



EXPLANATORY MATERIAL ON FINANCIAL RESULTS FOR THE SIX MONTHS ENDED AUGUST 20, 2024

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

September 2024

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 - Plan for the Fiscal Year Ending Feb. 20, 2025**
 - Management That is Conscious of Cost of Capital and Stock Price**

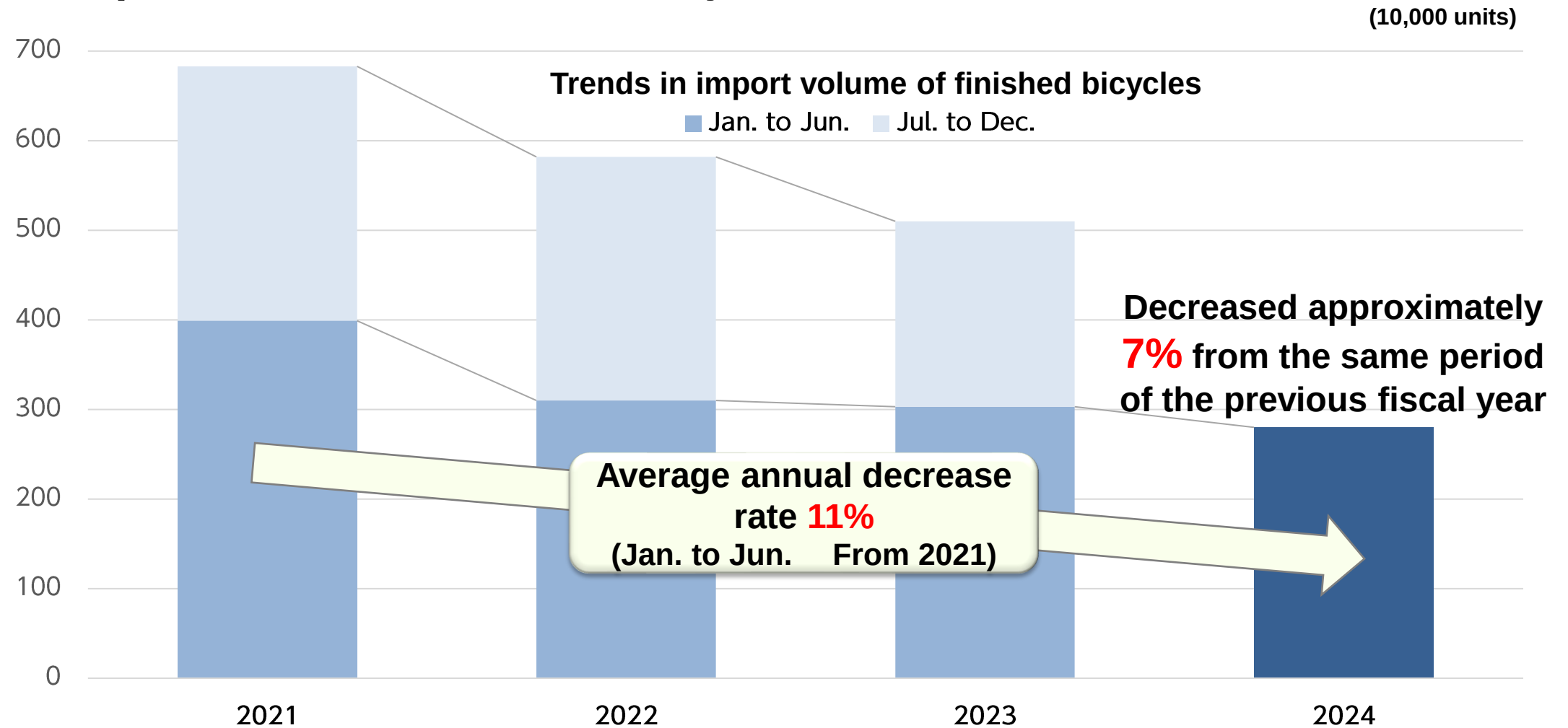
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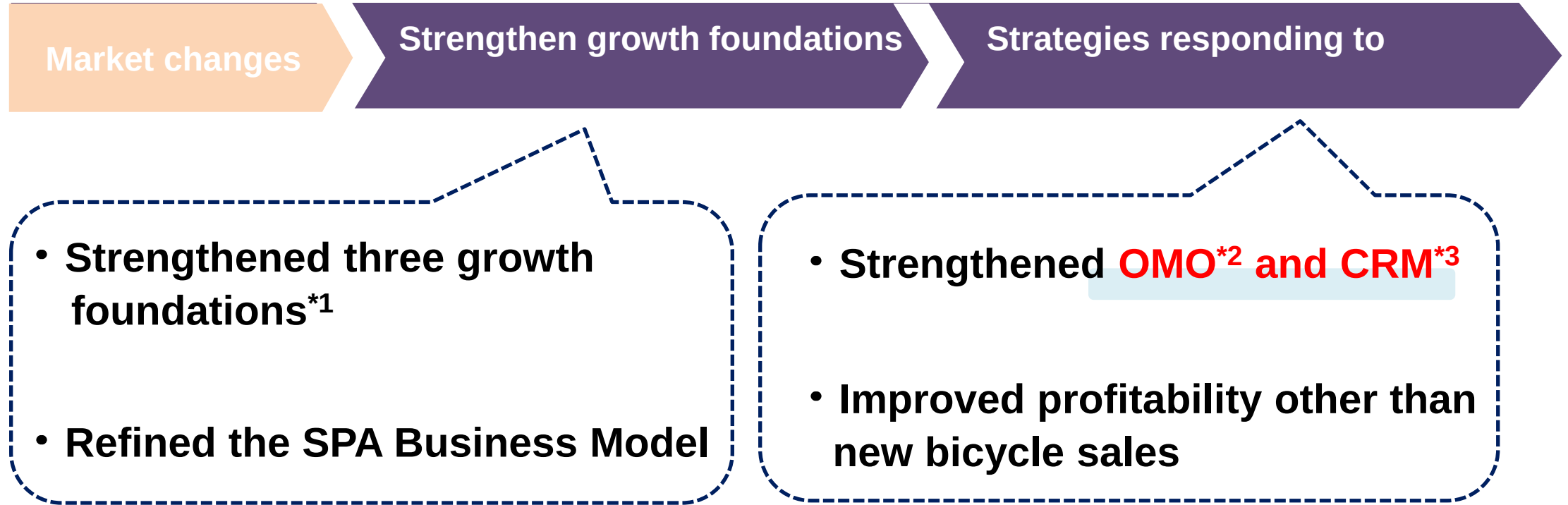
1 Financial Results for the Six Months Ended August 20, 2024

Bicycle Business

Import volume of finished bicycles continued to decrease



1 Financial Results for the Six Months Ended August 20, 2024



Sales and profits increased from the same period of the previous fiscal year

^{*1} Three foundations of “enhancement and optimization of supply chain management,” “enhancement of digital and IT platforms,” and “enhancement of brand management” to be focused on in realizing the achievement of the Medium-Term Management plan “VISION 2025.”

^{*2} 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.

^{*3} 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 Six Months Ended August 20, 2024

Financial Results

(Comparison with the Same Period of the Previous Fiscal Year)

(Millions of yen, %)

	For the Six months ended August 20, 2023		For the Six months ended August 20, 2024			
	Amount	Share	Amount	Share	Y/Y change	Major factors
Net sales	43,763	100.0	46,420	100.0	106.1	• Strengthened OMO and CRM • Captured demand for repair and maintenance services • Sales per customer increased (105.2% year-on-year)
Gross profit	20,706	47.3	21,709	46.8	104.8	
Operating profit	4,218	9.6	4,763	10.3	112.9	• Control of SG&A expenses
Ordinary profit	4,363	10.0	4,843	10.4	111.0	
Profit	2,920	6.7	3,265	7.0	111.8	

1 Financial Results for the Six Months Ended August 20, 2024

SG&A Expenses and Capital Expenditures

(Comparison with the Same Period of the Previous Fiscal Year)

(Millions of yen, %)

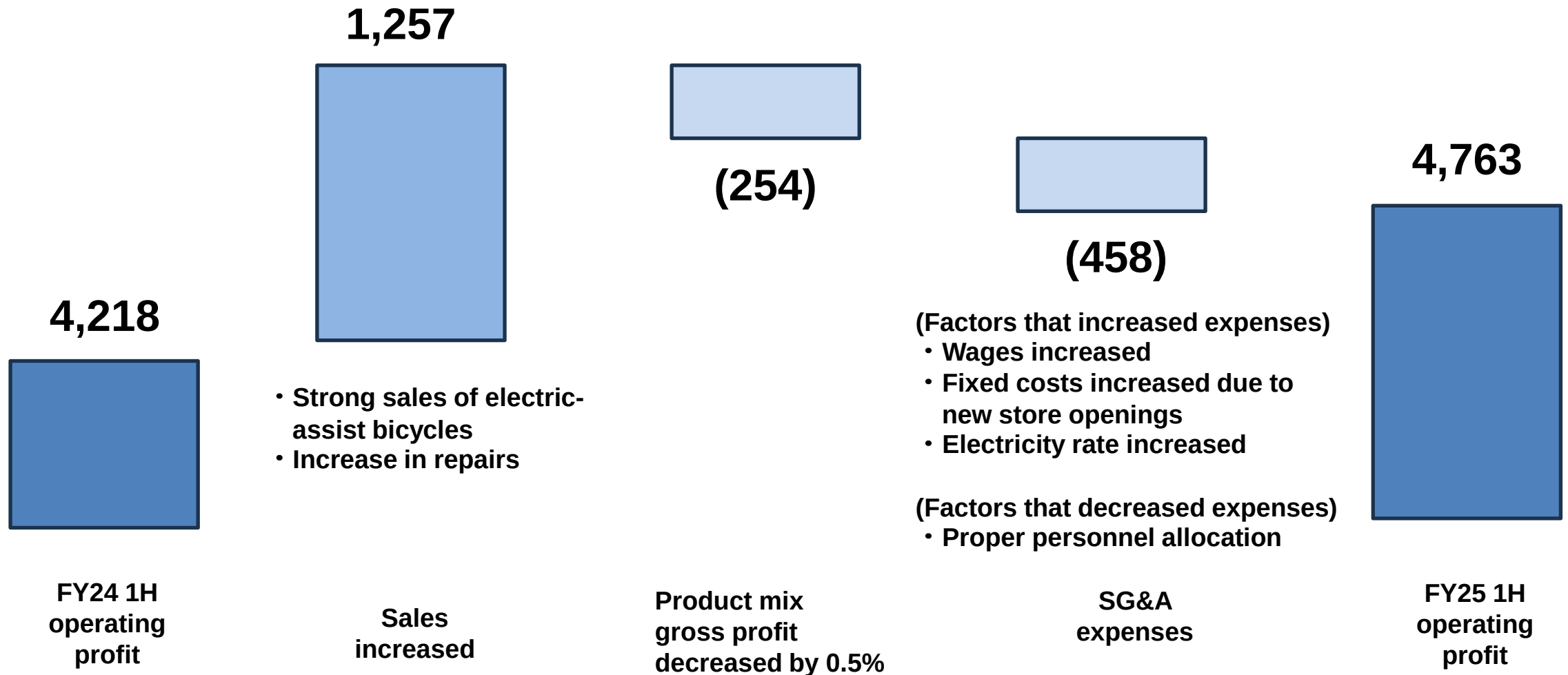
		For the Six months ended August 20, 2023		For the Six months ended August 20, 2024			
		Amount	Ratio to net sales	Amount	Ratio to net sales	Y/Y change	Factors
SG&A expenses		16,487	37.7	16,945	36.5	102.8	Control of SG&A expense Proper personnel allocation, improved human productivity
Breakdown	Personnel expenses	7,928	18.1	8,057	17.4	101.6	
	Advertising expenses	345	0.8	446	1.0	129.0	Effective sales promotion, 75th anniversary measures
	Logistics expenses*	998	2.3	1,089	2.3	109.1	Increase in the number of bicycles sold, relocation of West Japan bases
	Depreciation	763	1.7	771	1.7	101.1	Opened new stores and renovated existing stores
	Other	6,450	14.7	6,580	14.2	102.0	• Opened new stores • Fees for cashless payment, electricity rates
Capital expenditures		1,136		1,151		101.3	Investments in core systems replacement

* Transport + Storage

1 Financial Results for the Six Months Ended August 20, 2024

Analysis of Changes in Operating Profit

(Millions of yen)



1 Financial Results for the Six Months Ended August 20, 2024

Net Sales by Division

(Comparison with the Same Period of the Previous Fiscal Year)

(Millions of yen, %)

		For the Six months ended August 20, 2023		For the Six months ended August 20, 2024			
		Results	Retail share*1	Results	Retail share*1	Y/Y change	Factors
	Stores	36,846	86.5	37,709	83.4	102.3	- Strengthened OMO platform ➤ E-commerce share grew significantly
	E-commerce	5,774	13.5	7,498	16.6	129.8	
Retail (subtotal)		42,620	100.0	45,208	100.0	106.1	Sales per customer increased (105.2% year-on-year)
Other*2		1,142	-	1,212	-	106.1	
Total		43,763	-	46,420	-	106.1	

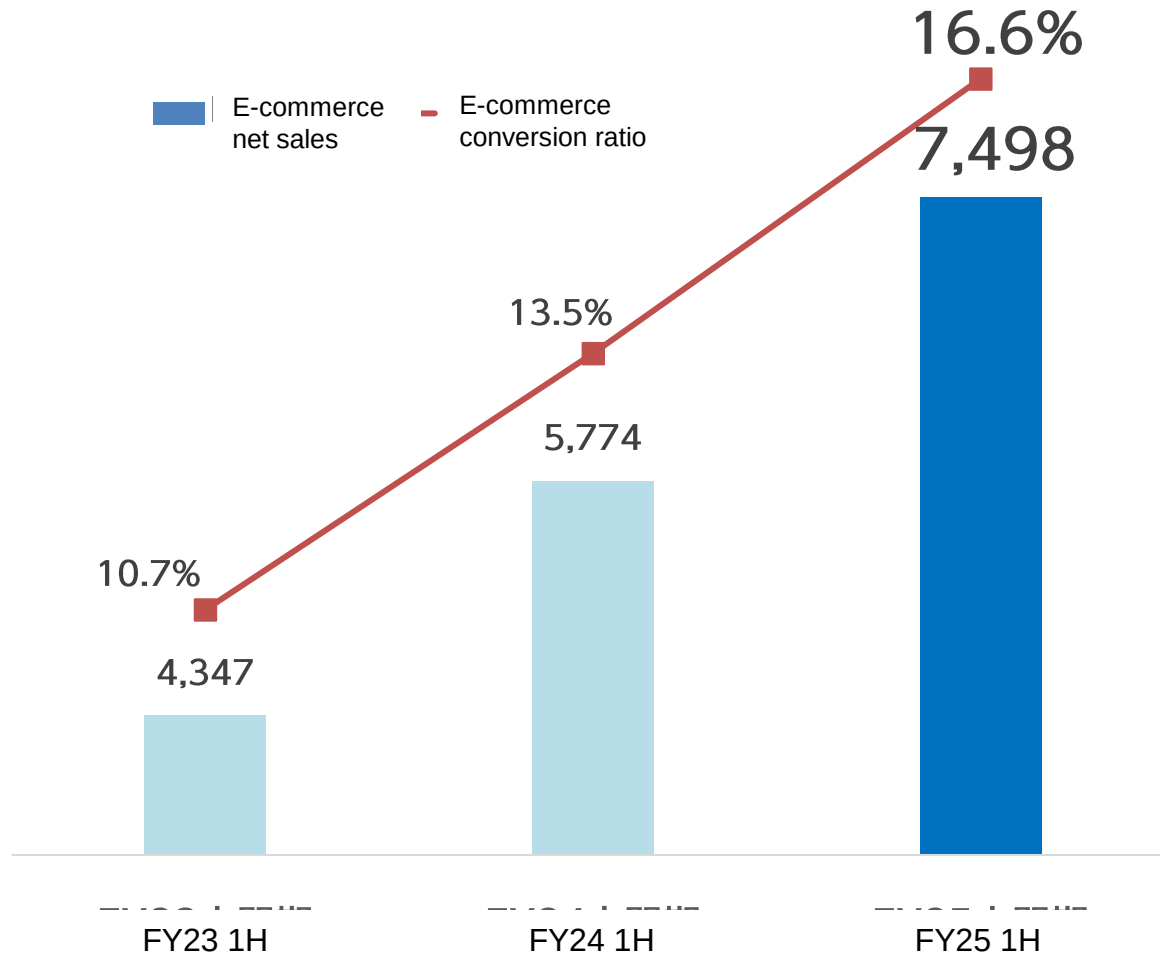
*1 We use the retail share as the ratio of stores and e-commerce in retail.

*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 Six Months Ended August 20, 2024

Results from Strengthening Growth Foundations

(Millions of yen, %)



**Strengthened
OMO and CRM**

**Average annual growth
rate of
e-commerce net sales
Increased by 31.3%
(from FY23 1H)**

1 Financial Results for the Six Months Ended August 20, 2024

Net Sales by Item

(Comparison with the Same Period of the Previous Fiscal Year)

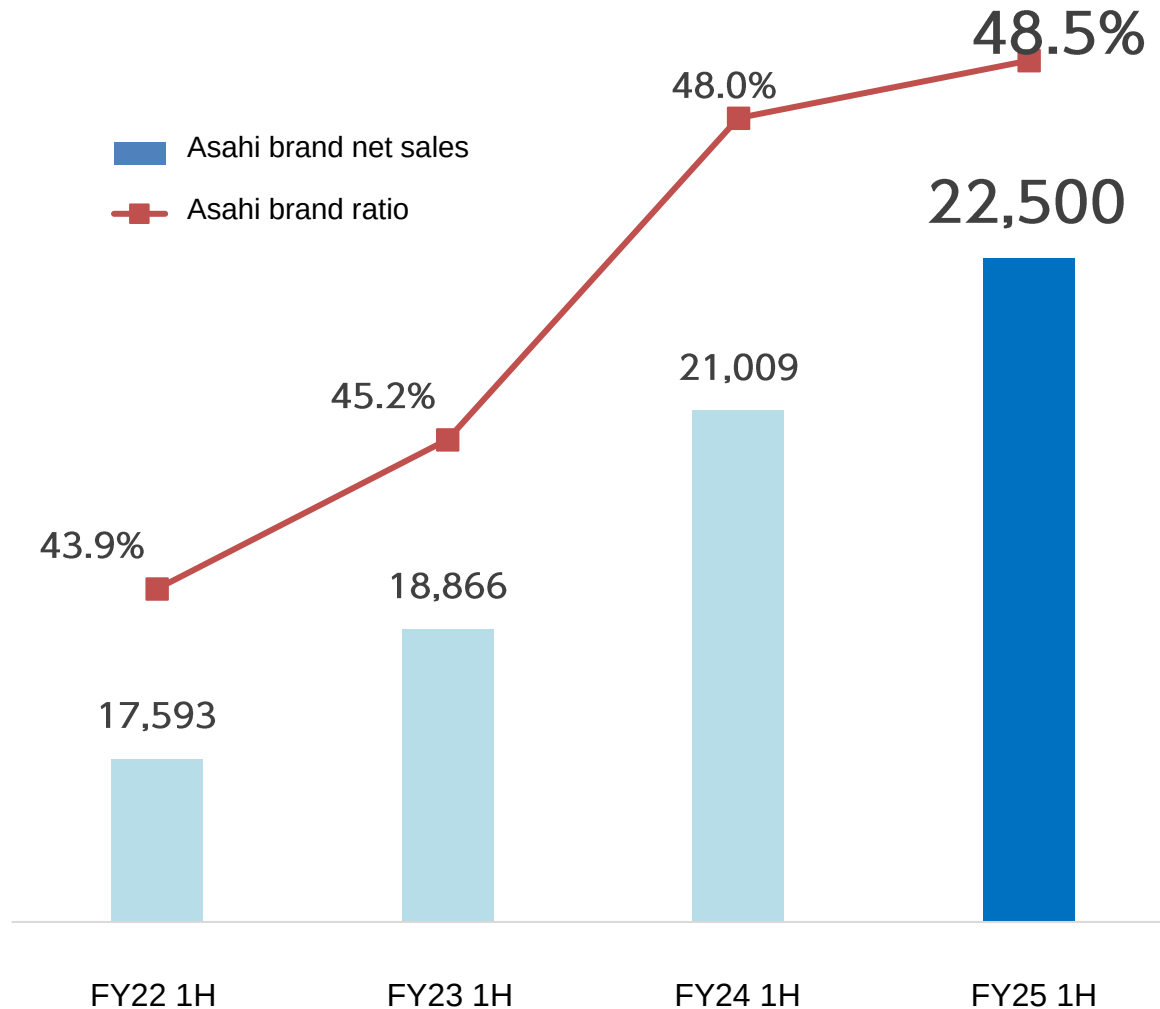
(Millions of yen, %)

	For the Six months ended August 20, 2023		For the Six months ended August 20, 2024			
	Amount	Share	Amount	Share	Y/Y change	Factors
Ordinary bicycles	7,606	17.4	7,813	16.8	102.7	
Sports bicycles	5,983	13.7	6,342	13.7	106.0	Strong sales of Asahi brand
Children's bicycles	4,490	10.3	4,843	10.4	107.9	Strengthened product lineup
Electric assist bicycles	11,746	26.8	13,298	28.6	113.2	Strong sales of Asahi brand's ENERSYS
Other bicycles	1,475	3.4	1,427	3.1	96.7	
Parts/Other	12,461	28.5	12,695	27.3	101.9	• Decrease: Special demand for helmets in the previous year • Increase: Repair and maintenance services
Total	43,763	100.0	46,420	100.0	106.1	
Asahi brand net sales	21,009	48.0	22,500	48.5	107.1	Highly competitive product lineup offered to meet customers' needs as consumers become more budget-conscious

1 Financial Results for the Six Months Ended August 20, 2024

Results from Strengthening Growth Foundations

(Millions of yen, %)



Refined the **SPA*** system

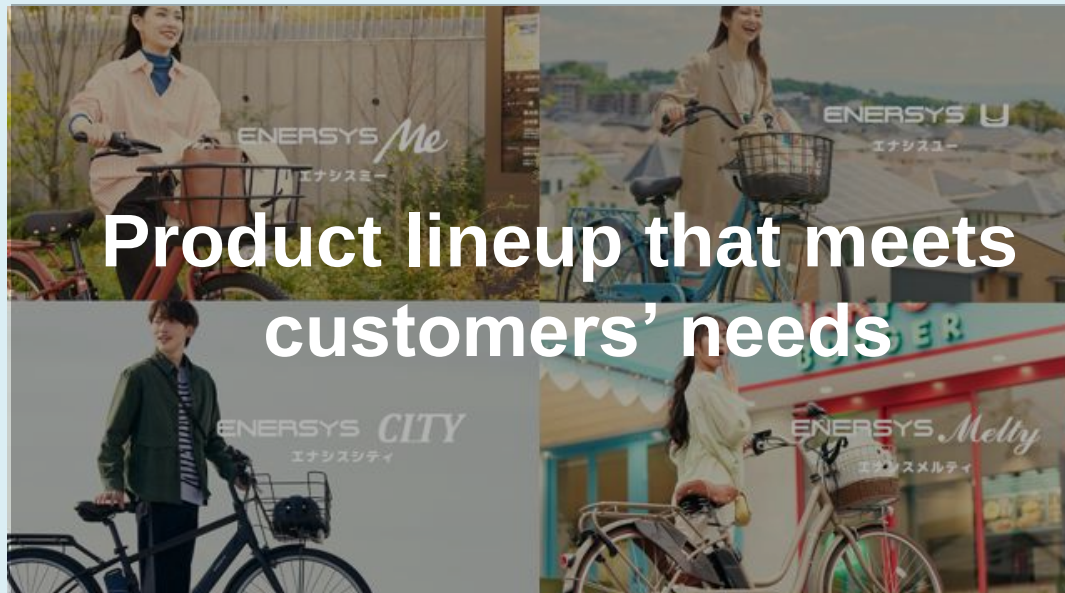
Average annual growth
rate of
Asahi brand net sales
Increased by 8.5%
(from FY22 1H)

* 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 Six Months Ended August 20, 2024

Key Points of Net Sales by Item (Comparison with the Same Period of the Previous Fiscal Year)

Electric-assist bicycles: ¥13,298M
(Up ¥1,551M or 113.2% year-on-year)



ASAHI's original electric assist bicycle "ENERSYS"

Parts/Other: ¥12,695M
(Up ¥234M or 101.9% year-on-year)



➤ Helmets

- The number of helmets sold decreased (special demand in the previous year)
- Increased awareness of safety



➤ Repair and maintenance services

- The number of repair and maintenance orders has increased even after the pricing revisions in the previous year

1 Financial Results for the Six Months Ended August 20, 2024

Stores

	As of Feb. 21, 2024	Number of stores opened	As of August 20, 2024
Number of stores*	533	4	537
Of which, Urban stores	9	1	10

* 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)

Asahi Naniwasaiwaicho store, the first urban store in the Kansai region (Naniwa-ku, Osaka)



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2 Progress toward Financial Results Forecast and Initiatives for the Second Half of the Fiscal Year Ending Feb. 20, 2025

Progress toward Financial Results Forecast

(Millions of yen, %)

Bicycle distribution volume in the industry: slight decrease to flat from the previous year (based on the financial results forecast)

➤ Approximately **7% decrease** (from the same period of the previous year (FY25 1H))

	For the six months ended August 20, 2024 (Forecast)		For the six months ended August 20, 2024 (Actual results)					Percentage of progress to full-year forecast
	Amount	Share	Amount	Share	Ratio to plan		Points	
Net sales	46,000	100.0	46,420	100.0	420	100.9	• Strengthened OMO and CRM, enhanced expertise • Refreshed existing stores (improved profitability other than new bicycle sales)	56.3
Operating profit	4,400	9.6	4,763	10.3	363	108.3	Control of SG&A expenses	86.6

Strengthened
OMO

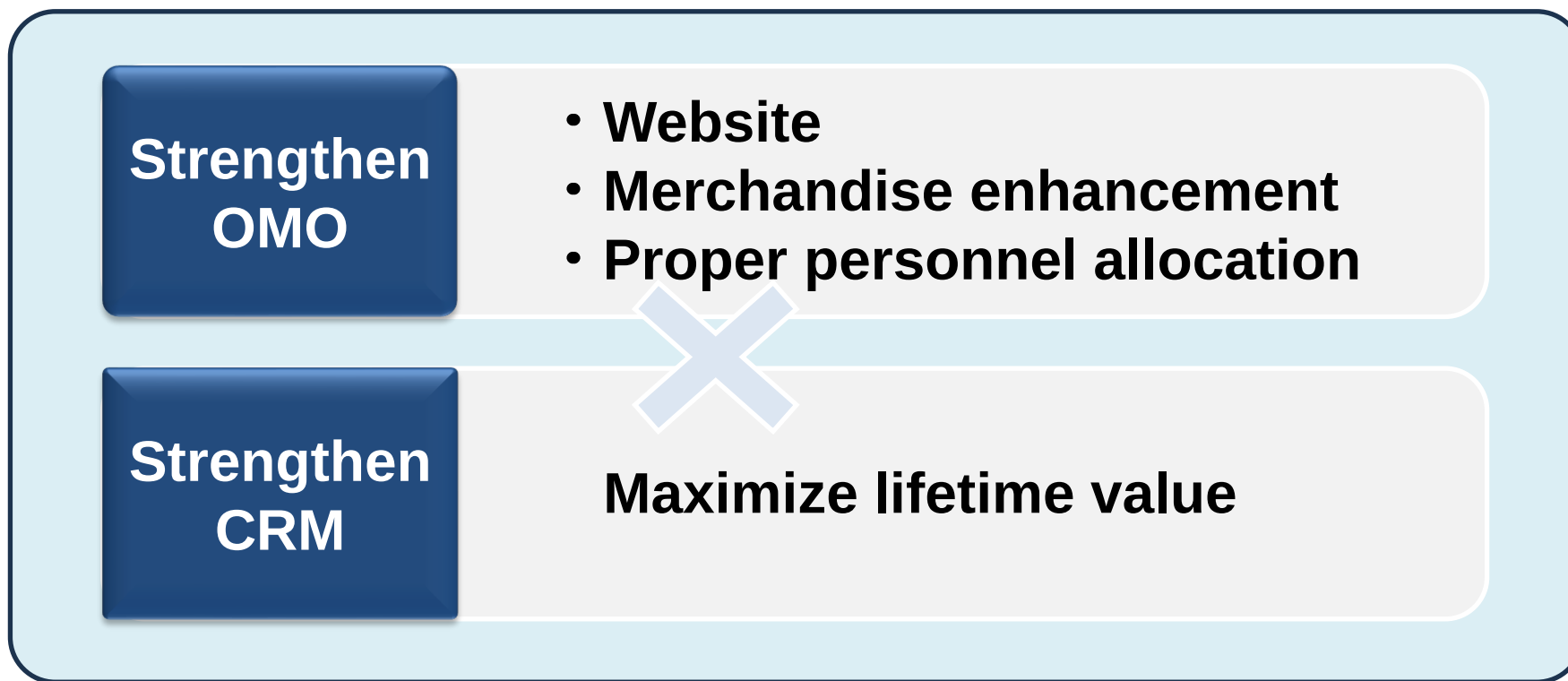
Marketing measures
Reviewed operations

Improved business
structure

Achieved
plan for the
first half

2 Progress toward Financial Results Forecast and Initiatives for the Second Half of the Fiscal Year Ending Feb. 20, 2025

Initiatives for the Second Half



➤ **Aim to achieve full-year plan**

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3 Progress on the Medium-Term Management Plan “VISION 2025”

(1) Expand Our Business Domain

Strengthen Our Reuse Business as the Second Pillar of Business
Following New Bicycle Sales



Further expand our business scale by strengthening the
integrated system of purchase ⇒ commercialization ⇒ resale

3 Progress on the Medium-Term Management Plan “VISION 2025”

(2) Enhancement and Optimization of Supply Chain Management

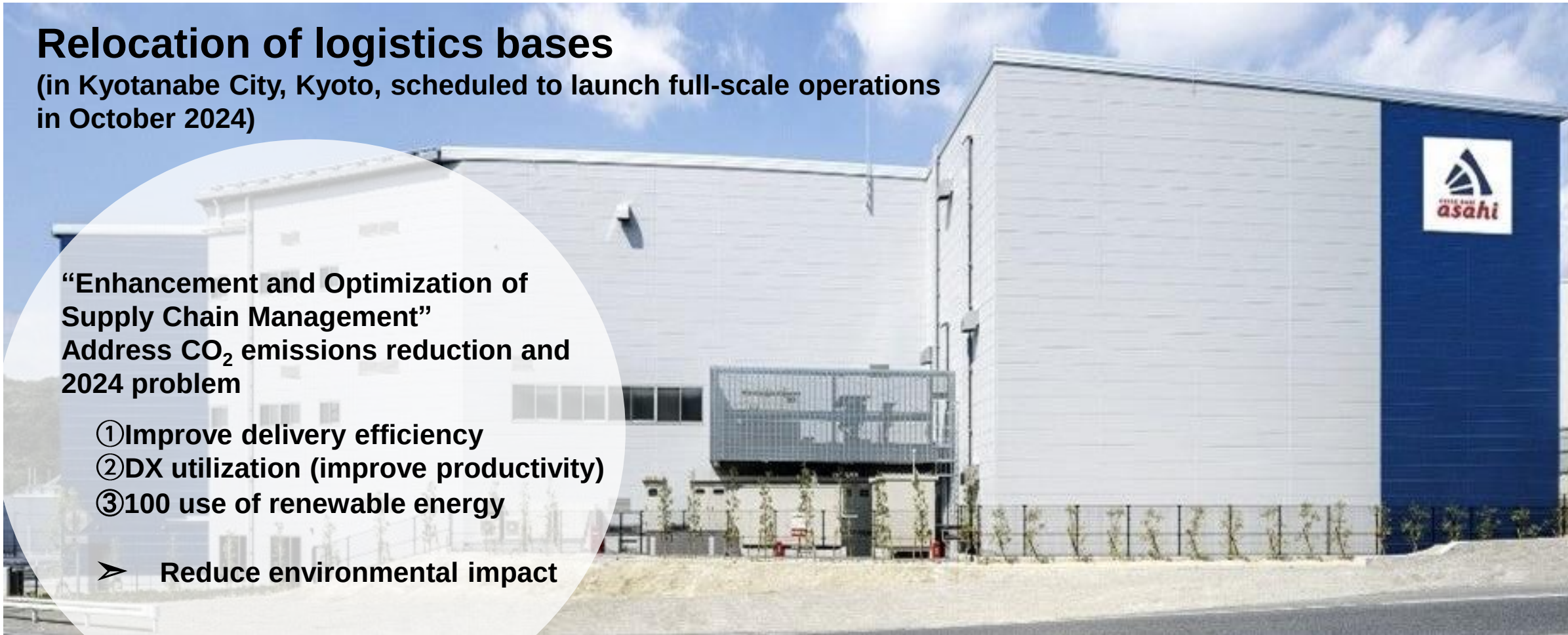
Relocation of logistics bases

(in Kyotanabe City, Kyoto, scheduled to launch full-scale operations in October 2024)

“Enhancement and Optimization of Supply Chain Management”
Address CO₂ emissions reduction and 2024 problem

- ① Improve delivery efficiency
- ② DX utilization (improve productivity)
- ③ 100 use of renewable energy

➤ Reduce environmental impact



3 Progress on the Medium-Term Management Plan “VISION 2025”

(3) Refining the SPA Business Model

Strengthen the procurement and development foundations



Reduce
procurement costs
Strengthen
development
functions

Increase market share of ENERSYS

ENERSYS 



¥109,000 (excluding tax)

ENERSYS *Melty*



¥123,000 (excluding tax)

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4 (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	

4 (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	• 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%	-	-	

4 (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

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

SG&A expenses and Capital Expenditures

(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 expenditures		3,219		3,235		100.5	Growth foundations for stores and systems

4 (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

4 (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)

4 (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

➤ Increase profitability through business structure improvement

(3) Shareholder value

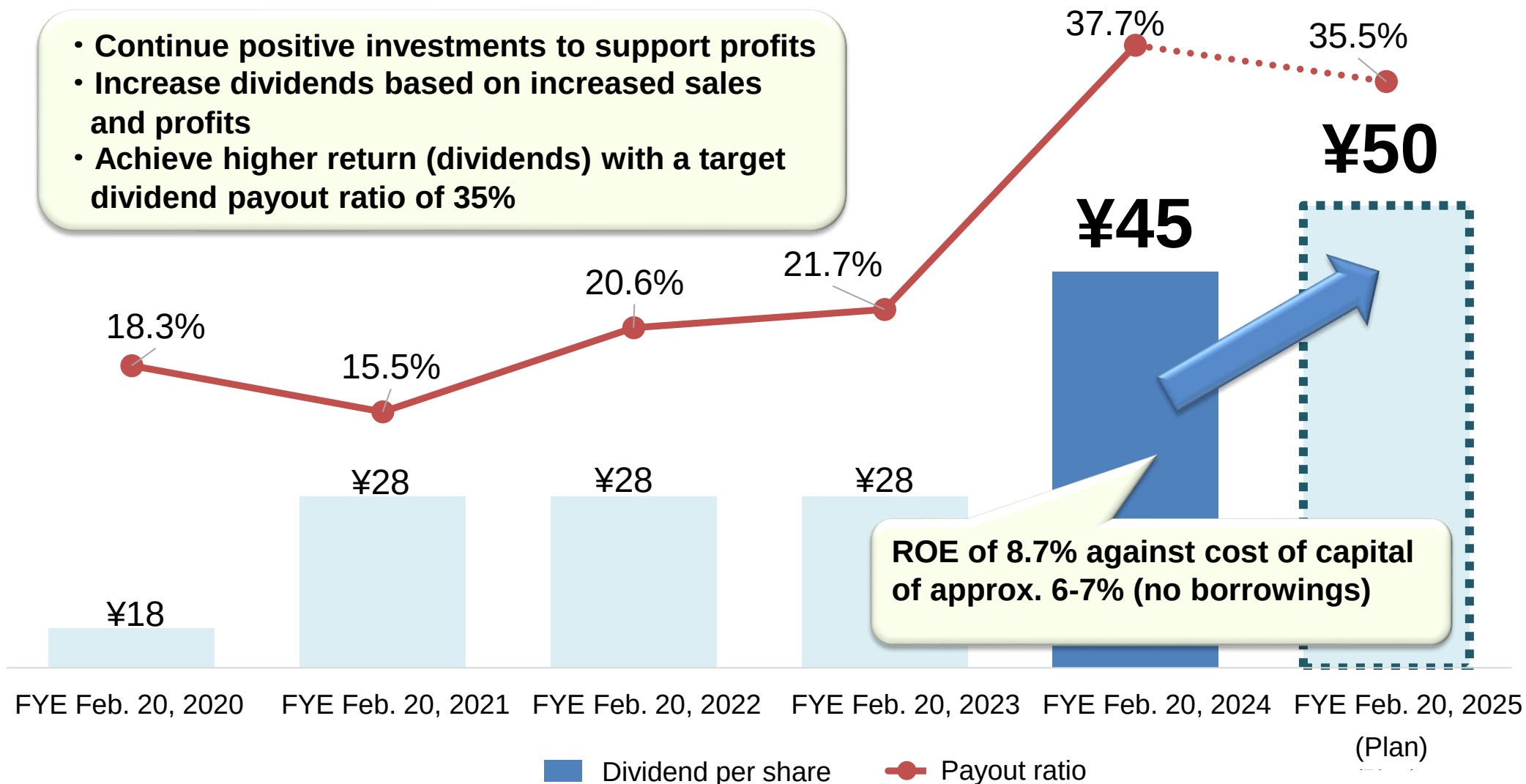
➤ Shareholder return with a target dividend payout ratio of 35%

➤ Increase dividends based on increased sales and profits

4 (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%



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

Improvement in management efficiency ➤ Improvement in PBR

[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



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- **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.**
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