



EXPLANATORY MATERIAL ON FINANCIAL RESULTS FOR THE NINE MONTHS ENDED NOVEMBER 20, 2023

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

December 2023

CONTENTS

- 1 Financial Results for the Nine Months Ended Nov. 20, 2023**
- 2 Initiatives for the Second Half of the Fiscal Year Ending Feb. 20, 2024**
- 3 (Reference) Plan for the Fiscal Year Ending Feb. 20, 2024**
- 4 (Reference) Progress on Initiatives of Medium-Term Management Plan “VISION 2025”**

- 
- 1 Financial Results for the Nine Months Ended Nov. 20, 2023**
 - 2 Initiatives for the Second Half of the Fiscal Year
Ending Feb. 20, 2024
 - 3 (Reference) Plan for the Fiscal Year Ending Feb. 20, 2024
 - 4 (Reference) Progress on Initiatives of Medium-Term
Management Plan “VISION 2025”

1 Financial Results for the Nine Months Ended Nov. 20, 2023

Year-on-Year Financial Results

(Millions of yen, %)

	For the Nine months ended Nov. 20, 2022		For the Nine months ended Nov. 20, 2023			
	Amount	Share	Amount	Share	Y/Y change	Major factors
Net sales	59,057	100.0	61,694	100.0	104.5	<ul style="list-style-type: none"> • Increased unit prices due to the price revisions in August in the previous fiscal year • Strengthening e-commerce, repair service, and measures to boost sales
Gross profit	28,599	48.4	29,334	47.5	102.6	Increased purchasing costs
Operating profit	5,305	9.0	4,923	8.0	92.8	SG&A expenses increased due to the expansion of business
Ordinary profit	5,411	9.2	5,142	8.3	95.0	
Profit	3,605	6.1	3,378	5.5	93.7	

1 Financial Results for the Nine Months Ended Nov. 20, 2023

Net Sales by Division (Comparison with the Previous Fiscal Year) (Millions of yen, %)

		For the Nine months ended Nov. 20, 2022		For the Nine months ended Nov. 20, 2023			Factors
		Amount	Retail share*1	Amount	Retail share*1	Y/Y change	
	Store	51,116	89.0	51,866	86.4	101.5	<ul style="list-style-type: none"> • Stores: Sales for helmets and repair orders increased • E-commerce: Adjusting prices of hot-selling products and securing dedicated inventory →Captured the growing demand in e-commerce • Net sales at existing stores: 102.4% (sales per customer 102.8% × number of customers 99.6%)
	E-commerce	6,311	11.0	8,136	13.6	128.9	
Retail (subtotal)		57,427	100.0	60,003	100.0	104.5	
Other*2		1,630	-	1,691	-	103.7	
Total		59,057	-	61,694	-	104.5	

*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 Nine Months Ended Nov. 20, 2023

Net Sales by Item (Comparison with the Previous Fiscal Year) (Millions of yen, %)

	For the Nine months ended Nov. 20, 2022		For the Nine months ended Nov. 20, 2023			
	Amount	Share	Amount	Share	Y/Y change	Factors
Ordinary bicycles	10,180	17.2	10,221	16.6	100.4	
Sports bicycles	7,660	13.0	7,862	12.7	102.6	Strong sales of Asahi brand
Children's bicycles	6,236	10.6	6,257	10.1	100.3	
Electric assist bicycles	16,175	27.4	16,775	27.2	103.7	Strong sales of Asahi brand's ENERSYS
Other bicycles	2,324	3.9	2,120	3.4	91.2	
Parts/Other	16,479	27.9	18,456	29.9	112.0	Increase in sales for helmets and repair orders
Total	59,057	100.0	61,694	100.0	104.5	

1 Financial Results for the Nine Months Ended Nov. 20, 2023

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

(Millions of yen, %)

		For the Nine months ended Nov. 20, 2022		For the Nine months ended Nov. 20, 2023			
		Amount	Ratio to net sales	Amount	Ratio to net sales	Y/Y change	Factors
SG&A expenses		23,294	39.4	24,410	39.6	104.8	
Breakdown	Personnel expenses	11,422	19.3	11,781	19.1	103.1	Increased personnel to expand business
	Advertising expenses	473	0.8	518	0.8	109.6	Web advertisements, e-commerce transaction charges
	Logistics expenses *	1,481	2.5	1,403	2.3	94.7	Reduced storage fees
	Depreciation	1,076	1.8	1,166	1.9	108.3	Investment in store openings and renovations
	Other	8,840	15.0	9,540	15.5	107.9	<ul style="list-style-type: none"> • Increase in the number of stores • Fees for cashless payment
Capital spending			1,619		2,161	133.5	<ul style="list-style-type: none"> • Investment in store openings and renovations • System introduction projects

*Transport + Storage

1 Financial Results for the Nine Months Ended Nov. 20, 2023


Stores

	As of Feb. 21, 2023	Number of stores opened	Number of stores closed	As of Nov. 20, 2023
Number of stores*1	519	14	1*2	532
Of which, urban stores	6	3	0	9

*1 Includes 18 franchise stores (6 stores in Osaka, 1 store in Hyogo, 4 stores in Kyoto, 4 stores in Mie, 1 store in Hiroshima, and 2 stores in Kagoshima)

*2 Oizumi Interchange store (the lease contract expired)



- 
- 1 Financial Results for the Nine Months Ended Nov. 20, 2023
 - 2 Initiatives for the Second Half of the Fiscal Year
Ending Feb. 20, 2024**
 - 3 (Reference) Plan for the Fiscal Year Ending Feb. 20, 2024
 - 4 (Reference) Progress on Initiatives of Medium-Term
Management Plan “VISION 2025”

2 Initiatives for the Second Half of the Fiscal Year Ending Feb. 20, 2024

[Review]

Net sales in the nine months ended Nov. 20, 2023: Up ¥2,637M or 104.5% year-on-year

[Breakdown]

(1) E-commerce: Up ¥1,825M

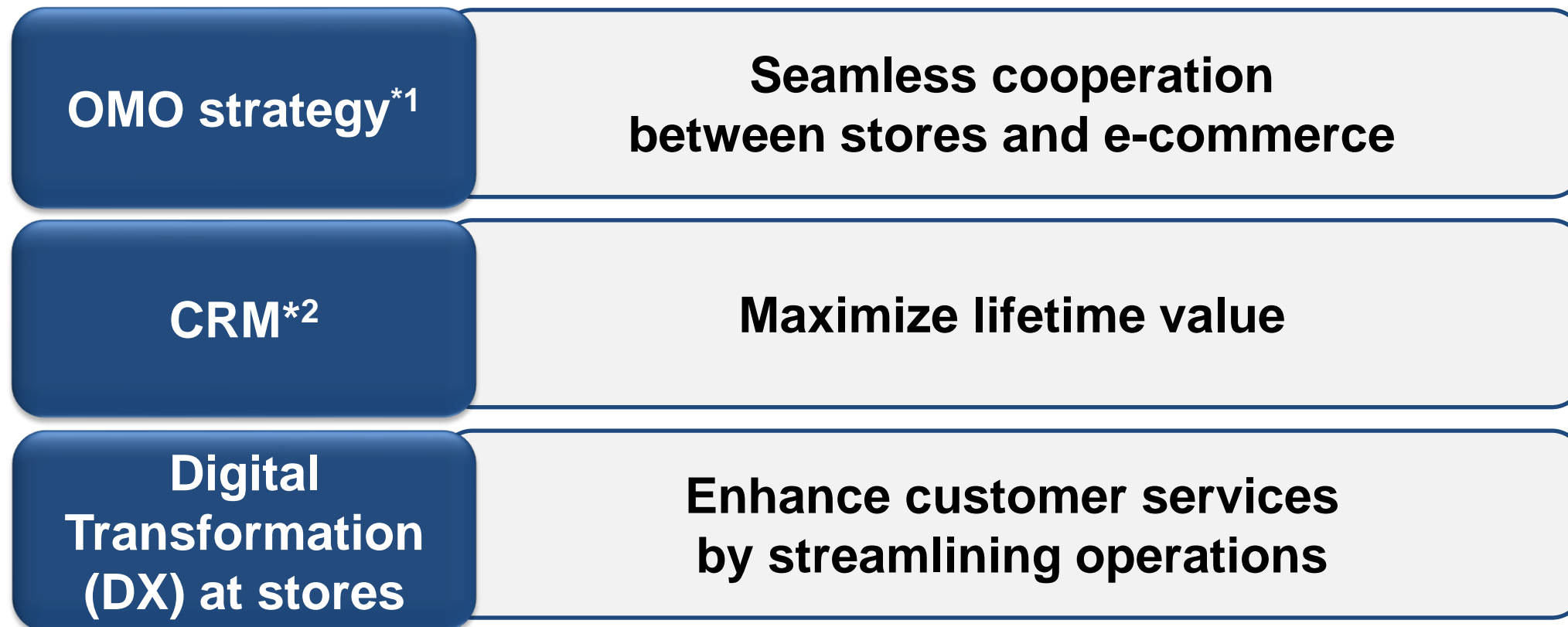
- Strengthened the foundation of “online order for store pickup” service
(Securing sufficient supply of popular merchandise, implementing competitive pricing, and efficiently running web advertisements)

(2) Stores: Up ¥750M

- Responded to the growing demand for helmets by securing stable supply of merchandise
- Improved the system to respond to the increasing repair and maintenance orders

Enhancing **business foundation** as the bicycle business faces a downward trend in new bicycle sales

2 Initiatives for the Second Half of the Fiscal Year Ending Feb. 20, 2024



Initiatives added in the fourth quarter: Revision of repair charges (effective Dec. 4, 2023)
Enhance the system to respond to orders, and continue offering safe and secure service quality

 **Higher advantage and competitiveness**
To increase our market share

*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 Nine Months Ended Nov. 20, 2023
 - 2 Initiatives for the Second Half of the Fiscal Year Ending Feb. 20, 2024
 - 3 (Reference) Plan for the Fiscal Year Ending Feb. 20, 2024**
 - 4 (Reference) Progress on Initiatives of Medium-Term Management Plan “VISION 2025”

3 Plan for the Fiscal Year Ending Feb. 20, 2024

Comparison with the Fiscal Year ended Feb.20, 2023

(Millions of yen, %)

	FY ended Feb. 20, 2023 Results		FY ending Feb. 20, 2024 Plan			
	Amount	Share	Amount	Share	Y/Y change	Factors
Net sales	74,712	100.0	80,000	100.0	107.1	<ul style="list-style-type: none"> • Strengthen OMO* strategy • Expect to have an increase in electric assist bicycles • Expect to have sales per customer: 107%
Gross profit	36,195	48.4	38,000	47.5	105.0	
Operating profit	5,127	6.9	5,200	6.5	101.4	<ul style="list-style-type: none"> • Enhance digital and IT platforms
Ordinary profit	5,316	7.1	5,400	6.8	101.6	
Profit	3,366	4.5	3,400	4.3	101.0	

*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 Plan for the Fiscal Year Ending Feb. 20, 2024

Net Sales by Division

(Millions of yen, %)

		FY ended Feb. 20, 2023 Results		FY ending Feb. 20, 2024 Plan			
		Amount	Retail share*1	Amount	Retail share*1	Y/Y change	Factors
	Stores	64,352	88.6	68,600	88.7	106.6	• Plan to open 15 stores
	E-commerce	8,300	11.4	8,700	11.3	104.8	• Ensure stocks of merchandise solely for e-commerce • Streamline supply chain management
Retail (subtotal)		72,652	100.0	77,300	100.0	106.4	
Other*2		2,059	-	2,700	-	131.1	• Wholesale business Seek to increase sales with a focus on electric assist bicycles in response to a decline in demand for sports bicycles
Total		74,712	-	80,000	-	107.1	

*1 Starting from the fiscal year ended Feb. 20, 2023, 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.

3 Plan for the Fiscal Year Ending Feb. 20, 2024

Net Sales by Item

(Millions of yen, %)

	FY ended Feb. 20, 2023 Results		FY ending Feb. 20, 2024 Plan		
	Amount	Share	Amount	Share	Y/Y change
Ordinary bicycles	13,010	17.4	14,000	17.5	107.6
Sports bicycles	9,355	12.5	10,000	12.5	106.9
Children's bicycles	8,146	10.9	8,400	10.5	103.1
Electric assist bicycles	20,406	27.3	22,700	28.4	111.2
Other bicycles	2,831	3.8	2,900	3.6	102.4
Parts/Other	20,961	28.1	22,000	27.5	105.0
Total	74,712	100.0	80,000	100.0	107.1

ENERSYS, ASAHI's original electric assist bicycles



ENERSYS, ASAHI's original electric assist bicycles that reflected what our customers were looking for and our commitment to the pursuit of comfortable riding. These bicycles make every customer feel secure and happy.

3 Plan for the Fiscal Year Ending Feb. 20, 2024

SG&A Expenses and Capital Investment

(Millions of yen, %)

		FY ended Feb. 20, 2023 Results		FY ending Feb. 20, 2024 Plan			
		Amount	Ratio to net sales	Amount	Ratio to net sales	Y/Y change	Factors
SG&A expenses		31,068	41.6	32,800	41.0	105.6	
Breakdown	Personnel expenses	15,181	20.3	15,900	19.9	104.7	• Increase personnel to expand business
	Advertising expenses	650	0.9	730	0.9	112.3	• Run more sales promotions and online advertisements
	Logistics expenses*	1,884	2.5	2,000	2.5	106.2	• Reduce storage expenses with proper inventory management
	Depreciation	1,472	2.0	1,600	2.0	108.7	• Open new stores and renovate existing stores
	Other	11,879	15.9	12,570	15.7	105.8	• Incur an increase in system-related maintenance costs
Capital spending			2,511		3,855	153.5	• Enhance growth foundations including digital and IT platforms

*Transport + Storage

3 Plan for the Fiscal Year Ending Feb. 20, 2024

Stores

	As of Feb. 20, 2023	Number of stores to open	As of Feb. 20, 2024
Number of stores*	519	15	534
Of which, urban stores	6	3	9

Relocation and large renovation

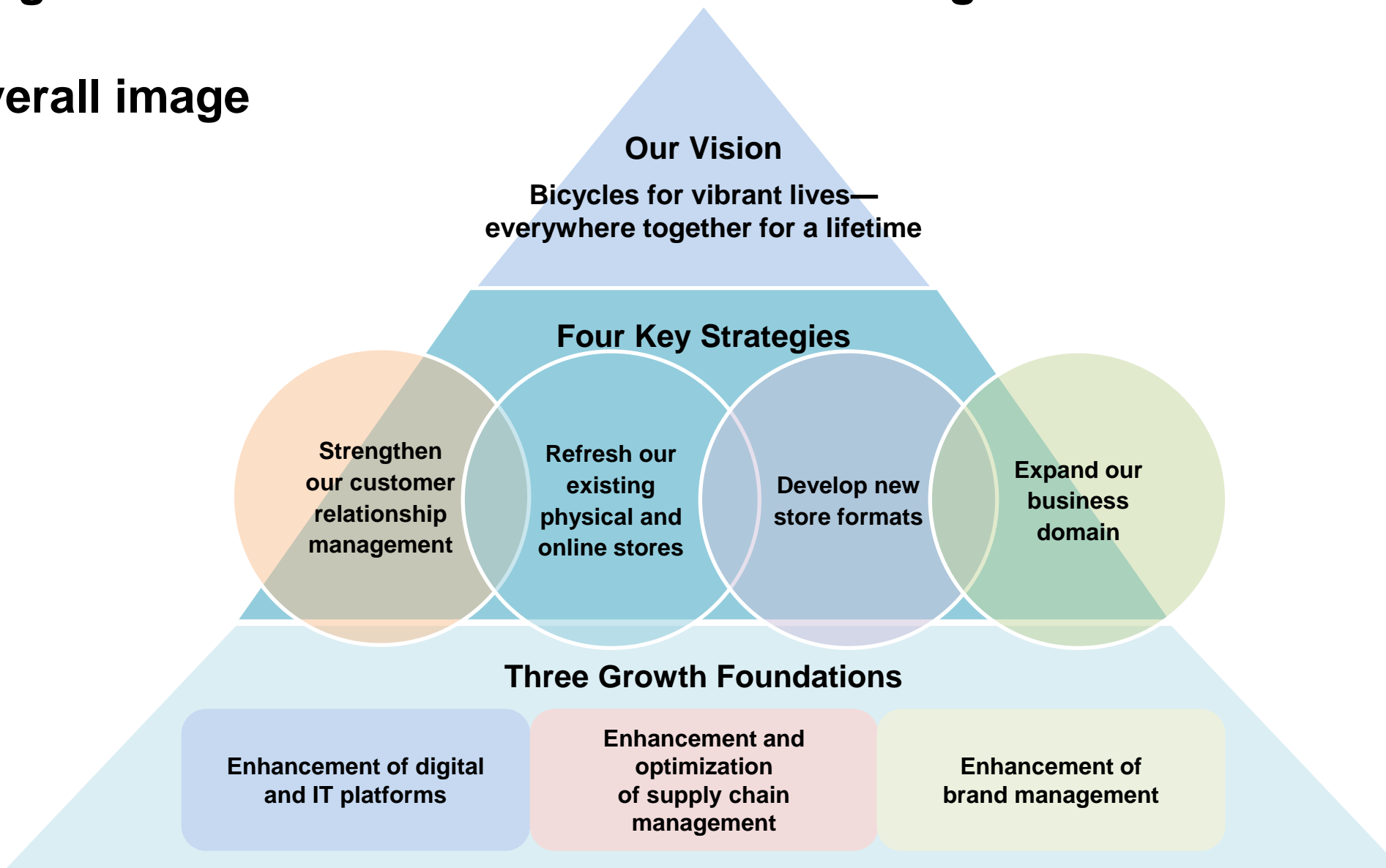
	FY ended Feb. 20, 2023 Results	FY ending Feb. 20, 2024 Plan
Number of target stores	13	14

*Includes 18 franchise stores (6 stores in Osaka, 1 store in Hyogo, 4 stores in Kyoto, 4 stores in Mie, 1 store in Hiroshima, and 2 stores in Kagoshima)

- 
- 1 Financial Results for the Nine Months Ended Nov. 20, 2023
 - 2 Initiatives for the Second Half of the Fiscal Year
Ending Feb. 20, 2024
 - 3 (Reference) Plan for the Fiscal Year Ending Feb. 20, 2024
 - 4 (Reference) Progress on Initiatives of Medium-Term
Management Plan “VISION 2025”**

4 Progress on Initiatives of Medium-Term Management Plan “VISION 2025”

Overall image



4 Progress on Initiatives of Medium-Term Management Plan “VISION 2025”

“Three Growth Foundations” and “Four Key Strategies”

Our Vision
Bicycles for vibrant lives—
everywhere together for a lifetime

Enhance “Three Growth Foundations” and execute “Four Key Strategies”

Four Key Strategies

Strengthen our customer relationship management

Refresh our existing physical and online stores

Develop new store formats

Expand our business domain

Three Growth Foundations

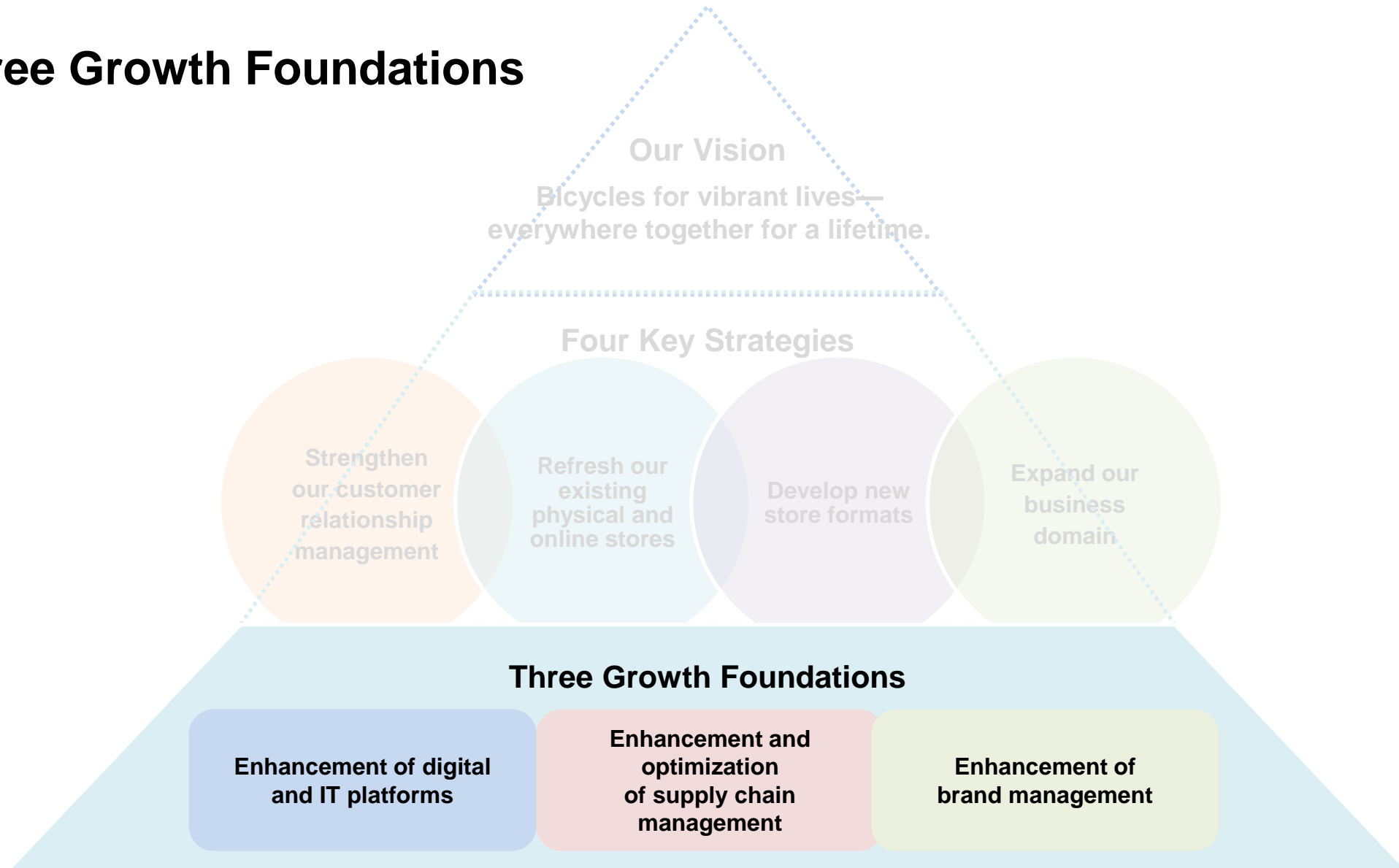
Enhancement of digital and IT platforms

Enhancement and optimization of supply chain management

Enhancement of brand management

4 Progress on Initiatives of Medium-Term Management Plan “VISION 2025”

Three Growth Foundations



4 Progress on Initiatives of Medium-Term Management Plan “VISION 2025”

Enhancement of digital and IT platforms

- Reconstruct systems
- Promote Digital Transformation (DX) at stores and the e-commerce site
- Accelerate the review and enhancement of platforms for operational efficiency

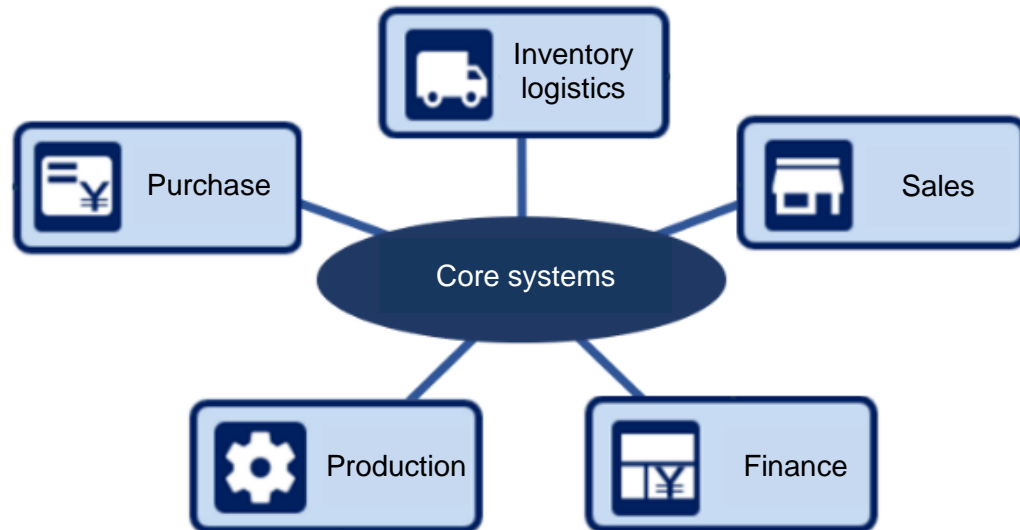
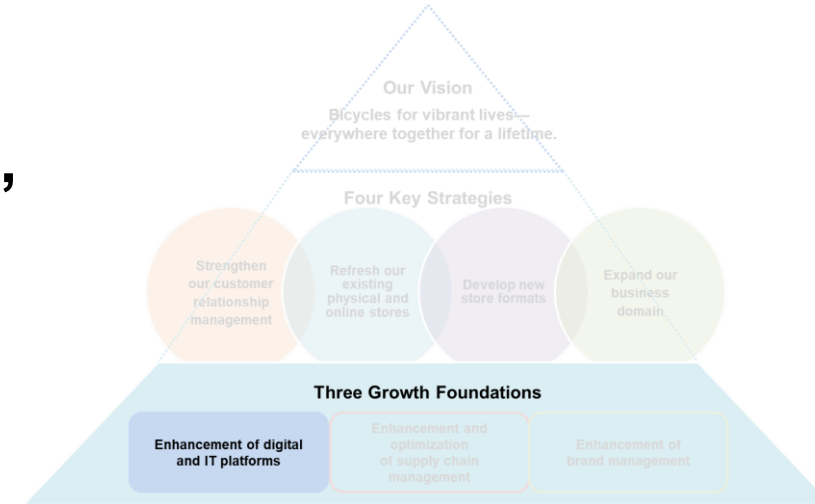


Image of core systems and peripheral systems



Effects of review		Completion timing
Quality management system	<ul style="list-style-type: none"> ● Streamline the quality management process ● Improve traceability 	FYE Feb. 20, 2023
Warehouse management system	<ul style="list-style-type: none"> ● Streamline the warehouse operations ● Manage warehouse inventory by coordinating with core systems 	FYE Feb. 20, 2025
Mission-critical system	<ul style="list-style-type: none"> ● Streamline the business process related to business activities especially for sales management and inventory management 	FYE Feb. 20, 2025
Data integration management system	<ul style="list-style-type: none"> ● Accumulate and analyze various data obtained from business activities in an integrated manner 	FYE Feb. 20, 2025
Inventory management system	<ul style="list-style-type: none"> ● Calculate appropriate order quantity from sales results and inventory information and reduce the unnecessary long-term backlogs 	FYE Feb. 20, 2025
Customer data management system	<ul style="list-style-type: none"> ● Realize the centralized management of customer data ● Improve searchability at the time of response to inquiries ● Extract analytical data required for creation of marketing, product, and new business strategies, etc. 	FYE Feb. 20, 2025 or afterwards
Store system	<ul style="list-style-type: none"> ● Create time for interpersonal businesses by reducing management and procedure businesses ● Improve operational efficiency for ordering, receiving goods, and inventory, etc. 	FYE Feb. 20, 2025 or afterwards

Systems subject to implementation and the effects

4 Progress on Initiatives of Medium-Term Management Plan “VISION 2025”

Enhancement and optimization of supply chain management

- Strengthen the logistics cost management
- Central management and optimization of inventory
- Relocate the logistics bases
- Strengthen the delivery network



ASAHI warehouse at East Japan logistics center (Saitama)

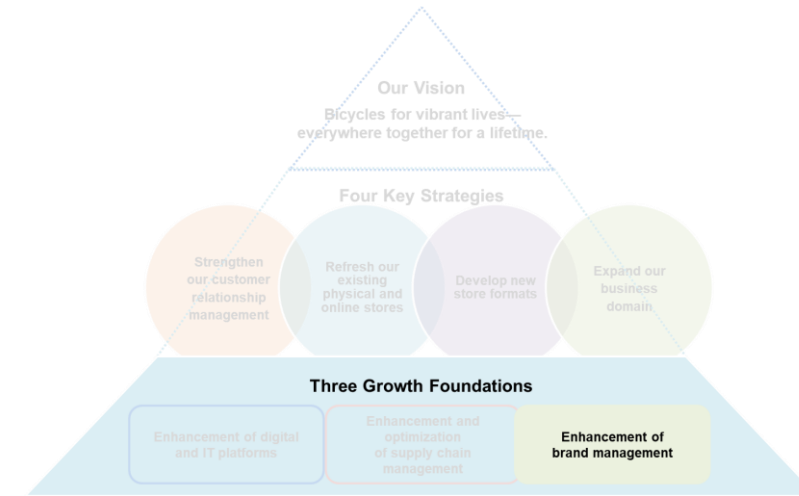


Strengthen the delivery network

4 Progress on Initiatives of Medium-Term Management Plan “VISION 2025”

Enhancement of brand management

- Rebuild the Asahi brand portfolio
- Educate employees on brand awareness



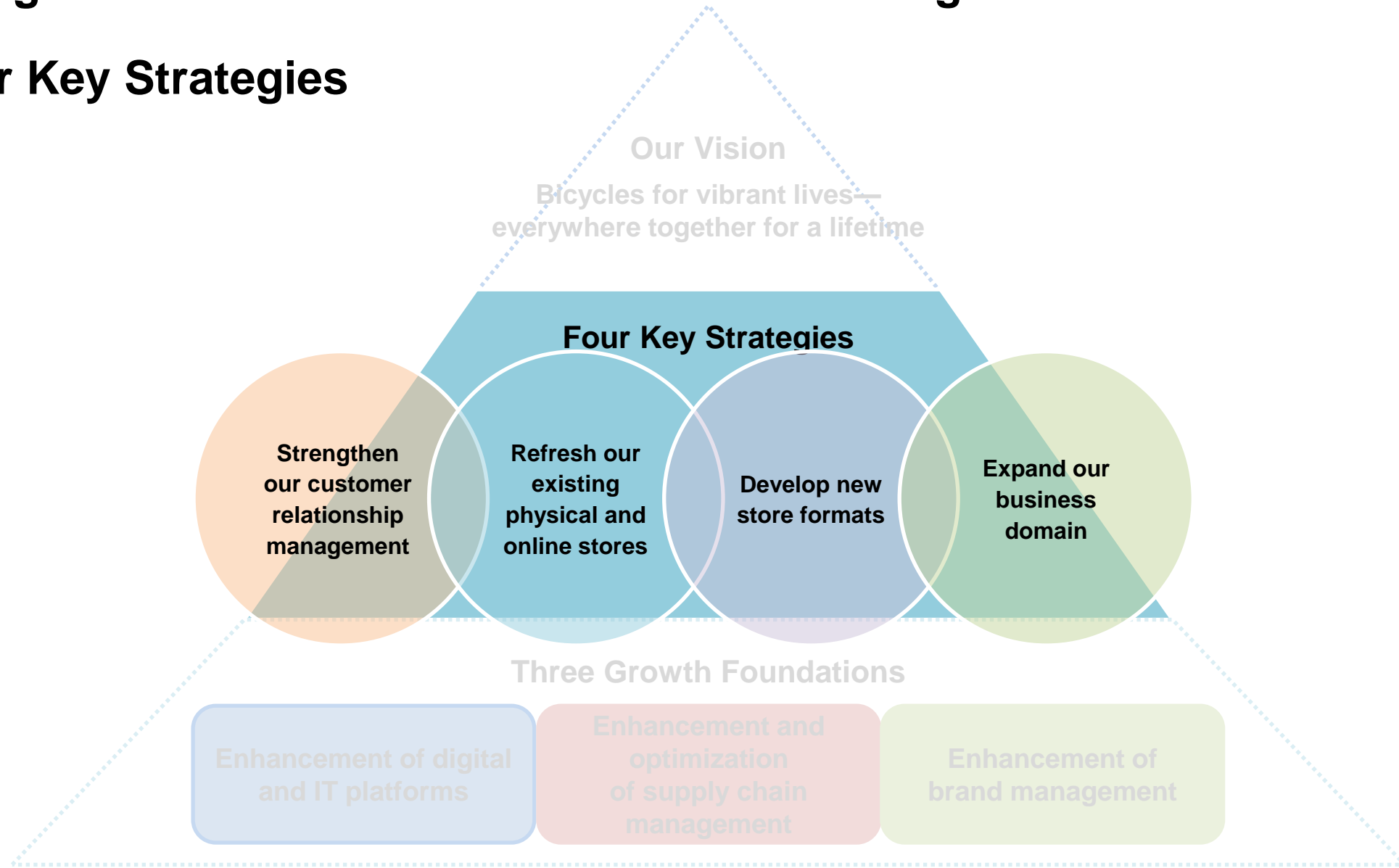
Review and redefine the Asahi brand portfolio to propose optimal bicycle lifestyle for customers



Expand the product lineup of ASAHI's original electric assist bicycles

4 Progress on Initiatives of Medium-Term Management Plan “VISION 2025”

Four Key Strategies



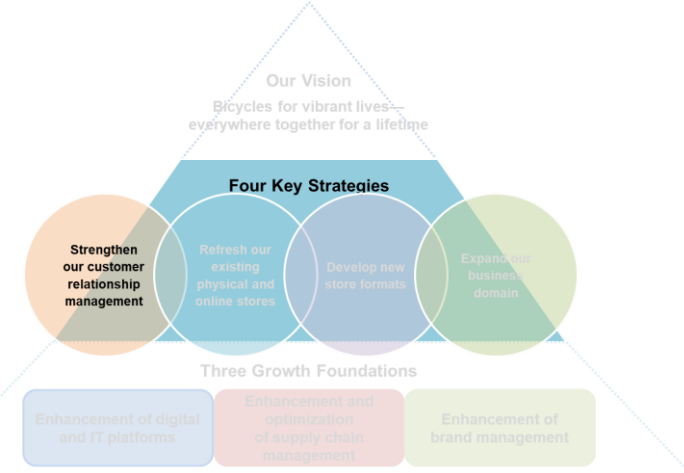
4 Progress on Initiatives of Medium-Term Management Plan “VISION 2025”

Strengthen our customer relationship management

● Enhance CRM platform by using digital IT platforms

Create customer journey map*1 to provide beneficial information at a more effective timing

*1 Process through which customers are interested in, purchase and use bicycles.



Nine months ended Nov. 20, 2023

- Monthly active users*2: **174,105** (up 48,097 year-on-year)
- Introduce chatbot
- Strengthen the push notification delivery that is linked to app

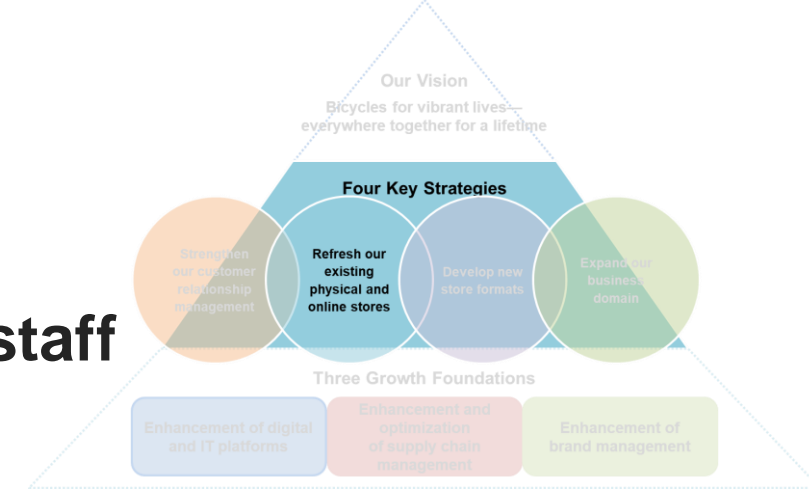
*2 It is the number of app users who use the app in one month. The figure is an average value of each quarter.

4 Progress on Initiatives of Medium-Term Management Plan “VISION 2025”

Refresh our existing physical and online stores

● Enhance the sales ability of sales staff

Consider “people” as the most important management resource and promote the competency development of the store sales staff



Nine months ended Nov. 20, 2023

- Number of staff certified as Meisters*: **703** (up 56 year-on-year)
- Encourage more staff to be certified as “Meisters,” an internal certification system
- Introduce a leadership position as a higher-level position for Meisters

*Total number of in-house certified staff in three fields: customer service, technician services, and tour guiding 28/36

4 Progress on Initiatives of Medium-Term Management Plan “VISION 2025”

● Open stores in urban areas

Develop new store formats

Accelerate opening stores in urban areas where demands for e-commerce are strong in order to enhance our online order for store pickup service



Takadanobaba store
(Toshima-ku, Tokyo)



Kiyosumi-shirakawa store
(Koto-ku, Tokyo)

Nine months ended Nov. 20, 2023

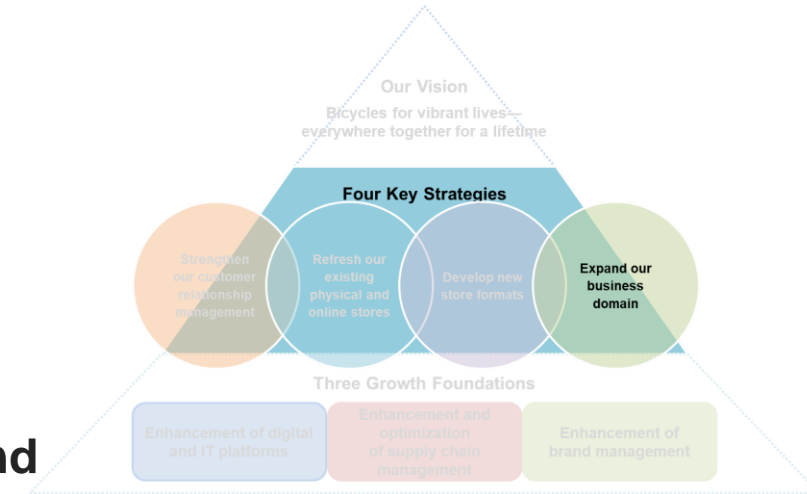
- Streamline the management of urban stores
(Streamline the human resources by allowing concurrent position of store managers, etc.)
- Increase urban stores
(Opened **three stores** as planned)

4 Progress on Initiatives of Medium-Term Management Plan “VISION 2025”

Expand our business domain

● Reuse business

Shift from a focus on conventional store sales and start **e-commerce** on a full-scale



Work space for commercialization



Photo shooting for the images posted on e-commerce

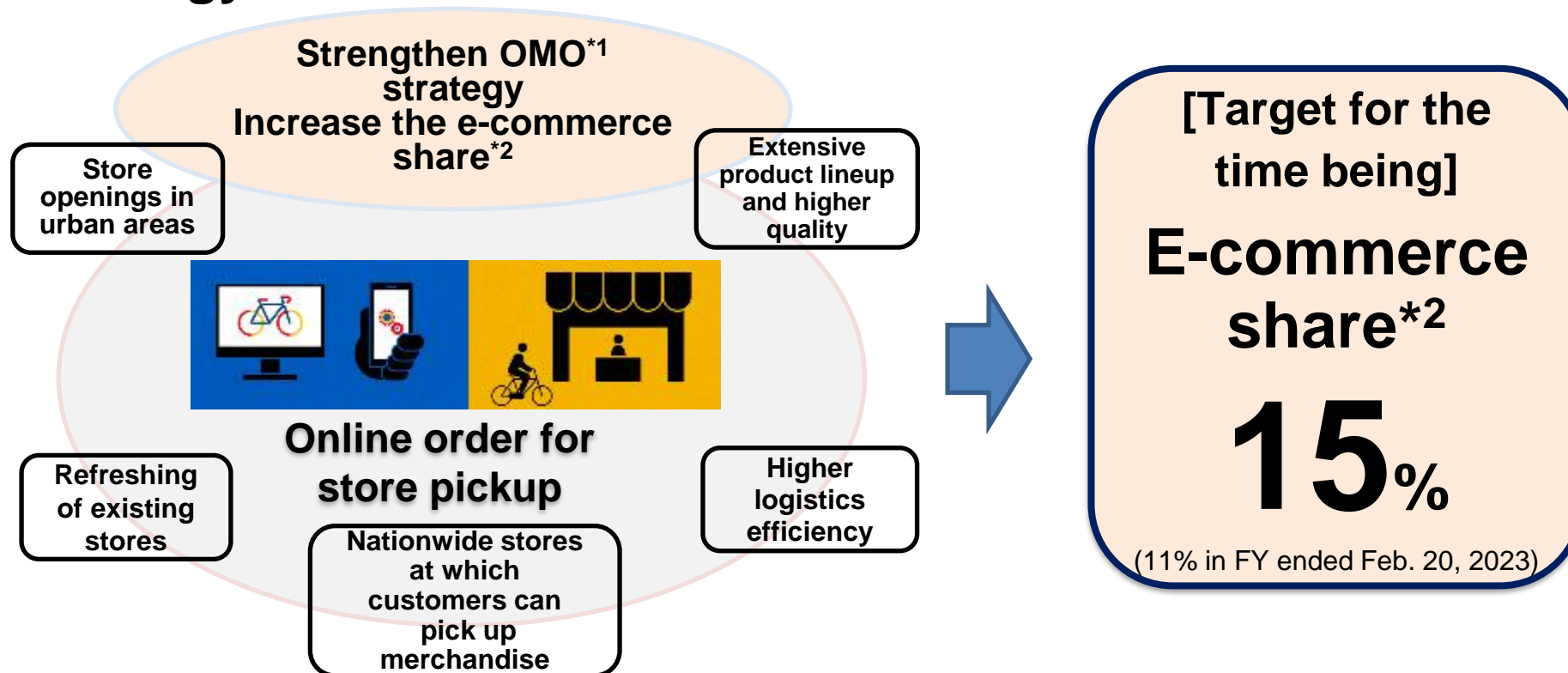
Nine months ended Nov. 20, 2023

- Build functions in ASAHI warehouses to focus on **e-commerce**: one is to work on commercialization and another is to create information to be posted on the e-commerce site
- Number of products posted on the e-commerce site **approx. 26 times higher** than the previous fiscal year*
- Purchase being enhanced
Number of purchase stores: **422 stores**

*Comparison between the first quarter for FY ending Feb. 20, 2024 and average of each quarter for fiscal year ended Feb. 20, 2023

4 Progress on Initiatives of Medium-Term Management Plan “VISION 2025”

OMO strategy



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

*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 The e-commerce share that accounts for the total retail sales (stores + e-commerce).

4 Progress on Initiatives of Medium-Term Management Plan “VISION 2025”

Capital Investment

(Millions of yen, %)

	FYE Feb. 20, 2023 Results	FYE Feb. 20, 2024 Plan	FYE Feb. 20, 2025 Plan	FYE Feb. 20, 2026 Plan	Primary use
Capital investment	2,511	3,855	4,190	4,050	Make more growth investments

◎ 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

4 Progress on Initiatives of Medium-Term Management Plan “VISION 2025”

Target

	FY ended Feb. 20, 2023 Results	FY ending Feb. 20, 2024 Plan	FY ending Feb. 20, 2026 Targets
Net sales	¥74,712M	¥80,000M	¥85,000M
Operating profit	¥5,127M (6.9%)	¥5,200M (6.5%)	¥6,800M (8.0%)
Number of stores	519	534	560
E-commerce share*1	11%	11%	14%
Market share*2	22%	23%	25%




*1 The e-commerce share that accounts for the total retail sales (stores + e-commerce).

*2 Market share = Number of bicycles sold by the Company / Number of bicycles sold for the domestic market that we uniquely estimated based on Trade Statistics of Japan by the Ministry of Finance and Current Survey of Production by the Ministry of Economy, Trade and Industry.



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.**
- **Please refrain from copying or reproducing this document.**

