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Non-consolidated Financial Results for the Six Months Ended August 20, 2024 [Japanese GAAP]



September 24, 2024

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
 Contact: Jun Kaneko, Director
 Phone: +81-6-6923-7900
 Scheduled date of filing semi-annual securities report: September 30, 2024
 Scheduled date of commencing dividend payments: November 13, 2024
 Availability of supplementary explanatory materials on financial results: Available
 Schedule of 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, 2024 (February 21, 2024 – August 20, 2024)

(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, 2024	46,420	6.1	4,763	12.9	4,843	11.0	3,265	11.8
August 20, 2023	43,763	4.9	4,218	(1.0)	4,363	1.4	2,920	1.2

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 20, 2024	125.31	–
August 20, 2023	111.84	–

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of August 20, 2024	55,097	39,509	71.7
As of February 20, 2024	52,553	36,964	70.3

(Reference) Equity: As of August 20, 2024: ¥39,509 million

As of February 20, 2024: ¥36,964 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, 2024	–	22.50	–	22.50	45.00
Fiscal year ending February 20, 2025	–	25.00			
Fiscal year ending February 20, 2025 (Forecast)			–	25.00	50.00

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

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending February 20, 2025 (February 21, 2024 – February 20, 2025)

(% 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	82,500	5.7	5,500	12.0	5,800	11.7	3,680	18.2	140.91

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

*** Notes:**

- (1) Adoption of special accounting methods for the preparation of semi-annual 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, 2024:	26,240,800 shares
February 20, 2024:	26,240,800 shares
 - 2) Total number of treasury shares at the end of the period:

August 20, 2024:	200,681 shares
February 20, 2024:	126,456 shares
 - 3) Average number of shares outstanding during the period:

Six months ended August 20, 2024:	26,056,951 shares
Six months ended August 20, 2023:	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 (200,170 shares as of August 20, 2024, and 126,070 shares as of February 20, 2024). 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 (183,434 shares as of August 20, 2024, and 126,070 shares as of August 20, 2023).

* These semi-annual non-consolidated financial results are outside the scope of 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 Semi-annual 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 Semi-annual Financial Results for the Period under Review

(1) Explanation of Operating Results

The Japanese economy during the six months ended August 20, 2024 remained on a gradual recovery trend as socioeconomic activities normalized due to factors such as recovery of inbound demand resulting from increased flow of people in and outside of Japan, and improvement in the employment and income environment. On the other hand, there were also factors such as unstable financial condition mainly in the U.S. and Europe, in addition to the prolonged conflict in Ukraine, escalating tensions in the Middle East, and high prices due to soaring raw material prices worldwide and the depreciation of the yen, and the economic outlook still remained uncertain.

In the bicycle business, replacing of old bicycles to new ones remained weak due to a longer replacing cycle as a result of switching toward merchandise with high functionality such as electric-assist bicycles, and decline in consumers' sentiments resulting from growing awareness of the need to protect their livelihoods due to high prices. On the other hand, the trend of repairing and maintaining, and using the same bicycle for a long time has further strengthened. Against the backdrop of the abovementioned factors, demand for specialty chain stores for bicycles with product lineup, expertise, and technical skills has been increasing in bicycle sales.

The Company has worked to "create a sustainable society" and to "establish sustainable growth for our company," to achieve a better bicycle lifestyle for customers as a company creating new value for flourishing bicycle lifestyles. Firstly, as part of strengthening OMO^(Note), the Company has taken measures such as securing a sufficient supply of popular merchandise, implementing competitive pricing, and conducting effective campaigns, mainly by strengthening the foundation of our "online order for store pickup" service, resulting mainly in increased sales of electric-assist bicycles. In addition, stores conducted campaigns to give back to their customers, offering a special price reduction on popular merchandise to commemorate the Company's 75th anniversary and to thank them for their continued support. In terms of new products, the Company has enhanced its product lineup with the launch of "ENERSYS U," with ideal specifications for commuting and daily shopping, and "ENERSYS MELTY," equipped with safety and security features and powerful assistance to make daily commuting to school fun and comfortable, from the "ENERSYS" series, ASAHI's original brand of electric-assist bicycle popular for their high functionality and design at an affordable price. In addition, regarding repair and maintenance services, although the Company revised its pricing in the previous fiscal year, the number of maintenance and repair orders has been still on the rise, and the Company has developed a system to provide services to meet the increased demand. Through these efforts, the Company has further reinforced the earnings base, including nationwide store network and e-commerce sales system, the Company's strength, and development of specialists with repair skills, and has established a resilient system to meet the customers' needs even under the challenging circumstances. As a result, the Company achieved an increase in sales and profit.

As for the progress on the medium-term management plan "VISION 2025," which will mark the final year of the Plan in the fiscal year ending February 2026, the Company has been working on key strategies of "strengthening our customer relationship management," "refreshing our existing physical and online stores," "expanding our business domain," and "developing new store formats," to improve profitability and revitalize the entire bicycle business. Firstly, in order to "strengthen our customer relationship management," the Company encouraged Cycle Mate members to become members of the Cycle Base Asahi official app and strengthened marketing measures using information based on customers' purchase histories, in addition to sending out information on periodic inspections and special offers on the app, which led to an increase in the number of responses to the information. To "refresh our existing physical and online stores," the Company aims to establish an optimal operational system to meet an increase in e-commerce sales, repair and maintenance orders, and bicycle reuse by reviewing the store layout and volume of inventory in the stores, which has been focused on new bicycle sales. In particular, as part of its OMO enhancements, the Company strengthened each function of its products, website, and web advertisements, and optimized store operations in line with the expansion of the e-commerce conversion rate. This contributed to a significant increase in the e-commerce conversion rate. Regarding "expanding our business domain," demand for reused products is rising in the bicycle business as consumers become more budget-conscious due to high prices. The Company started handling city bicycles

(general bicycles) in June, expanded the number of used bicycle purchasing stores to secure sufficient merchandise, made the commercialization process more efficient after purchasing merchandise, and strengthened advertisement and in-store announcements to increase awareness for the expansion of our reuse business. In this way, the Company has further strengthened its integrated system of purchase, commercialization, and resale. The Company will continue to actively purchase unneeded bicycles and sell them as reused products after the commercialization process, thereby aiming to contribute to the effective use of resources and a low-carbon society and a recycling-oriented economy. To “develop new store formats,” as part of the strategy to open “urban stores,” one of the new store formats, “Asahi Naniwasaiwaicho store,” the first urban store in the Kansai region, opened in Naniwa-ku, Osaka City. The Company will increase profitability through an operation system closely tied to the local community by strengthening OMO through opening of new stores in areas with a high affinity for our “online order for store pickup” service and responding to demand for repairs in urban areas.

Regarding store openings and closures, the Company opened two new stores in the Kanto region and two new stores in the Kansai region. One store in the Chugoku region terminated its franchise agreement and became a directly operated store. As a result, the total number of stores at the end of the semi-annual period under review was 537, consisting of 520 directly operated stores and 17 franchise stores.

As a result of the above activities, net sales for the six months ended August 20, 2024 were ¥46,420,805 thousand (up 6.1% year-on-year). Operating profit was ¥4,763,891 thousand (up 12.9% year-on-year), ordinary profit was ¥4,843,224 thousand (up 11.0% year-on-year), and profit was ¥3,265,116 thousand (up 11.8% year-on-year).

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

(Note) OMO (Online Merges with Offline) is a marketing approach that integrates e-commerce and retail stores to provide customers with experiential value at each stage, from gathering information to purchasing and using the products.

(2) Explanation of Financial Position

1) Status of assets, liabilities, and net assets

(Assets)

Current assets at the end of the semi-annual period under review were ¥31,726,798 thousand, an increase of ¥2,487,862 thousand (8.5%) from the end of the previous fiscal year. This was due mainly to an increase in cash and deposits of ¥5,490,281 thousand, which was partially offset by decreases in merchandise of ¥2,827,407 thousand and goods in transit of ¥178,559 thousand. Non-current assets were ¥23,370,510 thousand, an increase of ¥55,573 thousand (0.2%) from the end of the previous fiscal year. This was due mainly to increases in buildings of ¥144,479 thousand and software in progress of ¥112,041 thousand, which were partially offset by a decrease in construction in progress of ¥138,920 thousand.

As a result, total assets were ¥55,097,309 thousand, an increase of ¥2,543,435 thousand (4.8%) from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the semi-annual period under review were ¥14,414,666 thousand, a decrease of ¥23,412 thousand (0.2%) from the end of the previous fiscal year. This was due mainly to increases in income taxes payable of ¥821,825 thousand, accrued expenses of ¥264,628 thousand, and deposits received of ¥163,190 thousand, which were partially offset by decreases in accounts payable - trade of ¥800,929 thousand and accounts payable - other of ¥477,121 thousand. Non-current liabilities were ¥1,173,089 thousand, an increase of ¥21,324 thousand (1.9%) from the end of the previous fiscal year. This was due mainly to increases in asset retirement obligations of ¥15,669 thousand and provision for share-based payments of ¥5,850 thousand.

As a result, total liabilities were ¥15,587,756 thousand, a decrease of ¥2,087 thousand (0.0%) from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of the semi-annual period under review were ¥39,509,553 thousand, an increase of ¥2,545,523 thousand (6.9%) from the end of the previous fiscal year. This was due mainly to an increase of

¥3,265,116 thousand due to the posting of profit, which was partially offset by a decrease due to dividends of surplus of ¥509,409 thousand and a decrease due to purchase of treasury shares of ¥113,045 thousand.

As a result, the equity ratio stood at 71.7% (70.3% 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 semi-annual period under review increased by ¥5,489,010 thousand from the end of the previous fiscal year (an increase of ¥4,000,830 thousand in the same period of the previous fiscal year) to ¥14,990,076 thousand.

The details for cash flows in each area of activity and their contributing factors for the six months ended August 20, 2024 are as follows:

(Cash Flows from Operating Activities)

Net cash provided by operating activities was ¥7,458,212 thousand (¥6,134,758 thousand provided for the same period of the previous fiscal year). The principal cash inflow factors included profit before income taxes of ¥4,830,131 thousand, a decrease in inventories of ¥3,046,661 thousand, and depreciation of ¥776,021 thousand. The principal cash outflow factors included a decrease in trade payables of ¥800,929 thousand and a decrease in accounts payable - other of ¥247,360 thousand.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥1,265,949 thousand (¥1,400,203 thousand used for the same period of the previous fiscal year). The principal cash outflow factors included purchase of property, plant and equipment of ¥993,302 thousand for new store openings, purchase of intangible assets of ¥171,506 thousand, and payments of guarantee deposits of ¥113,780 thousand.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥703,252 thousand (¥733,725 thousand used for the same period of the previous fiscal year). The cash outflow factors included dividends paid of ¥590,206 thousand and purchase of treasury shares of ¥113,045 thousand.

(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, 2024 [Japanese GAAP]” dated April 1, 2024.

2. Semi-annual Non-consolidated Financial Statements and Principal Notes

(1) Semi-annual Non-consolidated Balance Sheets

(Thousand yen)

	As of February 20, 2024	As of August 20, 2024
Assets		
Current assets		
Cash and deposits	9,521,898	15,012,179
Accounts receivable - trade	3,781,034	3,887,762
Merchandise	13,937,103	11,109,695
Goods in transit	1,091,526	912,967
Supplies	175,852	135,158
Other	732,481	669,995
Allowance for doubtful accounts	(960)	(960)
Total current assets	29,238,936	31,726,798
Non-current assets		
Property, plant and equipment		
Buildings, net	9,260,328	9,404,807
Land	3,163,012	3,163,012
Other, net	1,798,655	1,741,297
Total property, plant and equipment	14,221,995	14,309,116
Intangible assets	1,104,097	1,180,748
Investments and other assets		
Guarantee deposits	5,166,919	5,146,280
Construction assistance fund receivables	751,093	702,882
Other	2,073,674	2,070,312
Allowance for doubtful accounts	(2,845)	(38,829)
Total investments and other assets	7,988,843	7,880,645
Total non-current assets	23,314,937	23,370,510
Total assets	52,553,873	55,097,309

(Thousand yen)

	As of February 20, 2024	As of August 20, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	4,271,138	3,470,209
Income taxes payable	910,169	1,731,994
Contract liabilities	4,137,357	4,213,373
Provision for bonuses	1,008,165	1,049,795
Provision for shareholder benefit program	60,765	-
Other	4,050,482	3,949,293
Total current liabilities	14,438,078	14,414,666
Non-current liabilities		
Provision for share-based payments	149,300	155,150
Asset retirement obligations	765,148	780,818
Other	237,316	237,121
Total non-current liabilities	1,151,765	1,173,089
Total liabilities	15,589,844	15,587,756
Net assets		
Shareholders' equity		
Share capital	2,061,356	2,061,356
Capital surplus	2,165,171	2,165,171
Retained earnings	32,888,679	35,563,386
Treasury shares	(180,112)	(287,144)
Total shareholders' equity	36,935,093	39,502,769
Valuation and translation adjustments		
Deferred gains or losses on hedges	28,936	6,783
Total valuation and translation adjustments	28,936	6,783
Total net assets	36,964,029	39,509,553
Total liabilities and net assets	52,553,873	55,097,309

(2) Semi-annual Non-consolidated Statements of Income

(Thousand yen)

	For the six months ended August 20, 2023	For the six months ended August 20, 2024
Net sales	43,763,626	46,420,805
Cost of sales	23,057,587	24,711,108
Gross profit	20,706,039	21,709,697
Selling, general and administrative expenses	16,487,337	16,945,805
Operating profit	4,218,701	4,763,891
Non-operating income		
Interest income	19,784	18,347
Rental income from buildings	55,648	53,980
Foreign exchange gains	535	–
Commission income	36,717	44,751
Compensation income	46,045	38,873
Other	39,941	20,666
Total non-operating income	198,672	176,619
Non-operating expenses		
Foreign exchange losses	–	12,587
Rental costs on real estate	42,032	41,859
Provision of allowance for doubtful accounts	–	36,464
Other	12,276	6,375
Total non-operating expenses	54,308	97,286
Ordinary profit	4,363,065	4,843,224
Extraordinary losses		
Loss on sale and retirement of non-current assets	4,802	5,296
Impairment losses	1,048	7,797
Total extraordinary losses	5,850	13,093
Profit before income taxes	4,357,214	4,830,131
Income taxes - current	1,228,000	1,540,034
Income taxes - deferred	208,491	24,980
Total income taxes	1,436,491	1,565,014
Profit	2,920,723	3,265,116

(3) Semi-annual Non-consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended August 20, 2023	For the six months ended August 20, 2024
Cash flows from operating activities		
Profit before income taxes	4,357,214	4,830,131
Depreciation	767,699	776,021
Impairment losses	1,048	7,797
Amortization of long-term prepaid expenses	10,982	11,127
The amount of rent offset of construction assistance fund receivables	155,427	151,963
Increase (decrease) in allowance for doubtful accounts	(480)	35,984
Increase (decrease) in provision for bonuses	40,227	41,629
Increase (decrease) in provision for shareholder benefit program	(98,120)	(60,765)
Increase (decrease) in provision for share-based compensation	9,150	5,850
Interest and dividend income	(19,784)	(18,347)
Compensation income	(46,045)	(38,873)
Loss (gain) on sale and retirement of non-current assets	4,802	5,296
Decrease (increase) in trade receivables	225,388	(106,728)
Decrease (increase) in inventories	2,344,156	3,046,661
Decrease (increase) in accounts receivable – other	(57,204)	10,141
Increase (decrease) in trade payables	(2,319,837)	(800,929)
Increase (decrease) in contract liabilities	(7,985)	76,016
Increase (decrease) in accrued consumption taxes	656,969	(52,815)
Increase (decrease) in accounts payable – other	(47,108)	(247,360)
Increase (decrease) in accrued expenses	217,142	264,628
Other, net	111,140	233,746
Subtotal	6,304,785	8,171,176
Interest and dividends received	19	265
Proceeds from compensation	45,563	37,557
Income taxes paid	(215,608)	(750,786)
Net cash provided by (used in) operating activities	6,134,758	7,458,212
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,051,867)	(993,302)
Purchase of intangible assets	(265,319)	(171,506)
Loan advances	(1,070)	(800)
Proceeds from collection of loans receivable	1,170	1,702
Purchase of long-term prepaid expenses	(8,872)	(12,669)
Payments for asset retirement obligations	–	(8,280)
Payments of guarantee deposits	(102,581)	(113,780)
Proceeds from refund of guarantee deposits	28,336	32,687
Net cash provided by (used in) investing activities	(1,400,203)	(1,265,949)
Cash flows from financing activities		
Purchase of treasury shares	–	(113,045)
Dividends paid	(733,725)	(590,206)
Net cash provided by (used in) financing activities	(733,725)	(703,252)
Net increase (decrease) in cash and cash equivalents	4,000,830	5,489,010
Cash and cash equivalents at beginning of period	5,295,845	9,501,065
Cash and cash equivalents at end of period	9,296,676	14,990,076

(4) Notes to the Semi-annual 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, segment information has been omitted.

(Matters related to revenue recognition)

Disaggregation of revenue from contracts with customers

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.

Six months ended August 20, 2024 (February 21, 2024 – August 20, 2024)

(Thousand yen)

	Items				
	Bicycles	Parts and accessories	Royalties	Other	Total
Goods and services transferred at a point in time	33,725,523	7,684,769	–	3,585,973	44,996,266
Goods and services transferred over a period	–	–	79,638	1,344,901	1,424,539
Revenue from contracts with customers	33,725,523	7,684,769	79,638	4,930,874	46,420,805
Revenue from other sources	–	–	–	–	–
Sales to external customers	33,725,523	7,684,769	79,638	4,930,874	46,420,805

(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.