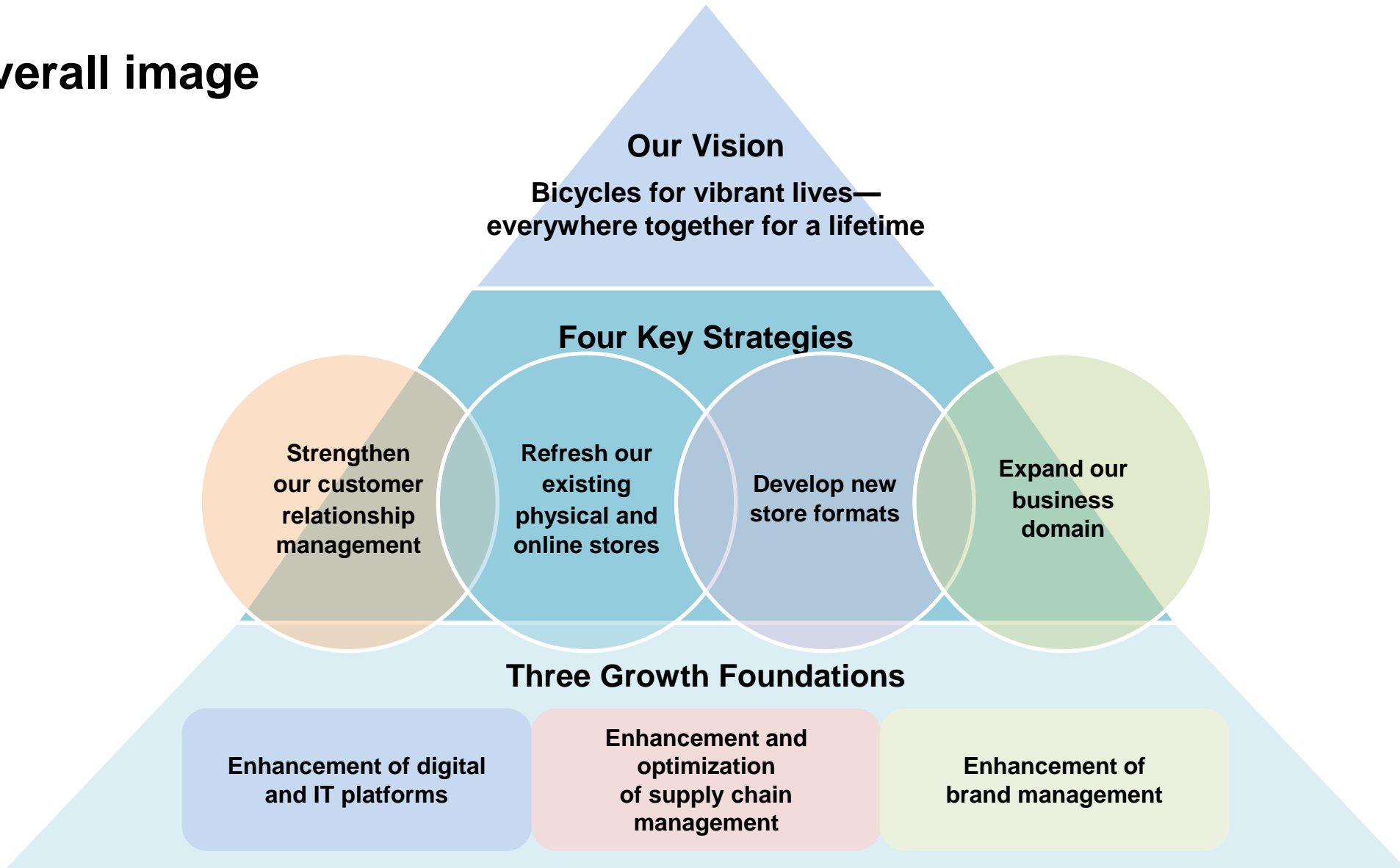
Item	Landscape during the fiscal year ended Feb. 20, 2024
Macro environment	Energy prices soared, prices in general including basic necessities of life rose, and consumers became budget-conscious.
Bicycle market environment	<ul style="list-style-type: none">• Purchasing costs rose due to the further depreciation of the yen and raw material price hikes.• Number of finished bicycles imported dropped by more than 10% year-on-year for two consecutive years.



Outlook for the fiscal year ending Feb. 20, 2026
<p>With falling birth rate and aging population,</p> <ul style="list-style-type: none">• Japan’s workforce will decline, and pressure to raise personnel expenses is increasing• Cycling population will decline
<ul style="list-style-type: none">• The number of new bicycles to be sold is expected to decrease gradually in the Japanese market.• Demand for repair and maintenance will increase with the shift to products with higher added value. <p>⇒ More expertise will be required at retail stores.</p> <ul style="list-style-type: none">• More people are making the switch from ordinary bicycles to electric assist bicycles.

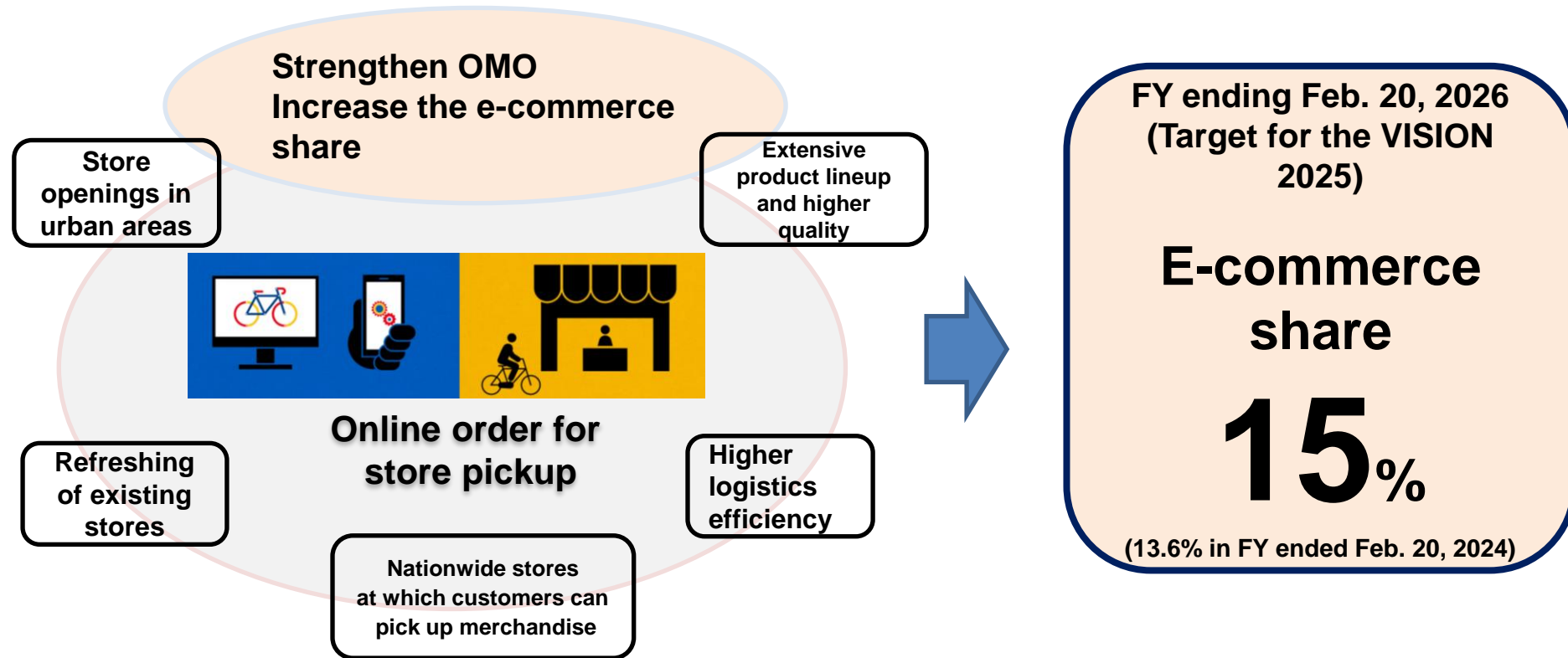
3 (Reference) Medium-Term Management Plan “VISION 2025”

Overall image



3 (Reference) Medium-Term Management Plan “VISION 2025”

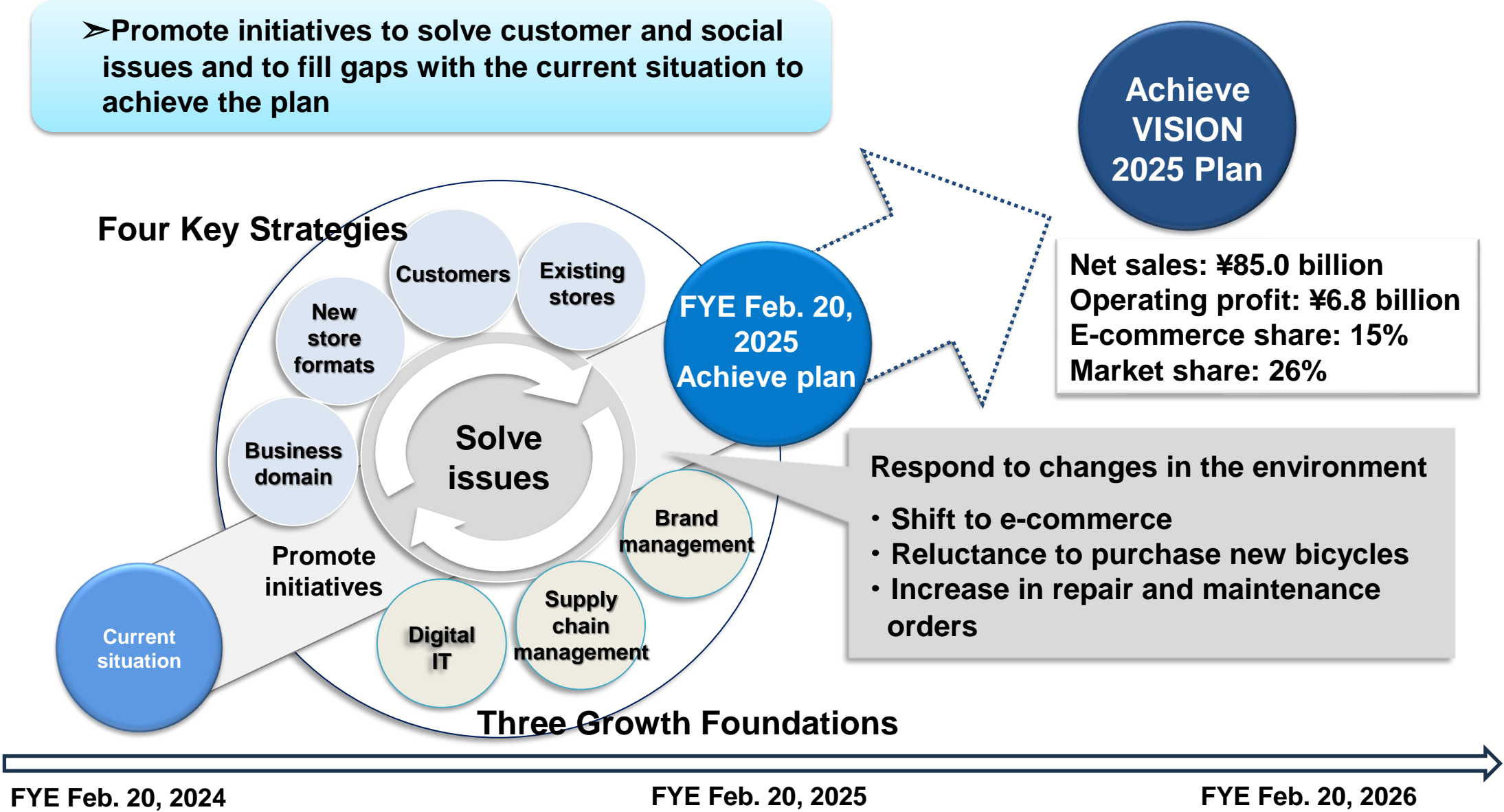
Strengthen and Expand OMO



Pursue our OMO strategy that enables the seamless distribution of goods and information between e-commerce and stores

3 (Reference) Medium-Term Management Plan “VISION 2025”

➤ Promote initiatives to solve customer and social issues and to fill gaps with the current situation to achieve the plan



3 (Reference) Medium-Term Management Plan “VISION 2025”

	FY ended Feb. 20, 2024 Results	FY ending Feb. 20, 2025 Plan	FY ending Feb. 20, 2026 (Targets for the VISION 2025)
Net sales	¥78,076M	¥82,500M	¥85,000M
Operating profit	¥4,912M (6.3%)	¥5,500M (6.7%)	¥6,800M (8.0%)
Number of stores	533	548	560
E-commerce share	13.6%	14.0%	15.0%
Market share	24%	25%	26%
Capital investment plan	¥3,219M	¥3,235M	¥3,000M - ¥4,000M

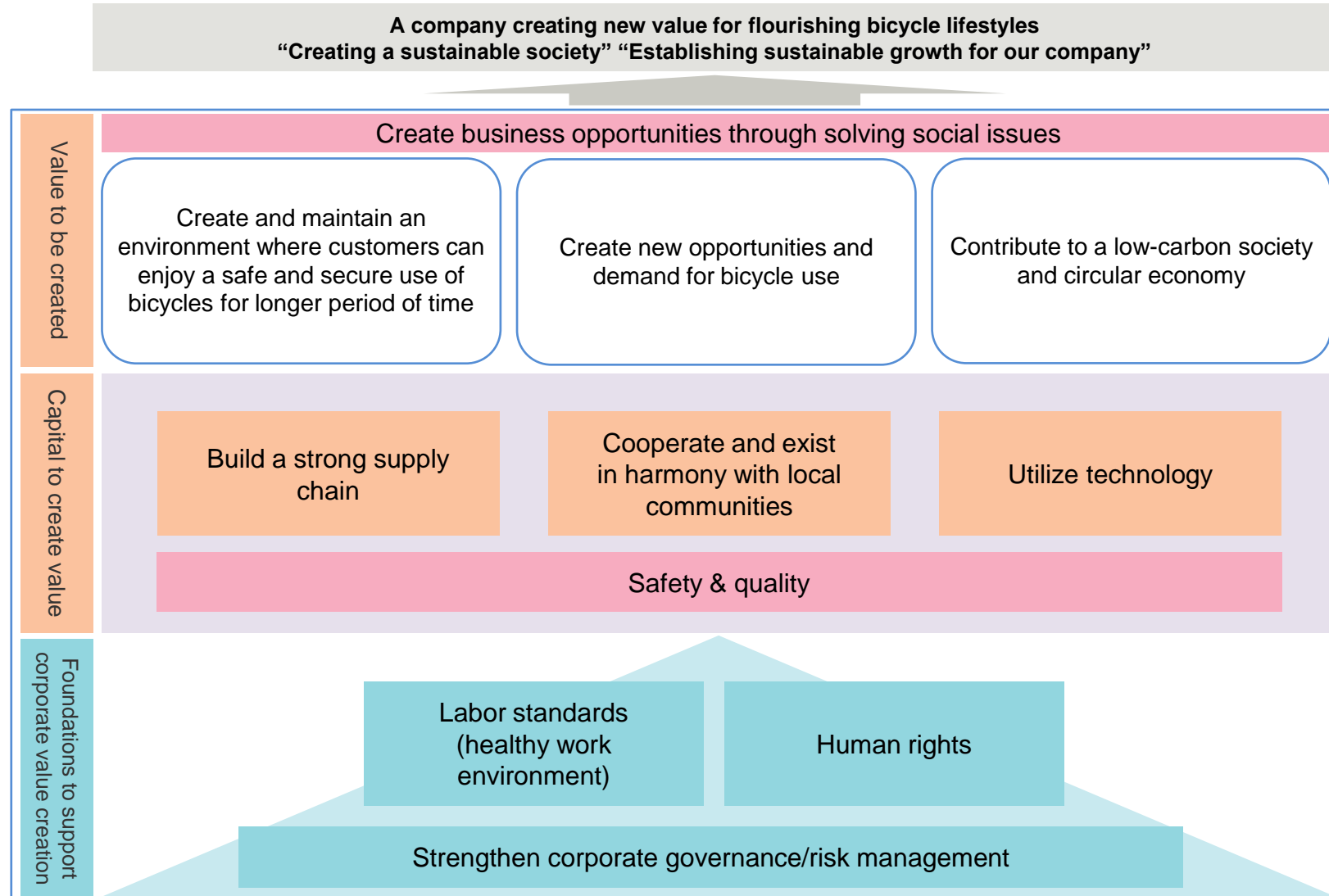
Primary uses of capital investment

- Invest in the growth foundations: implement DX, improve infrastructure systems, and invest in systems
- Invest to maintain and refurbish stores: refresh our existing stores by renovating and relocating them
- Invest to increase profits: open 15 stores annually centered in urban areas

3 (Reference) Materiality

























Value Creation Story Based on Materiality

- Materiality refers to the 10 themes that Asahi will focus on for the future that we want to realize. Each theme serves three functions of “value to be created,” “capital (strength) to create value,” and “foundations to support corporate value creation” through solving social issues, to contribute to the realization of the future.



3 (Reference) Materiality

Definition of Each Materiality Theme

Functional category	Materiality theme	Definition	SDGs to be contributed to by achieving the materiality
Value to be created	Create and maintain an environment where customers can enjoy a safe and secure use of bicycles for longer period of time	<ul style="list-style-type: none"> Support the bicycle business, an essential business, to contribute to boosting the bicycle business. With safety as our top priority, be a partner for every customer's bicycle lifestyle. 	  
	Create new opportunities and demand for bicycle use	<ul style="list-style-type: none"> Create new opportunities to use bicycles throughout their life cycle (new product, reuse, repair, and disposal). Make the bicycle lifestyles of various customers healthy and colorful. 	  
	Contribute to a low-carbon society and circular economy	<ul style="list-style-type: none"> Provide high quality after sales services so that customers can continue to enjoy a safe use of bicycles for a long time, thereby contributing to the achievement of a low-carbon society. Actively collect bicycles that are no longer needed and reuse them, thereby contributing to the effective use of resources. Contribute to the achievement of a low-carbon society by reducing GHG emissions in bicycle transportation and delivery. 	   
Capital to create value	Safety & quality	<ul style="list-style-type: none"> Position safety & quality as an absolute value, and work to ensure that customers can enjoy a safe and secure use of bicycles. 	
	Build a strong supply chain	<ul style="list-style-type: none"> Strengthen cooperation with business partners to build a supply chain that can realize stable procurement, manufacturing, sales, and services, in order to steadily deliver bicycles to customers. 	  
	Cooperate and exist in harmony with local communities	<ul style="list-style-type: none"> Promote partnerships with local bicycle sales stores, governments, and municipalities to support customers' safe and secure bicycle lifestyles for many years to come as an indispensable company for the local communities. 	  
	Utilize technology	<ul style="list-style-type: none"> Plan to utilize technology to develop plans that meets customers' needs, optimize transportation and delivery, strengthen the connection with customers after sales (CRM), and promote efficient operation of stores (personnel allocation), which is a basis of such activities. 	 
Foundations to support corporate value creation	Strengthen corporate governance/risk management	<ul style="list-style-type: none"> Based on highly viable governance, ensure highly sound and transparent management for all stakeholders. Strengthen risk management throughout the supply chain to build a sound corporate structure. 	   
	Labor standards (healthy work environment)	<ul style="list-style-type: none"> Develop a work environment that allows employees who support the core of our business to work safely, securely, and in good health. Promote human resource development that enhances "People Power." 	
	Human rights	<ul style="list-style-type: none"> Protect the rights of diverse human resources and create an environment of mutual respect. 	

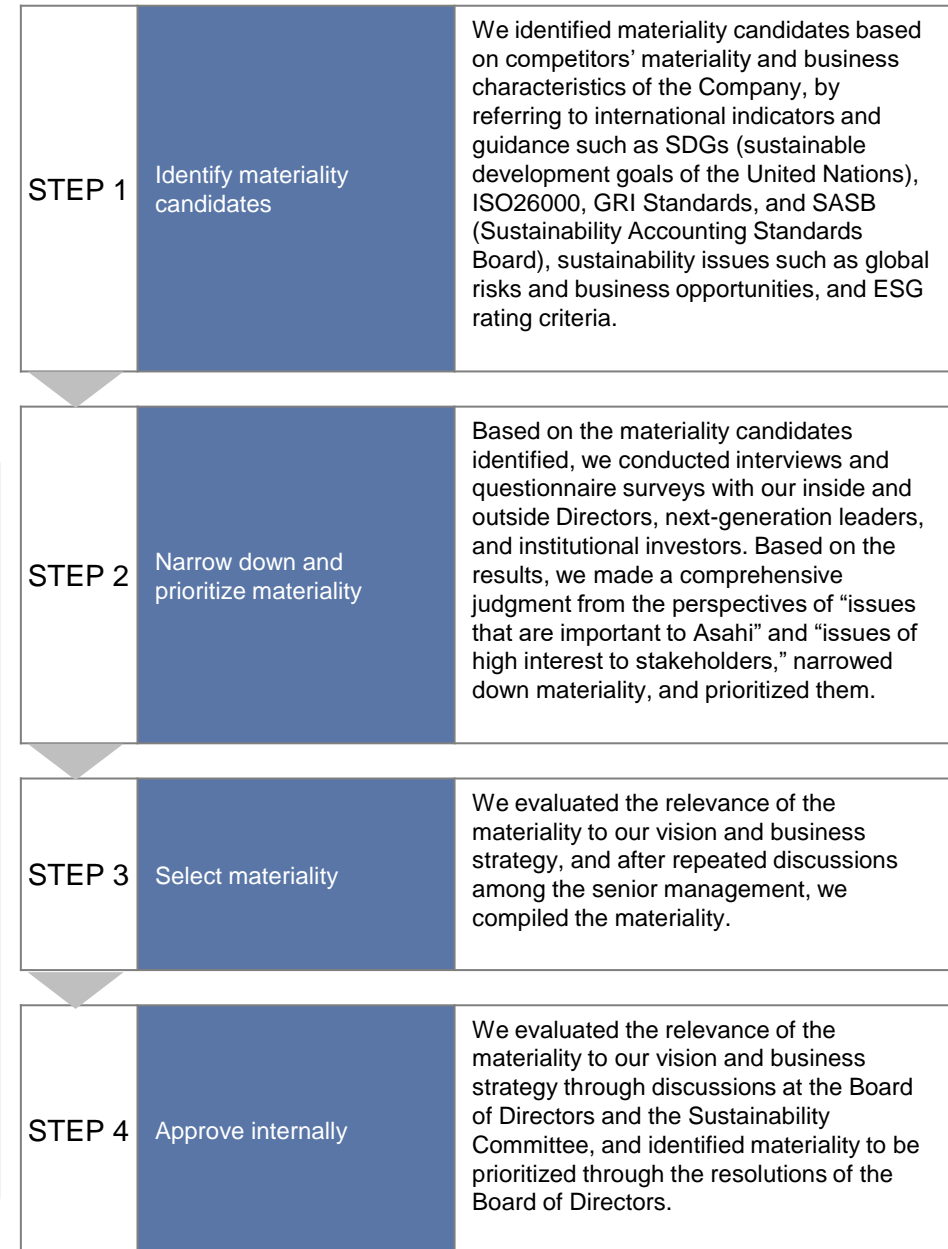
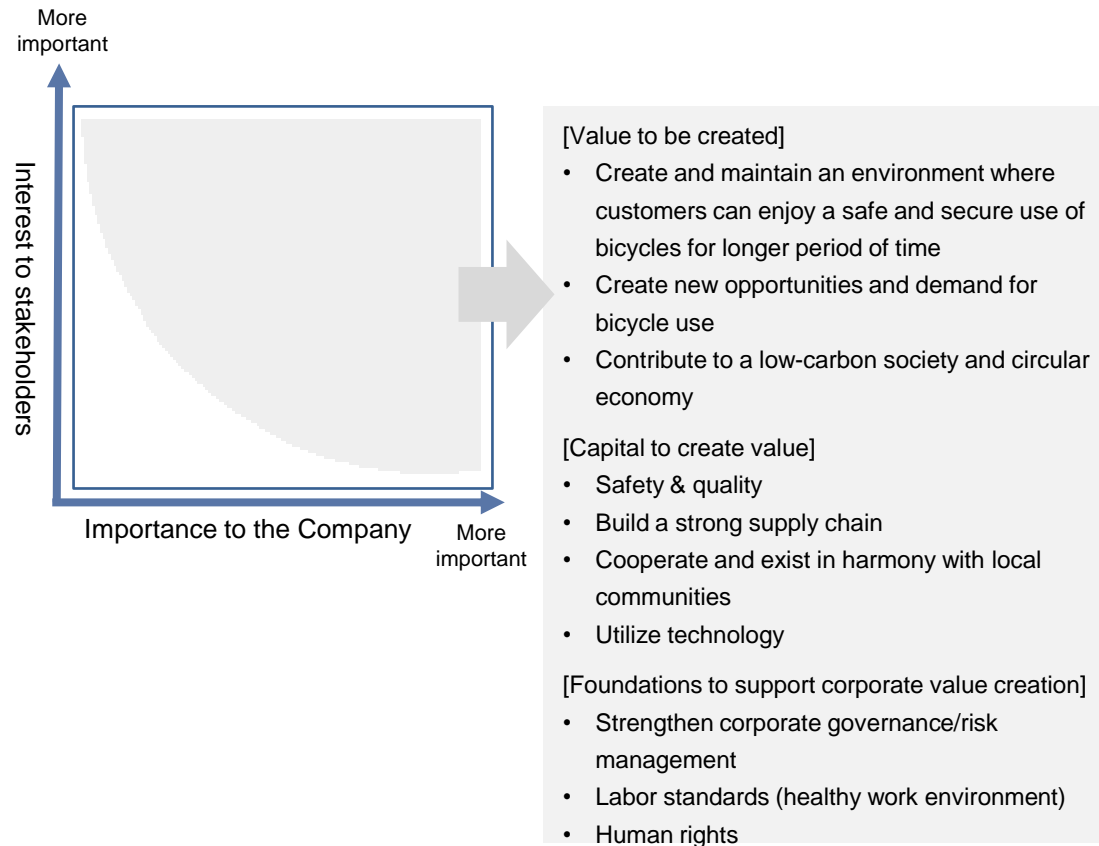
3 (Reference) Materiality

Materiality Identification Process

Identification of materiality (key issues)


- We have identified materiality (key issues), taking into account the business environment and challenges (including opportunities and risks) we face, the social and environmental issues we expect to face in the future, and our major stakeholders. The importance of materiality was evaluated based on the two assessment criteria of “issues that are important to Asahi” and “issues of high interest to stakeholders.”

Materiality (key issues) identification process





ASAHI's Mission



**Our mission is to contribute to
people's lives around the world
through bicycles.**

**As we pursue our mission,
we will share with stakeholders
the prosperity that
our business activities generate.**

Disclaimer

- **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.**
- **The reader should note that internal factors in the Company and external factors such as changes in the business environment surrounding the Company may have a direct or indirect impact on the Company's performance and that the forecasts contained in this document may change.**
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