



Your bicycle, Your life.

ASAHI Report 2021

ASAHI CO., LTD.



Reflections on the Publication of the ASAHI Report



Yoshifumi Shimoda

President and Representative Director

We seek to realize “highly individual lifestyles where every customer has a bicycle close by their side.”

To realize such lifestyles, we aim to be a creator of new value and a partner that stays close to customers, and to form a Cycle Base that brings together friends and colleagues.

Those are the aspirations of Team ASAHI.

I would like to express my heartfelt sympathy to all those whose lives have been affected in various ways by the COVID-19 pandemic.

In any type of environment, including the ongoing COVID-19 crisis, ASAHI is determined to steadily realize its Our Vision: Color the World with Bicycle Life Always, Together, Forever. To this end, we have formulated our new medium-term management plan, VISION 2025. In parallel, we have prepared ASAHI Report 2021 to foster a greater understanding of the company among all stakeholders, including our shareholders.

In this report, we discuss what kinds of value we will provide to customers and society through the initiatives set forth in the new medium-term management plan, while evolving the businesses and organizational structure we have developed to date. In the process, we explain how these efforts will allow us to drive sustainable growth and improve corporate value.

Realizing a Brilliant and Unique Bicycle Life

To realize highly individual lifestyles around bicycles for every customer throughout their lives, we will continuously provide our three core values of excitement, trust and convenience, while always taking action from the customer's standpoint.

1 Excitement

Provide products, services and information

that exceed customer expectations

2 Trust

Help enhance bicycle life

through products equipped with high levels of trust and quality and employee support and technical capabilities

3 Convenience

Achieve a convenient and accessible bicycle life

by reducing time and place limitations



Number of private-brand products developed

More than 1,000 items in total

Number of bicycle riding events planned

Around 100 events or more per year



Number of employees

5,659

* Includes temporary and part-time workers

Bicycle Trust Engineers
1,573

Bicycle Technicians
1,412

(As of February 20, 2021)



Number of stores

491

(As of February 20, 2021)

Average number of bicycles on display per store

Approximately 500 or more

Realizing a Sustainable Society

As numerous social problems come to the fore, such as global warming and the worldwide COVID-19 pandemic, ASAHI will help to realize a sustainable society through bicycles from the three perspectives of trust, health and the environment. Our goal is to ensure that all people can lead even better lives throughout their lifetimes.

SDGs Pursued by ASAHI





1 Safety

Realize a safe and secure society with zero bicycle (or traffic) accidents (or casualties)

Products fitted with trust and security features

Puncture-resistant tires, tough locks and double locks, always-on lights and automatic taillights, high-performance brakes



Enhance after-sales maintenance

Hold Bicycle Riding Trust Workshops nationwide

2 Health

Realize a healthy society by promoting daily bicycle use and cycling sports

Positive effects of aerobic exercise on diets

Prevention of lifestyle diseases and positive effects on mental health

Wholesome lifestyles both in body and mind

3 Environment

Realize an environmentally friendly society by promoting bicycle use

Contribute to CO₂ emission reductions

Circular consumption environment, including the reuse of resources



Brand Symbol

Brand Symbol incorporates the ASAHI “A” with its three triangle points representing three Value Propositions of excitement, trust and convenience. A wheel spinning powerfully forward has been integrated into this triangle, evoking the transformation to a fulfilling bicycle life. Together, these visual elements represent the future profile of the ASAHI brand.

Brand Tagline

Brand Tagline “Your bicycle, Your life.” embodies the idea that every customer deserves a bicycle life as unique as they are. Our slogan embodies our promise to customers that we will support their bicycle life and make it shine.



INDEX

- 01 Reflections on the Publication of the ASAHI Report
 - 02 Realizing a Brilliant and Unique Bicycle Life
 - 04 Realizing a Sustainable Society
 - 07 INDEX
 - 08 Our Mission
 - 10 ASAHI's History
 - 12 Message from the President
 - 20 Culture Model
 - Attraction of Staff
Taking Action from the Customer's Standpoint
 - Attraction of Merchandise
Developing Products that Meet Customer Expectations
 - Attraction of Stores
Always Accessible and Convenient for Customers
 - 26 Overview of ASAHI's Business Model
 - 28 Human Resources Management Linking Our Culture Model and Business Model
 - 30 ASAHI's Value Creation Process
 - 32 ASAHI's VISION 2025
 - I. Four Key Strategies
 - II. Three Growth Foundations
 - 38 Creation of Social Value
 - 42 Corporate Governance
 - 44 Directors
 - 46 Risk Management
 - 50 Ten-Year Summary of Key Financial and Non-Financial Indicators
 - 52 ASAHI by the Numbers (Other Non-Financial Information)
 - 54 Corporate Information
-

Editorial Policy

This report contains forward-looking statements determined by management based on information available at the time of publication. Forward-looking statements are subject to risks and uncertainties, and do not assure future business performance. For details and quantitative data concerning financial information (Annual Securities Report and other publications), please visit the company's website.

Reporting Period

Fiscal year ended February 20, 2021 (February 21, 2020 to February 20, 2021)
However, in cases where it would be appropriate to disclose past circumstances or data, or recent case examples, the report shall also cover periods other than the fiscal year ended February 20, 2021.

Our Mission



ASAHI's Mission

We aim to be a company that can contribute
to the people of the world through bicycles.

We aim to create prosperous and satisfying lives for all those
who support and participate in our mission.

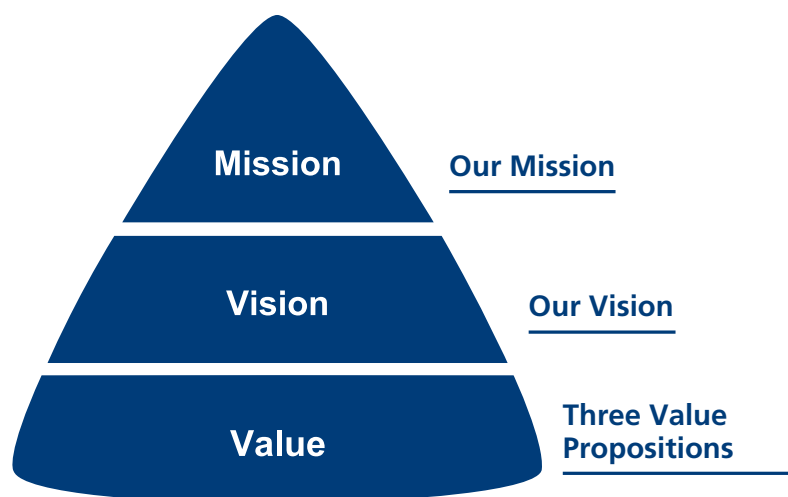
ASAHI CO., LTD. was founded as Asahi Gangu Seisakusho in the present-day Miyakojima-ku, Osaka City, which was formerly part of Asahi-ku, Osaka City, as a manufacturer and wholesaler of wooden slides and rocking horses for children by Mr. and Mrs. Shimoda. The company started out in wholesaling products to department stores and retailers located in central Osaka. They wanted to make children happy with handmade toys. This desire to make people happy remains the foundation of ASAHI's approach to business even today.



Junji and Masa Shimoda

Aiming to Be a Company that Makes a Difference for People All Over the World through Bicycles

Guided by our unchanging corporate philosophy since our founding, we have formulated our Mission, Vision and Values to share our targeted future profile for ASAHI and what kind of value we will provide in an easily understandable manner. Going forward, we will continue to make concerted efforts to contribute to society.



Our Vision

For every ten customers, there are ten different lifestyles with bicycles. As our customers' most reliable partner in their bicycle life, we will always be there for our customers (in any circumstance), stand together with our customers (see things from their viewpoint), and stay with our customers always (throughout their lives). We will transform the bicycle life of each and every customer into a richer and more rewarding experience.

Our Values

We have established three values to pave the way for realizing the targeted future profile described in Our Vision.

Excitement

We will deliver excitement to our customers by offering products and services that surpass their expectations, developing stores that customers will want to visit repeatedly, and inspiring customers to enjoy their lives with bicycles even more than before.

Trust

We will help our customers lead their bicycle life with true peace of mind by offering products with outstanding trust and quality, and assisting them with our staff's excellent customer service, technical skills and knowledge.

Convenience

We will work to eliminate any inconveniences in our customers' bicycle lives without being limited by time or place. We seek to make their bicycle lives even more accessible and convenient.

ASAHI's History

Trends in Net Sales and Number of Stores

(¥ million)

70,000

60,000

50,000

40,000

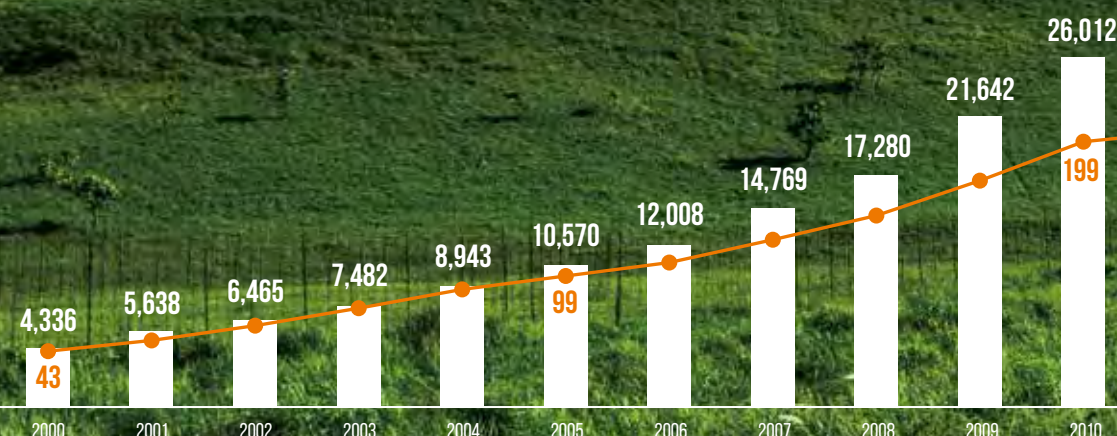
30,000

20,000

10,000

0

The company was founded in Osaka in 1949 as Asahi Gangu Seisakusho, a manufacturer and wholesaler of wooden ride-on toys for children and other toys. In 1975, the company transformed its business model to that of a specialty bicycle retailer. In 1989, we began developing a large-scale bicycle retail chain. In 2004, we successfully listed our shares on the JASDAQ market, becoming the world's first bicycle retail business to achieve a stock listing. Following our designation as a stock listed on the First Section of the Tokyo Stock Exchange in 2007, we accelerated the opening of stores as we improved our integrated framework ranging from planning to the manufacturing, logistics, and sale of bicycles. This framework is based on a so-called SPA business model (specialty store retailer of private-label apparel). As of February 20, 2021, we operate 491 stores across Japan, from Hokkaido in the north to Kagoshima in the south.



How bicycles contributed to society during natural disasters

1995
Great Hanshin-Awaji Earthquake
Bicycles were used to provide disaster relief.

Main Events

1949 Founding

1975 Transformed business model to that of a specialty bicycle retailer

1981 Converted to a pro shop format for bicycles

1989 Began developing a large-scale specialty bicycle store chain

1992 Company name changed to ASAHI CO., LTD.

1996 Started production of private-brand products

1997 Started online sales

2000 Opened its first store in Tokyo

2004 Listed the company's shares on the JASDAQ market

2005 Acquired a logistics facility in Mie Prefecture and established an integrated SPA framework covering planning, manufacturing and retailing

2007 Designated as a stock listed on the First Section of the Tokyo Stock Exchange

2010 Established an overseas subsidiary and opened its first store in China





2011

Great East Japan Earthquake

Bicycles helped stranded commuters and others get home.

2020

Global COVID-19 pandemic

Bicycles served as a new means of transportation that avoids close contact with other people in confined spaces, and as vehicles that helped to alleviate lack of exercise and enhance health.



2011 Completed construction of a logistics facility in Saitama Prefecture

2015

- Formulated the medium-term management plan VISION 2020
- Updated the company's branding strategy

2017

- Started a purchasing service at outlet and reuse specialty stores
- Obtained general sales agency rights in Japan for the Canadian brands LOUIS GARNEAU and GARNEAU
- Set up general sales agency stores in Japan for eight overseas sports cycle parts brands

2018 Launched the company's official app

2019 70th founding anniversary

2021

- Formulated the new medium-term management plan VISION 2025
- Certified as a declared company of the Bicycle Commuting Promotion Company Declaration Project

Message from the President

We remain committed to continuously tackling ceaseless challenges.

Yoshifumi Shimoda
President and
Representative Director



I: ASAHI in Review

ASAHI is a bicycle manufacturing and retailing company whose predecessor was Asahi Gangu, which was founded in 1949.

In our growth process to date, there have been six major turning points.

(1) Transformation of Business Model to that of a Specialty Bicycle Retailer

When it was founded, the company started out as a small toy store on a shopping street. The neighborhood was a very lively place with lots of people. However, a major turning point came in 1975. A large supermarket was built in front of the shopping street. The times had changed. In this new era, the flow of shoppers was diverted from the shopping street to the large supermarket, and small privately run stores could not compete.

However, the supermarket did not provide time- and labor-intensive maintenance services for the products it

sold. Therefore, the toy store focused on bicycles, which it sold in the store alongside other items. Considering the importance of after-sales services for bicycles, it decided to focus solely on selling bicycles.

Store staff would call out to people riding bicycles in front of the store: “May I put some air in your tires?” or “Your bicycle chain is loose!” The store believed that if it could reach out to 3 new customers a day, it could create 1,000 loyal customers every year. Maintaining this belief, it became a community-based bicycle store that was locally loved.

(2) Conversion to a Pro Shop Format for Bicycles

Thereafter, to further leverage its strengths as a privately run store, the store was relocated to Senri New Town in northwest Osaka Prefecture. Senri New Town was one of the Kansai region’s most prominent areas for attracting sports bike enthusiasts. The store converted its business model to a pro shop format carrying

a range of products from ordinary bicycles to highly specialized sports bicycles.

People started to call the new store a “Cycle Base” because cyclists would often gather there. Subsequently, the store developed a thriving business and was successful enough to have its own racing team.

(3) Development of a Large-Scale Specialty Bicycle Store Chain

The sports bicycle business had been growing steadily. However, Japanese society saw the expansion of mass production and mass consumption of inexpensive general bicycles. Consequently, when these bicycles broke down or something was wrong with them, there was a widespread tendency for people to simply throw away their bicycles instead of repairing them.

As bicycle professionals, the company's founders were not pleased with how bicycles were being treated. They wanted to foster a better appreciation of the importance of bicycles among a greater number of general people. That is why the founders decided to leave the pro shop up to the staff, and started developing a chain store operation by opening large-scale specialty stores more than double the size of the personally run stores at the time.

By displaying an abundance of bicycles in stores, the company offered a range of products that customers could see, touch, and check to confirm ride comfort before making their selection. We also wanted to ensure that customers could ride their bicycles safely and comfortably, and provided maintenance services harnessing the knowledge and skills of bicycle professionals. Through these efforts, we conveyed to customers the advantages of bicycles and how they could be enjoyed.

As people started to become inundated with tangible goods in the 1980s, customer needs evolved. Customer preferences shifted to a desire for products that fit their unique, individual styles. As a result, the company's new bicycle store format garnered positive support from numerous customers.

(4) Launch of Our Private Brand —Opening of an Online Shop—

From the 1990s, bicycle factories started to move offshore from Japan to overseas locations, where costs

were lower. Japanese bicycle manufacturers shuttered their businesses one after the other. This trend resulted in an increase in uniform products that were indistinguishable from one another. It became increasingly difficult to keep offering customers the opportunity to enjoy selecting bicycles that fit their needs from among an expansive range of products.

We thought “if that's the case, let's plan our own products,” and in 1996, we visited overseas bicycle manufacturers and started developing private-brand products. Moreover, in the following year, eyeing the future potential of online sales, the company opened the ASAHI Networking Store. We built a website to act as a one-stop shop handling over 15,000 items, including a wide range of bicycles and related supplies.

(5) Stock Listing, Acceleration of Store Network Expansion, and Establishment of an Integrated Framework (SPA) Covering Planning, Manufacturing, and Sales

At the time, the company's business model, featuring large-scale specialty stores with expansive product lineups, affordable private-brand products, and well-developed after-sales maintenance services, was extremely popular. After listing our shares on the JASDAQ market in 2004, we accelerated the expansion of our store network. In the following year, we acquired a large-scale logistics warehouse. With this move, we established an integrated framework based on an SPA business model covering planning, manufacturing, and sales. In 2007, our shares were redesignated to the First Section of the Tokyo Stock Exchange. With the support of numerous customers and other stakeholders, we have continued to increase the number of stores.

(6) Aiming to Create a Culture of Bicycle Enjoyment

We have now started initiatives to create a culture of bicycle enjoyment. As part of these initiatives, we convey to customers what makes bicycles intrinsically attractive in the areas of sports, leisure and fashion, in addition to communicating the traditional advantages of bicycles as a means of transportation and getting around, as we have done before.

Message from the President

II: Summary of the Previous Medium-Term Management Plan

Looking at business performance in the fiscal year ended February 20, 2021 (the 46th business term), in conjunction with the spread of COVID-19, bicycles emerged as vehicles essential to the lives of many people. Bicycles became a new means of transportation that can avoid close contact with other people in confined spaces. They were also used widely to alleviate the lack of exercise and enhance health as people led stay-at-home lifestyles. In this environment, the company's frontline staff and employees worked as one to address the demands of society with a strong sense of purpose.

Due in part to these special circumstances, the company posted net sales of ¥69.4 billion and operating profit of ¥6.8 billion in the fiscal year ended February 20, 2021 (the 46th business term). Both net sales and operating profit marked all-time highs. Over the five-year period of the previous medium-term management plan VISION 2020, which ran through the fiscal year ended February 20, 2021, we achieved the plan's targets, with net sales and operating profit growing 143% and 212%, respectively. While the number of stores opened was below target, the main reason for the shortfall was that we reduced the pace of store openings, considering an increase in construction costs and difficulties in securing personnel amid a tightening labor market.

Summary of the Previous Medium-Term Management Plan

	Fiscal year ended February 20, 2016	Fiscal year ended February 20, 2021		
	Results	Targets	Results	Versus the fiscal year ended February 20, 2016
Net sales	¥48,402 million	¥66,000 million	¥69,456 million	143.5%
Operating profit	¥3,233 million	¥5,500 million	¥6,863 million	212.3%
Number of stores	418	530	491	117.5%

The company's mission is as follows: Bicycles can make a real difference, and it is our goal to help make that difference for people all over the world. Guided by this mission, we have been concentrating on developing human resources. With steady expansion in our store network, we have continued to provide high-quality services. On the product front, we have also improved our development power with a focus on private-brand products. It is precisely because we have enhanced our culture model, which combines the three powers of Attraction of Staff, Attraction of Stores and Attraction of Merchandise, that we have been able to fulfill the demands of society. I believe that these efforts have paved the way for the results we have delivered in the form of record-high net sales and operating profit.

Under VISION 2020, we sought to enable people to enjoy bicycles as more than just a means of transportation. For this reason, we have adopted Shift to Sporty as a theme and have worked to strengthen our hand in the sports field.

We have taken steps such as strengthening our Attraction of Merchandise through the acquisition of the general sales agency rights in Japan to overseas sports brands such as LOUIS GARNEAU and GARNEAU. Sales in the sports category have been increasing by around 10% every fiscal year, and this area has grown into one of the company's mainstay product categories.

We see bicycles as having value not only as vehicles for transportation, but also offering value as a means of enjoying leisure and sports, as well as achieving fashion

and lifestyle goals. Therefore, we are communicating to customers how bicycles can offer these various forms of value and how they can be enjoyed in various ways. By communicating this message far and wide, we believe that ASAHI can generate new demand for bicycles.

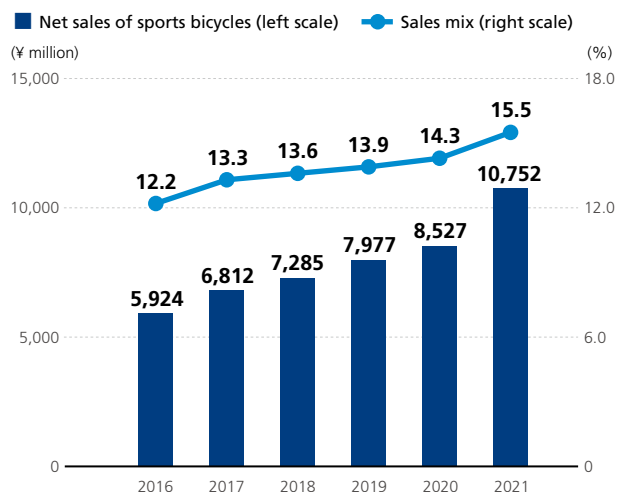
Until now, the company has worked to create the social infrastructure needed for people to enjoy life-styles with bicycles. Going forward, we will seek to provide value to customers and society by creating a culture of bicycle enjoyment. We must aim for further growth by following this course. We have set the company on a new path to the future. In this sense, I believe that we have laid a solid foundation for our next phase of growth under VISION 2020.

III: New Growth Strategy

Aiming to Be an Enterprise that Creates New Value for Bicycles

From the fiscal year ending February 20, 2022 (the 47th business term), ASAHI will launch the new medium-term management plan VISION 2025. Our numerical targets for the fiscal year ending February 20, 2026 (the 51st business term), the plan's final year, are net sales of ¥85.0 billion, 580 stores, and an operating margin of 8.0%. Moreover, to ensure that we achieve our targets, we have established two key themes: FUN TO RIDE BIKES—Experiences, Ties, Empathy and Refinement of Our SPA Business Model.

Trend in Net Sales of Sports Bicycles



Under VISION 2025, we will work on creating a culture of bicycle enjoyment and turn ASAHI into a company that can deliver the value of such a culture in a variety of ways. That is what our first theme, FUN TO RIDE BIKES, is all about.

One major trend that has emerged over the past few years has been the tendency for people to put a premium on the consumption of intangibles, such as enjoying experiences, time, personal relationships and memories, rather than consuming tangible goods. Perceptions about the social value of bicycles are changing dramatically. These changes were embodied



Message from the President

by the enactment of the Act on Promotion of the Use of Bicycles in 2016. At present, progress is being made throughout Japan on both the hard and soft aspects of creating a culture of bicycle enjoyment. We have been making proposals on how bicycles can be enjoyed and their worth in the areas of sports and leisure. We now have a prime opportunity to impart this knowledge to large numbers of people across a broad cross section of society.

Above all, bicycles are environmentally friendly vehicles that do not release CO₂ emissions. They are also helpful to improving people's health. Bicycles can be pedaled at an individual's pace. Bicycle riders can rest whenever they are tired. They can stop anytime in their journey and gaze at the scenery around them.

Japan has spectacular natural scenery, culture, food, hospitality and a variety of other tourism attractions in easily accessible places. I strongly believe that a culture of bicycle enjoyment, where people can easily visit those attractions on their bicycles, will catch on and spread widely. I further believe that such a culture will elevate and enrich the lifestyles of each individual and contribute to the revitalization of communities.

Since 2020, COVID-19 has drastically transformed people's lifestyle habits. You now see a lot of lifestyle changes related to COVID-19 mitigation measures, such as people wearing face coverings and using hand sanitizers. The growing use of bicycles can perhaps also be counted as one of those changes. It will be necessary to adjust our lifestyles to live with COVID-19. In the process, I believe that bicycles will have a significant role to play as a means of transportation that can avoid the Three Cs (closed spaces, crowded places, and close-contact settings), alleviating lack of exercise and stress and recreation.

Seeking to be an enterprise that creates new value for bicycles, we at ASAHI aspire to work together with everyone to create a culture that enables anyone to enjoy their bicycle life easily, safely and with peace of mind.

Our second theme is Refinement of Our SPA Business Model. We will reflect customer feedback in product planning, and vertically integrate functions such as development, production, logistics, sales and services. Through these efforts, we seek to further enhance the new value of bicycles and help realize wholesome and fulfilling lifestyles for customers.

To make that happen, we have established three themes: (1) Enhancement of Digital and IT Platforms, (2) Enhancement and Optimization of Supply Chain Management, and (3) Strengthen branding. We have set up task forces to address each theme and started activities.

1. Enhancement of Digital and IT Platforms

As technological advances accelerate the pace of changes in society, it has become increasingly common to hear the phrase digital transformation (DX). The needs and lifestyles of customers are also in a constant state of flux. In keeping with these changes, we will need to upgrade the company's products and services in a timely manner in response to the needs and lifestyles of our customers.



For the company, DX refers to the continuous creation of functions and structures needed as an organization to continuously provide value to customers and society by leveraging digital technology. DX is only a means to an end; the end is to create value. In the bicycle industry, which has been centered on face-to-face human services, we will strive to grasp changes in the needs and lifestyles of each individual customer, and work to create an organization that can continuously offer highly convenient services without being constrained by time and location and that can provide the new value of bicycle enjoyment. This will be accomplished by integrating digital technology into our operations.

Naturally, it will take time for us to transform ourselves into an enterprise that creates value inventively and autonomously while leveraging digital technology. While securing touchpoints with customers and local communities not only through stores but also online, we will build a platform that can gather detailed data and develop a system that can propose and provide products and services based on the information obtained in the process. By more deeply understanding each customer as we integrate online and offline capabilities, we seek to achieve growth so that we can help realize highly individualized lifestyles for our customers.

2. Enhancement and Optimization of Supply Chain Management

In the fiscal year ended February 20, 2020, the company started a supply chain management (SCM) project. The SCM concept requires us to aim to boost efficiency over a wider scope of operations than just logistics.

Seeing our partners, including suppliers, as one whole organization, we will connect and manage all manner of information in business processes without any boundaries. This will allow us to boost efficiency across our entire logistics operations, through such means as reducing costs and shortening lead times. Concurrently, we will closely coordinate the three business processes of purchasing, inventory management and sales, along with sharing information at a faster pace with partners such as manufacturers, stores and users, and shipping companies. If these measures enable us to make accurate predictions of supply and

demand, we will be able to optimize inventories, production, shipping and delivery based on sales plans.

The hurdles that the company must clear in terms of logistics functions have been increasing every year in step with growing demand for e-commerce driven by lifestyle changes amid the COVID-19 crisis, in addition to technological advances. In this area too, we will harness digital technology and strengthen coordination among stores, company-owned warehouses, and numerous partner companies, which are our strengths. At the same time, we will strive to create trust and sustainable systems that can meet customer expectations and develop the human resources that will make those systems possible.

3. Strengthen Branding

Branding refers to activities undertaken to raise the visibility of a company and its products and give a positive impression of these elements. That said, branding is not necessarily intended for customers only. Besides customers, branding can also target job seekers such as students and those who are changing jobs. There is also branding for employees.

Each of these three forms of branding involves different activities and yields different benefits.

(1) Branding to Strengthen Customer Pull

Branding to strengthen customer pull is the most common form of branding. This type of branding is undertaken targeting customers. The main activities are to communicate the strengths of products and the aspirations embodied by products, in addition to the advantages of the company itself. These branding activities promote wider knowledge of the company, the strengths of its products and the aspirations embodied by those products, thereby encouraging customers to select the company's products. By fostering empathy towards those strengths and aspirations, the company can pull in many more loyal customers. This can also pave the way for continuously generating net sales and profits.

(2) Branding to Strengthen Recruiting Power

Branding to strengthen recruiting power is undertaken targeting students and those who are changing jobs. The main activities are to convey the strengths of our

Message from the President

products and stores, and to explain not only the company's history, but also matters such as our mission, what makes working at ASAHI worthwhile, and our workstyles. These activities allow students and those who are changing jobs to consider whether they will be a good fit with the company in advance. As a result, we can expect to prevent mismatches after recruitment and achieve much greater efficiency in the development of human resources thereafter. In addition, we can establish touchpoints with many students and those who are changing jobs by communicating our strengths and aspirations and raising our visibility.

(3) Branding to Strengthen Organization Power

Branding to strengthen organization power is undertaken targeting employees. The main activities are to share values such as our mission, Our Vision, expected standards of conduct and philosophy with the company's employees. By instilling these values in each employee, we can improve their commitment to customers and job motivation. As a result, these efforts can increase service quality and employee satisfaction, leading to improved customer satisfaction and a decrease in the employee turnover rate. Also, we can foster a sense of solidarity by having employees share their philosophies and what makes their work worthwhile, thereby enabling us to build a stronger organization.

The company's three powers, specifically Attraction of Staff, Attraction of Stores and Attraction of Merchandise, together constitute its culture model. We position this culture model at the foundation of our enterprise. Based

on this foundation, together with a culture model we implement an SPA business model, which is vertically integrated from planning and design through to sales and services, and these models work like two wheels on a bicycle as we seek to become an enterprise that creates new value for bicycles. All employees understand the company's branding and continuously act in accordance with the ASAHI character. They also continue to take steps toward the same goals in the same direction. These efforts have led to the strong sense of solidarity within Team ASAHI.

IV: Strengthen Relationships with Stakeholders under a New Management Structure

Following a resolution passed by the 46th Ordinary General Meeting of Shareholders, ASAHI has transitioned from the structure of a Company with Board of Auditors to a Company with Audit and Supervisory Committee.

With this new structure, the Board of Directors will strive to strengthen audit and supervisory functions, along with holding discussions centered on



medium- and long-term strategies and solving management issues. There will be a separation of roles between the Board of Directors and the business execution organization led by division managers (top management team). I believe this separation of roles will allow ASAHI to realize more flexible and faster management with more effective governance. Moreover, we will pour our energy into nurturing younger people who will serve as the next generation of ASAHI's leaders.

Although our business performance has been steady, I recognize that if we are to reach our goal of becoming an enterprise that creates new value for bicycles, we must strengthen our management structure further. The recent changes in our institutional design are part of the management reforms we need to advance to the next stage.

In addition, under the leadership of the new board members, we will focus on strengthening our relationships with various stakeholders. As a listed company, our most important responsibility to stakeholders is to clearly articulate a medium- and long-term strategy for sustainably increasing our corporate value and to fulfill our responsibility to deliver results based on that strategy.

In this sense, although this may seem straight from the playbook of management theory, I believe that it is crucial that we build relationships of trust by consistently providing timely and appropriate disclosure and paying out appropriate dividends in good faith.

ASAHI is not a company that has changed dramatically in a single year. We are working to increase our corporate value over the long term. Therefore, we kindly ask our stakeholders to offer their continued support from a long-term perspective.

V: Aiming to Become a Company that Can Help Solve Social Issues

Currently, the world needs everyone to undertake activities that will help realize a sustainable society. If the economic, environmental, and social problems that are now coming to the fore are neglected, the world will be unable to function effectively. The company has a responsibility to work to solve such problems through the bicycle business.

Bicycles are the most accessible and cleanest vehicles that do not release any CO₂ emissions, play a key role in

society's transportation infrastructure, and help improve people's health through aerobic exercise. The company believes that promoting its traditional core business will help solve social issues in areas such as the environment and health, paving the way for the realization of a sustainable society. If bicycle riding starts to grow in situations where people previously relied on automobiles, this growth could not only curtail greenhouse gas emissions, but could also help alleviate traffic congestion. Besides the sale of bicycles, we are also advancing 3R (reduce, reuse, and recycle) activities through initiatives such as a bicycle sharing business in collaboration with railroad companies and municipalities, and an outlet and reuse business that purchases and sells pre-owned bicycles that are no longer needed. Furthermore, we contribute to the realization of a sustainable society and the achievement of the SDGs in many other different ways. For example, we reduce the loss of resources through the vertical integration of production, sales and repair activities, and contribute to the local economy by holding cycling tours.

I find it wonderful that we work in the bicycle business, which can help realize a sustainable society. As an enterprise that creates new value, we intend to continue to conduct business aligned with the policies set forth by the SDGs.

The SDGs reflect the worldview that all people across all age groups can lead better lives that fit their individual needs and preferences. Looking ahead, in addition to contributing to the SDGs through corporate business activities as a matter of course, I would like every employee to reaffirm the self-awareness and responsibility that come with contributing to society through their work. Realizing VISION 2025 through the efforts of all employees means that every employee will take ownership of and work toward solving social issues. I would like our employees to take pride in being part of this effort as they continue to make steady strides toward their goals.

May 2021

Yoshifumi Shimoda

President and
Representative Director

Culture Model

The ASAHI character that has shaped ASAHI from the past to now and that will move us into a new future is created when our business (business model) and organization (culture model) influence each other and work together like two wheels on a bicycle.

That ASAHI character has been supported by human resource management for personnel development and become a driving force in the value creation process and our company's character creates customer value and social value unique to our company.



Attraction
of
Merchandise

Attraction
of
Staff

Attraction
of
Stores

**Taking Action from
the Customer's
Standpoint**

Bicycles were once a luxury item, but starting from around 1980, large volumes of cheap imports began to flow in and they became a product that anybody could easily buy. But then, all of a sudden, bicycles became practically disposable, giving rise to social issues such as once cherished bicycles being dumped on roadsides and fostering a tendency for people to buy a new bicycle rather than pay for burdensome repairs. However, bicycles are a form of transport entrusted with people's lives. We need to ensure they are always safe and secure while inspecting, maintaining and repairing them.

ASAHI is committed to creating a culture that values bicycles, while at the same time advancing personnel development by enabling acquisition of a wide range of techniques and expertise, and always being friendly and responding sincerely from the customer's standpoint. This is Attraction of Staff, one part of our culture model.

Since our founding about 70 years ago, we have consistently pursued our principle of taking action from the customer's standpoint and all for customers and our brand personality of sincerity, friendliness, responsiveness and reliability, which is embodied in ASAHI's Attraction of Staff.

We eliminate anxieties before purchases by offering customers appropriate advice tailored to their lifestyles while thinking first of their trust, and strive to build relationships where they can

Capable of communicating the fun and enjoyment of bicycle riding

ASAHI Guide Meister

Capable of safely and securely providing a professional level of assured techniques

ASAHI Technical Meister

Capable of proposing the best bicycle to customers backed by a wealth of expertise and experience

ASAHI Customer Service Meister

easily consult with us after their purchases. We also aim to improve customer satisfaction from the belief of always wanting to be more and more useful for customers, so we introduced the Meister Certification System (internal certification qualifications) and many employees endeavor daily to become a Triple Meister with three Meister qualifications.

Our goal is not simply to sell bicycles. To enable customers to enjoy a colorful bicycle life through their bicycles, we will continue to create various experiences, connections and excitement while remaining ever steady by their side. This is ASAHI's Attraction of Staff, which aims to be a bicycle life partner.



Attraction
of
Merchandise

Attraction
of
Stores

Attraction
of
Staff

Developing Products
that Meet Customer
Expectations

ASAHI's stores have a wide variety of lineups, ranging from small children to seniors, and products that are closely related to each person's life and highly tasteful to make their lives richer.

In addition to offering a full lineup of national-brand products from bicycle manufacturers, ASAHI began planning and developing private-brand products in 1996. We are constantly researching and developing bicycles with new functions to respond to the needs of the times, emphasizing elements that create excitement exceeding customer expectations, such as new discoveries, surprises and enjoyment. Our commitment to quality through uncompromising selection of materials and product development down to the smallest detail means each and every product reflects customer feedback. This connects to ASAHI's Attraction of Merchandise.

To provide customers with exceptionally safe products, we must produce high-quality products.

We have set our own original ASAHI Inspection Standards at a level exceeding the Japanese Industrial Standards and persisted in only producing bicycles that clear that inspection process. In addition, we focus on selling bicycles affixed with a BAA Mark, a mark for safe bicycles approved by the Bicycle Association (Japan) Co., Ltd. The high level of trust of our products is assured by the watchful eyes of bicycle professionals in the supply chain, from materials procurement through to factories, warehouses and stores.

ASAHI's Attraction of Merchandise is backed by Attraction of Staff in the form of employees with a desire to deliver ever better products to customers. We absolutely never compromise on ensuring trust and each and every one of our employees will continue working to even further improve ASAHI's Attraction of Merchandise to enable customers to enjoy a safe and individually tailored bicycle life with a bicycle they love.

ASAHI's Triple Check to Deliver Peace of Mind to Customers

ASAHI bicycles undergo the following three-step check to ensure trust quality.

Factory —————> **Warehouse** —————> **Store**



Check quality based on our own original ASAHI Inspection Standards, which exceed Japanese Industrial Standards



Double-check quality each time a product enters the warehouse



Final check by a Bicycle Trust Engineer/ Bicycle Technician before handing over a bicycle

Suburban Roadside Stores

Large roadside stores with parking spaces
Sales floor space from approx. 400 m²
Rich array of bicycles in all sorts of categories
Attracts customers in a catchment of 3–5 km



Urban Retail Stores

Sales floor space approx. 132–165 m²
Product categories adjusted depending on local demand
Attracts customers in a catchment of 1–2 km



Shopping Mall Stores

Visited by many families, ASAHI's main target, and attracts customers from a wider area than suburban roadside stores



Attraction
of
Stores

Attraction
of
Merchandise

Attraction
of
Staff

**Always Accessible
and Convenient for
Customers**

Stores selling bicycles used to have few bikes on display and very little variety, so it's hard to say they provided the enjoyment of an abundance of choices. From the desire to enable each and every customer to choose the optimum bicycle from a rich lineup, we have rolled out large-scale stores with ample sales floor space capable of displaying a wide variety and many types of bicycles, having launched franchises since 1989.

We don't just keep on increasing the number of large stores, we support customers' cycling lifestyles all over the country by providing places where they can enjoy shopping in comfort. To provide experiences that please customers, we believe it's important to raise the workplace environment satisfaction of store employees, and have expanded while pursuing the standpoint of creating comfortable workplaces. These are Cycle Bases where smiling people gather. This is ASAHI's Attraction of Stores.

ASAHI's Attraction of Stores is constantly evolving to match changes in surrounding environments and customer needs. In addition to expanding openings of standard stores offering all categories and targeting all types of customers throughout Japan, we are bolstering sports specialty stores that can make customized proposals drawing from a wide variety of sports bicycles and electric assist bicycle stores with a rich selection of popular electric assist bicycles for various situations. We are also working on opening stores specializing in specific categories to meet the needs of customers in particular areas. In recent

years, we have opened stores inside popular, large shopping malls and small stores in urban areas with a high population density.

We don't just create sales areas for showing products at each of our stores, we also give details like design, atmosphere and product display the steadfast ASAHI character that is unique to our company and promote lifestyle proposition sales points where customers can easily imagine the fun worldview, experiences and thrills to come after purchasing a product.



ASAHI regards stores as important points for contact with customers. We want our stores to be a place close at hand for customers, where they can visit with ease as many times as they like or rely upon in times of need, and we will continue on in this way as they become not just one of our stores for customers but a Cycle Base for every member of the local community.

Overview of ASAHI's Business Model

ASAHI adopted early on the SPA business model (specialty store retailer of private-label apparel), which is mainstream in the apparel industry. In 2005, we acquired our own logistics warehouses and became the first member of the bicycle industry to build a one-stop business model from planning through to manufacture, logistics and sale. By minimizing waste and loss across the entire supply chain, we could respond to customer needs with a rich product lineup at reasonable sales prices.



For further growth going forward, we will focus on strengthening interdivisional collaboration and aiming to optimize a consistent vertical integration system.

2 Procurement and Manufacturing

Parts are procured from our Chinese factory
Products are assembled and manufactured



ASAHI specifies details such as frame design and architecture, materials, color selection, screws, etc.

**Contribution
to cost
reductions**

**Acceleration of
commercialization
speed**

3 Quality Control

Quality Control Division provides guidance
and management to cooperating factories



Support quality control improvements through strong relationships of trust we have built up over many years with our partner factories

4 Logistics

A multi-base logistics network with two
of our own domestic warehouses as the
main bases



Multiple logistics bases achieve efficient distribution and we have built a delivery network in areas throughout Japan

Human Resource Management Linking Our Culture Model and Business Model

ASAHI character is created when our business model and culture model influence each other and work together like two wheels on a bicycle. Business is propelled by organizations and by people, but hiring talented people and organizing them alone will not automatically turn around to become a business model. Building a culture consistent throughout an organization and implementing a business model will be a driving force that leads to results. That is ASAHI's human resource management.

ASAHI's philosophy regarding human resources is known as our Basic Principles, and forms the basis of our viewpoint regarding scenarios involving people, including daily operations, as well as personnel systems and training and education. We regard these principles as a set of values we will uphold universally through to the future and based on our mission of striving as a company to help bicycles make a difference for people all over the world, all employees, regardless of their position or status, will consistently strive to achieve the ASAHI form.

1. Human Resource Training Initiatives

ASAHI has consistently pursued the principle of taking action from the customer's standpoint and all for customers since our founding about 70 years ago. From now on, too, we will take action from the customer's standpoint, be grateful for customers, act with sincerity and strive for an organization thoroughly imbued with responsiveness.

The Store Division has created a basic curriculum in stages of store operations for all employees and provides training for each stage. We have also created internal certification qualifications such as the Meister Certification System and established a framework to work toward further customer satisfaction improvements.

The Headquarters Division supports training and creates environments where human resources with diverse values, experiences and specializations can

display their respective abilities. Specifically, we provide educational support in such ways as training according to job level, goal-based training tailored to roles and e-learning for self-improvement and the like. From a medium- to long-term standpoint, we strive to develop the next generation of leaders through cross-divisional rotations.

2. Promotion of Diversity and Inclusion

ASAHI sees the gathering of human resources with various careers and acceptance of diversity as an important management strategy to generate innovation, and believes it is necessary to create environments where a rich variety of human resources can thrive regardless of matters such as gender, age, work history or nationality.

As a diversity initiative, we launched the Women's Advancement Team in 2012 to consider environments where female employees could continue working, and companywide efforts have been made to make it easy for all employees to work, to create workplaces where professional and private lives can be fulfilling and to review all types of systems. Then, in 2016, we endeavored to shorten working hours and expand childcare leave for employees raising children, and introduced a system supporting nursery school use.

Later, we set up the Diversity Promotion Team, which continues to engage in diversity efforts, not only for women's advancement, but also to respond



Meister training

to various working styles regardless of age, nationality or disability. Now, we conduct training company-wide to disseminate thoughts and activities about diversity. For example, training on unconscious bias to teach people how to realize they are acting without awareness of their own beliefs and periodic discussions about creating environments where people with disabilities can thrive.



A meeting on diversity

3. Initiatives to Improve Employee Engagement

We periodically issue a company newsletter with the main objectives of sharing and understanding the Our Vision and policies, raising brand awareness and introducing initiatives being carried out by various divisions in the company. We proactively use this newsletter as a communication tool. We have also introduced a career development support system with a plan for career design training, career management training, and career interviews to help each and every individual think about their future career. We published the *ASAHI Work Book* to help employees understand the details of work that other members are in charge of. All employees have highly rated our initiatives to improve engagement. We have also created workplace environments where employees can work with peace of mind and continue to display their abilities and promote detailed health support and counseling.

4. Promotion of Bicycle Commuting

As a business related to bicycles, we recommend using bicycles when commuting as an activity to proactively create social values such as trust, good health and the environment. Each and every one of us proactively using bicycles on a daily basis embodies the value of bicycles. In 2021, we were certified as a declared company of the Bicycle Commuting Promotion Company Declaration Project, which promotes commuting by bicycle.

Rate of bicycle commuting among employees: 51%*

* As of February 20, 2021



5. Creating a Culture of Bicycle Enjoyment

ASAHI declares it is creating a culture of bicycle enjoyment. We enrich and add uniqueness to bicycle life, naturally for our customers but also among ourselves. To enable employees to enjoy bicycles, we have formed in-house clubs (47 clubs*) to encourage interaction among employees in regions throughout Japan and we promote activities to enjoy bicycles together with people from local communities.

* As of February 20, 2021



ASAHI's Value Creation Process

Social Changes and Issues

Domestic Market

- Reduction of bicycle distribution volume
- Expansion of demand for electric assist and sports bicycles

Social Structure

- Change in population structure due to declining birthrate and aging
- Decrease in working population
- Diversity and inclusion

Consumers

- Changing social values (from tangible consumption to intangible consumption)
- Rising health consciousness
- Trust and security

IT Innovation

- Digital transformation (DX)

Environment

- Increasing interest in climate change and environmental issues
- Spread of disease (pandemic)

Management Resources Supporting Growth

Sound Financial Platform

- Capital ¥32.4 billion
- Liabilities ¥12.7 billion
- Long-term borrowings None
- Cash and deposits ¥7.5 billion
- Accounts receivable—trade ¥3.1 billion

Human Capital

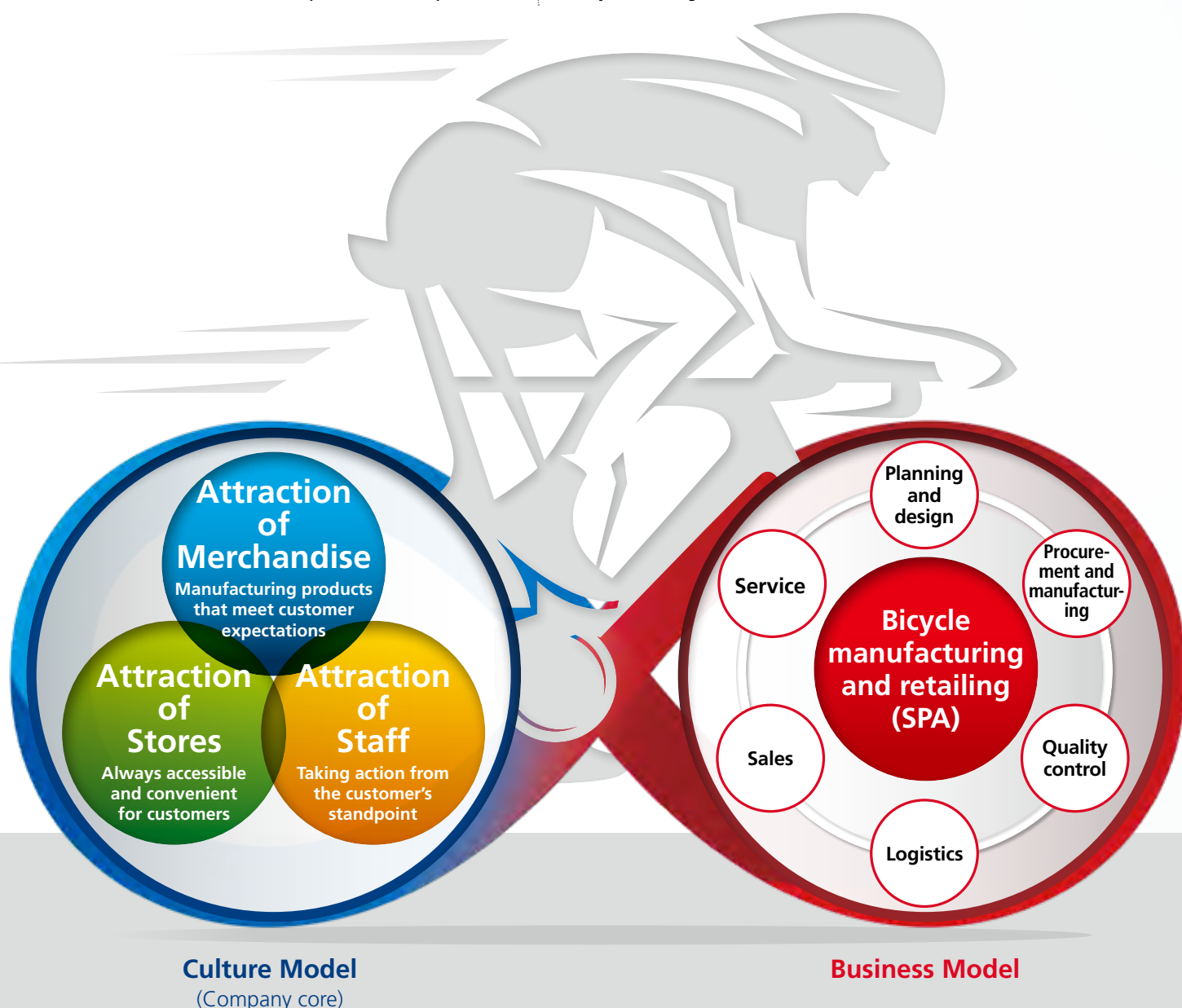
- Employees 5,659 (Personnel costs ¥13.7 billion)
- Customer Service Meisters 95
- Technique Meisters 365
- Guided Tour Meisters 64
- Bicycle Technicians 1,412
- Bicycle Trust Engineers 1,573

Colorful Life Capital

- Buildings ¥8.1 billion
- Land ¥3 billion
- Products ¥11.9 billion
- Equipment and fixtures ¥0.4 billion
- Number of stores 491

Social Capital

- Number of suppliers/Number of handled brands
- Strong pipeline with main domestic suppliers
- Franchise stores 19



Our vision: Color the World

Our mission: We aim to be a company that can contribute to the people of the world through bicycles.

ASAHI, based on our mission that's remained unchanged since our founding, strives for improved corporate value and sustained growth, and contributes to resolving various social issues toward the achievement of a better bicycle life by realizing a customer first philosophy of taking action from the customer's standpoint and all for customers.



Values ASAHI Will Provide by Fiscal 2025

Themes

- ① **FUN TO RIDE BIKES**
—Experiences, Ties, Empathy—
- ② **Refinement of Our SPA Business Model**

Customer Value

Excitement, trust, convenience

- | | | |
|--|---|---|
| 1
Provide products, services and information that exceed customer expectations | 2
Help enhance bicycle life through products equipped with high levels of trust and quality and employee support and technical capabilities | 3
Achieve a convenient and accessible bicycle life by reducing time and place limitations |
|--|---|---|

Economic Value

Numerical targets in VISION 2025
(fiscal year ending February 28, 2026)

Net sales **¥85 billion** Operating income ratio **8.0%**

Social Value

Safety, health and the environment

- | | | |
|--|---|--|
| 1
Realize a safe and secure society with zero bicycle (or traffic) accidents (or casualties) | 2
Realize a healthy society by promoting daily bicycle use and cycling sports | 3
Realize an environmentally friendly society by promoting bicycle use |
|--|---|--|



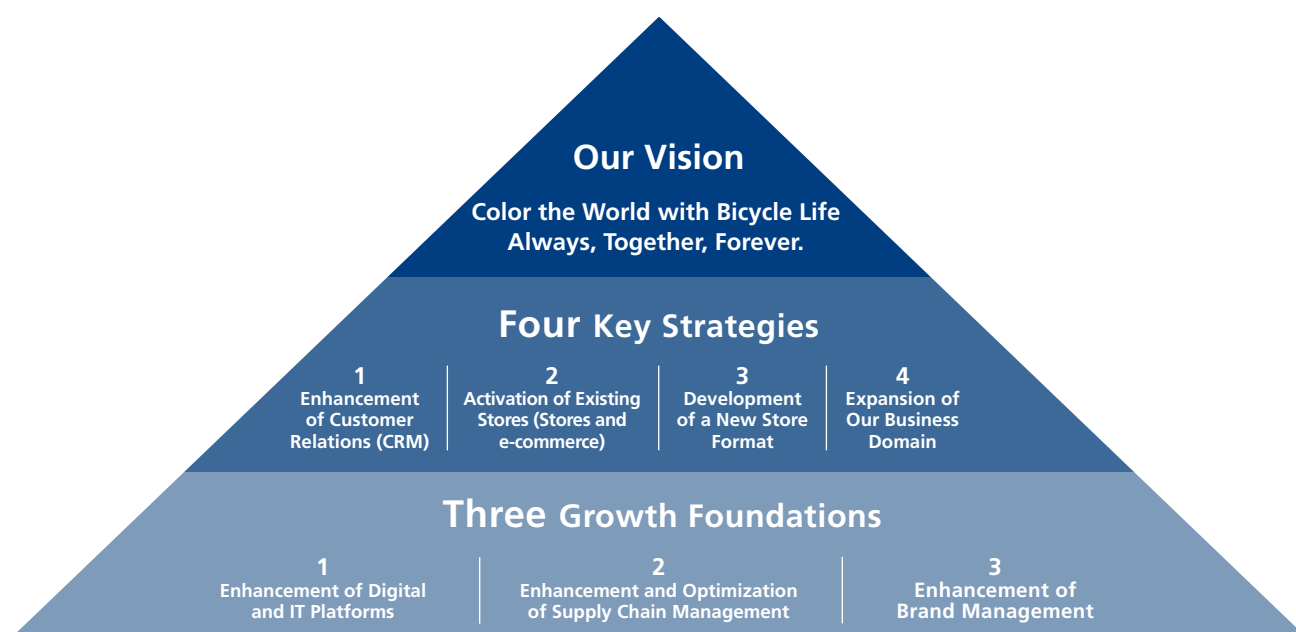
Management Model

A management model that gets deeper as both wheels of culture and business turn, and the human resource management that supports this

with Bicycle Life Always, Together, Forever.

We aim to create prosperous and satisfying lives for all those who support and participate in our mission.

ASAHI's VISION 2025



As an overall image of our new medium-term management plan, VISION 2025, in our climb towards the summit of achieving Our Vision, the plan presents an image of the route we should take (key strategies) and what gear we will need (growth foundations). We refer to this overall image as a “strategic map,” and it comprises our four key strategies and the three growth foundations that must be in place to achieve them.

I. Four Key Strategies

1. Enhancement of Customer Relations (CRM*)

Bicycles are more than simply a means of transportation; they have gained value as a means of adding color to the various individual lifestyles of people who use them.

Furthermore, with the acceleration of digitalization in various fields, a wide range of customers have begun to purchase bicycles online in addition to those who buy in stores.

As this diversification of values and change in lifestyle habits and shopping trends continues to evolve, our business is also going beyond simply selling bicycles. It is providing a starting point for connecting us with our customers at every stage of their lives.

ASAHI has been working to realize its vision of Color the World with Bicycle Life Always, Together, Forever. by providing the value of “convenience,” reducing constraints of time and place on customers as much as possible.

One way in which we are doing this is by shifting to

an omnichannel format that connects real stores and e-commerce, allowing customers to move freely between them. Since 2018, we have revamped our e-commerce platform, including a renewal of our online systems, and steadily expanded our digital services by launching a comprehensive website and an ASAHI app. Through these efforts, we have worked to strengthen our relationship with every customer by continuing to solve issues arising from inconvenience and dissatisfaction related to their bicycle life.

Looking forward, we will make further use of IT and digital technology to create closer links with each customer to support their bicycle life at every life stage. This means not only providing products and services, but promoting events, introducing them to friends, and providing them with spaces. We aim to be a partner and creator of each individual customer's bicycle life.

* Customer relationship management is a management strategy or approach that aims to expand sales and increase profitability by increasing customer satisfaction and loyalty. In some cases, it is also used to mean customer information management, customer relationship building, or simply customer management.

2. Activation of Existing Stores (Stores and E-commerce)

As the use of online shopping progresses, more businesses are adopting an omnichannel format. In this situation, the role of stores is changing from simply being a space for buying products. Now, we need to provide customers with various options, such as using a store as a place for picking up items. With these changes in purchasing behavior among a more diverse customer base, how should stores respond in terms of the customer experience they provide as a place for picking up products? ASAHI is continuing to explore more deeply the best design for the “last mile” with its customers in this era.

(1) Internet Orders with Store Pick-Up

There are some uncertainties involved in the process of purchasing a bicycle entirely online. What can the customer do if a fault occurs after purchase? How should the bicycle be used? How about adjusting the bicycle to fit the rider? Is it expensive to have it delivered? This service is designed to dispel these uncertainties. In addition to a huge lineup of around 5,000 models



on the internet, which cannot be matched by a store, the service offers adjustment and maintenance of the bicycle to suit the body of each rider and gives them access to explanations on proper use and repair at any of the stores in our nationwide network. The development of this service is made possible by the deep knowledge of bicycles and solid technical capabilities of our employees.

(2) Cycle Porter Service



Currently, stores provide delivery of bicycles as part of their services. However, the number of delivery service providers handling bicycles is expected to continue decreasing and delivery fees to continue rising, while demand for deliveries is expected to increase, not only for bicycles but for the overall retail sector in general. In response to this situation, ASAHI has built its own delivery infrastructure for products purchased online to meet the needs of customers who want to have bicycles delivered to their homes.

(3) Need for Store Management Rooted in the Local Community

As the diversification of values, lifestyle habits, and shopping trends continues to evolve, we will promote the development of stores with close ties to local communities, which will be able to offer finely tuned proposals and product lineups that are deeply rooted in the daily lifestyles of their respective communities. To realize this, we are aiming for something in the vein of a local family doctor, one who has a deep knowledge of customers' characteristics, desires, and the condition of their bicycles. This requires the development of specialists in each of the fields of customer service, technician services, and tour guiding who are able to offer not only the joy of choosing a bicycle and safe, secure delivery, but in addition to the product itself, provide experiences, connections, and excitement. Through its Meister Certification System*, ASAHI is also focusing on developing personnel as bicycle life partners, providing consultation to customers on all aspects of bicycle ownership. By accurately grasping the needs of each area and each customer, we will increase the chance of customers visiting our stores and becoming fans. This will give birth to a

ASAHI's VISION 2025

community of people who love the bicycle life, centered on Cycle Base Asahi. We will also contribute to the creation of this kind of local community.

* Meister Certification System: An internal certification system designed to develop bicycle professionals. There are three categories of certification: Guide Meister, Technical Meister, and Customer Service Meister.

3. Development of a New Store Format

ASAHI has developed a nationwide chain of large-format specialty bicycle stores known as Cycle Base Asahi, primarily suburban-type stores (sales floor area of 330–661 m², with car parking). Recent population trends show a shift back from suburban to urban areas. Urban areas have a lower rate of bicycle ownership than suburban areas, and there appears to be a significant aspect of reliance on developed public transportation systems. However, urban areas are expected to see sustainable demand because they have a high need for the mobility offered by bicycles as a means for transportation and are more resilient to the impacts of the



falling birthrate and population aging. On the other hand, owner-operator bicycle stores in urban areas often close due to the lack of a successor, and we have been considering how we might address the issues encountered by many bicycle users as a result. The result of our deliberation was the opening of Cycle Base Asahi Kamiochiai, the first of our new urban-type stores, in Tokyo's Shinjuku Ward on August 6, 2020.

The urban-type stores are based on a sales floor area of 165–265 m², without car parking, in line with urban conditions where it is difficult to open a large-format store. The stores make use of product

displays and digital signage attuned to local demand and integrate online services such as internet orders with store pick-up and our maintenance reservation system, aiming to provide the same level of customer satisfaction as large-format stores. Looking ahead, major challenges to be addressed for further development of urban-type stores include high store rental costs, restricted inventory due to small floor area, and product supply systems. As our strategy for sustainable business growth going forward, we will develop an urban-type prototype (retail store revenue model) through repeated trials and press forward with the development and opening of new styles for stores in addition to the large-format, suburban-type stores, such as small-format, urban-type stores.

4. Expansion of Our Business Domain

(1) Strengthening the Wholesale Business to Help Stimulate the Bicycle Industry

In the bicycle industry today, the number of manufacturers who plan, develop, and produce bicycles is dwindling. In addition, the number of retail store closures is increasing due to intensifying competition from home centers and online retailers and the aging of store owner-operators. As a result, the number of customers who face difficulties getting their bicycle maintained to ensure safe, secure cycling is growing year by year.

ASAHI has over 490 stores nationwide, providing bicycle inspection, maintenance, and repair, among other services. Moreover, we have been advancing specification, development, and sales of private-brand products, adopting the SPA business model (specialty store retailer of private-label apparel) for bicycles. In 2017, we acquired general sales agency rights in Japan for LOUIS GARNEAU, GARNEAU, and related brands. We have been developing an extensive product lineup ranging from children's to general bicycles, as well as high-performance products such as electric assist and sports bicycles. This enables us to propose a bicycle life to suit every life stage from children to seniors.

We provide our diverse products, services, and expertise not only to our directly operated stores, but also to regional sales agents and general companies, government offices, and schools to meet their respective needs.

In this way, we seek to make a better environment for everyone to use bicycles safely and securely, and ultimately to contribute to the stimulation of the overall bicycle industry.

ASAHI also offers the following support services in its support system.

■ Product Support

We provide low-cost yet high-quality ASahi products through our proprietary development management system.

(* Certain products cannot be supplied)

■ Marketing Support

We propose sales methods tailored to the local areas of our business partners and nationwide product trends based on sales data from all ASahi stores.

■ Logistics Support

Business partners can utilize ASahi's large-scale logistics warehouses and nationwide delivery network.

(2) FUN TO RIDE BIKES

—Experiences, Ties, Empathy

We have adopted the theme of FUN TO RIDE BIKES—Experiences, Ties, Empathy aiming to deepen our involvement from the level of selling bicycles and enjoying bicycles to that of providing various customer experiences through bicycles and evolving from the provision of products to the provision of experiences.



Shodo Island Cycling Tour

We added “tour business” to our Articles of Incorporation in 2018, aiming to create a culture of bicycle enjoyment. Since then, we have planned and operated over 100 cycle tours a year, from one-day cycling tours in each area to Shodo Island Cycling, Lake Biwa Shoreline Cycling, and Shimanami Kaido Cycling.

Our cycling tours are led by staff who have acquired the Guide Meister internal qualification, who communicate the joy of riding a bicycle and ways to have fun to customers. The tours are open to a wide range of participants from beginners to experienced cyclists and have drawn attention from many quarters as an event that is healthy and nature friendly. In 2020, we launched a general information website about bicycles called Chiririn, through which we provide various information about cycling tours and rental bicycles to people who want to start riding, have an interest in cycling, or want to enjoy cycling even more.



Furthermore, in 2020, we reformed our in-house cycling team, MiNERVA-asahi, after a temporary hiatus in activity. The team is made up of employees who are training while working at ASahi. The appearance of these athletes competing in races while working will inspire many people, allowing them to understand the thrill of competing and experience it for themselves. This will cause a chain reaction by inspiring even more people, leading them to compete in turn. While working to develop cycle sports, the team also aims to build bridges between people in different areas in the future, contributing to local communities in various ways such as traffic trust classes, awareness-raising activities, and the development of junior athletes.

MiNERVA-asahi's activities symbolize our desire to widen and support the range of our activities, extending it to the provision of experiences, connections, and excitement to help people realize richly individual lives and lifestyles through bicycles.

II. Three Growth Foundations

1. Enhancement of Digital and IT Platforms

Over the past few years, changes in society have reached an unprecedented scale, and the pace of change continues to accelerate. One of the factors that is having a significant impact on social change is the existence of digital technology.

Digital technology has brought innovation allowing people to communicate anytime, anywhere, with anybody, across the constraints of time and space. A company's survival depends on its ability to use this innovation to deliver customer value and social value as a tool for increasing corporate value. The term digital transformation (DX) was coined to describe this wave of digital innovation. Companies are now required to generate new value through DX.

ASAHI aims to strengthen its digital and IT platforms, which are its foundation and the heart of its foundation for growth. We will optimize supply chain management (SCM), omnichannel, and so forth, using data from all areas of our business, including customer contact points, provided services, and internal operations to drive better customer experiences and stronger customer relationships. By providing services and delivering information that are finely tuned to the needs of each individual, we will maintain good relationships with our customers over the long term.

In addition, we are working towards expanding our business areas by continuing to strengthen data governance, revamp our backbone systems, promote visualization of management information and build a common platform to support our service business. With these initiatives, we aim to achieve faster, more accurate decision-making by management, and to realize increased earning capability and internal operations reforms in our businesses.

2. Enhancement and Optimization of Supply Chain Management

Strengthening and optimizing our logistics functions will play an important role in further embedding the SPA business model. Looking ahead, we will work systematically to strengthen our logistics functions, starting with the following points.



(1) Creating Efficient and Comfortable Workplace Environments

We will create workplace environments that are safe and secure, as well as efficient and comfortable. At the same time, we will focus on human resource development, for example by supporting the acquisition of specialist knowledge through group training and our internal certification system.

(2) Enhancing Work Quality

We revised our warehouse layouts and operating procedures through *kaizen* activities and so forth. We are also promoting the introduction of material handling equipment and other measures to improve operating efficiency and reduce labor with the goal of enhancing work quality.

(3) Increasing Customer Satisfaction (Service Quality)

Tightening management of delivery deadlines, shortening lead times, and building systems to enable efficient transport and shipping will contribute to improving service quality for customers.

(4) Comprehensive Logistics Management

We will build an optimal logistics network that can cope flexibly with an increase in the volume of goods, while strengthening our integrated SCM* system,

which covers everything from procurement of parts to logistics, sales, and services.

* Supply chain management: A management method that comprehensively reviews the flow of a sector from suppliers to consumers, streamlining and optimizing the entire process.

3. Strengthen Branding

We are striving to strengthen branding based on the theme expressed in Our Vision: Color the World with Bicycle Life Always, Together, Forever. With various brands and value on offer in society today, consistent branding at contact points for stakeholders, such as stores, customer service, and products, is important for us to continue to play an essential role in society as the preferred choice of customers. Moreover, to provide our distinctive customer value and social value, the experience of the employees that generate this value is also important. Therefore, our branding activities are focused on three core elements: (1) creating advanced value unique to ASAHI, (2) transforming internal awareness and behavior (inner branding), and (3) enhancing our external communication capability (outer branding). We will work to strengthen overall brand management for the entire company by achieving these three elements.

(1) Creating Advanced Value Unique to ASAHI

As new sales channels such as internet sales expand, the greatest strength of the company's core brick-and-mortar stores lies in their ability to deliver correct information, services, and experiences at the appropriate timing, not only at the point of sale, but also after the purchase and through inspection and maintenance services during use. Rather than letting the sale be the final step, we aim to create closer links with customers as a bicycle life partner at every life stage, continuing to provide customer value in the form of excitement, trust, and convenience, as well as social value in the form of trust, health, and the environment. We believe this is the shared value that ASAHI should provide.

(2) Transforming Internal Awareness and Behavior

The awareness and behavior that are unique to ASAHI comprise four aspects of our brand personality: sincerity,

friendliness, responsiveness, and reliability. At every point of contact with society and customers, all of our employees make sure to consider the other person's position and keep an attitude that is sincere and approachable. To make sure that we are recognized as a reliable company through our attention to detail and



(A branding meeting)

care, we work to promote an organizational culture—our identity—that encourages each employee to take responsibility with an awareness that they are representing ASAHI.

(3) Enhancing Our External Communication Capability

ASAHI is recognized as a bicycle sales chain. However, its activities cover diverse aspects ranging from planning of bicycles to procurement, production, logistics, sales, and service. We carry numerous well-established brands, as well as a well-stocked lineup of our private brand, which represents high-performance at an affordable price, reflecting customer feedback. Moreover, in addition to providing the bicycle itself, we strive to promote enjoyment of an individually self-expressive lifestyle through cycling by actively providing information on various events and proposing and providing opportunities to have experiences. This is the meaning of our theme: FUN TO RIDE BIKES—Experiences, Ties, Empathy.

We will continue to communicate our aspiration to serve as the most reliable Cycle Base for everyone, as a bicycle life partner so that each individual can color their world with bicycle life always, together, forever.

Creation of Social Value

VISION 2025 does more than provide customers with the values of excitement, trust and convenience.

Amid ongoing issues such as global warming and the spread of infectious diseases, it addresses what ASAHI can and must do to realize a society in which all people across all age groups can lead better lives that fit their individual needs and preference.

VISION 2025 is also our declaration to fulfill our roles and responsibilities by creating social value through bicycles to realize a sustainable society based on the three aspects of trust, health and environment.



1. Realize a Safe and Secure Society with Zero Bicycle (or Traffic) Accidents (or Casualties)

Because bicycles are vehicles that do not require licenses and can easily be enjoyed by anyone, there is a risk of being involved in sudden accidents when one does not understand or follow the rules while riding. On the other hand, bicycles are also vehicles that allow one to enjoy a brisk and pleasant ride safely and securely if traffic rules are understood and obeyed.

At ASAHI, we believe it is our responsibility to realize a safe and secure society free of bicycle accidents as a leading company in the bicycle



Children's Bicycle School now in session

industry. As one initiative toward that goal, we are working proactively on activities so that all people who ride bicycles remember how to ride and remain aware of traffic rules.

With the goal of completely eliminating traffic accidents caused by bicycles, we have carried out activities such as informing people about traffic rules through websites that explain the five rules of safe

bicycle riding, hosting bicycle riding instructional sessions more than 100 times annually, recommending helmet use, and issuing guides for commuting to work by bicycle. Going forward, we will continue to proactively carry out initiatives to improve each individual's trust awareness.

There is no inspection system for bicycles like there is for vehicles. That is why periodic inspection, maintenance and repairs are indispensable to continuing the safe and secure use of bicycles and preventing accidents. In actuality, many traffic accidents are caused by improper inspection and repair.



In order to prevent these types of accidents, we recommend highly safe products to customers when purchasing bicycles,

and carry out careful inspections and repairs of each component. In addition, we provide instructions for periodic inspection and repairs after bicycles are purchased, since they are necessary to ensure trust and security.

To realize these goals, we at ASAHI concentrate efforts on sales of bicycles affixed with the BAA Mark, a mark for safe and secure bicycles approved by Bicycle Association (Japan) Co., Ltd. Meanwhile, we dispatch employees with official certifications (Bicycle Trust Engineers and Bicycle Technicians), who possess immense knowledge and advanced skills related to inspection and repairs, to each store location and continue initiatives to guarantee customers a safe and secure ride.

2. Health: Realize a Healthy Society by Promoting Daily Bicycle Use and Cycling Sports

In Japan, which is turning into a super-aging society, measures to prevent lifestyle diseases and elderly people from becoming bedridden are emerging as urgent tasks. Additionally, the state of decline in basic



athletic abilities among children, who will lead the future, is also a cause for concern.

The realization of a healthy society through promotion of bicycle use in daily life and popularization of cycle sports is being viewed as one solution to these problems.

One benefit to bicycles is that they do not put much strain on feet and knees in comparison to jogging and running, so even people who do not exercise regularly can start with minimal risk of injury. Still, because



Creation of Social Value



bicycling is an aerobic exercise that engages the entire body, it aids in enhancing cardiorespiratory functions, increasing muscle strength and dieting, as well as prevents lifestyle diseases such as diabetes and supports mental health, and can therefore be expected to extend healthy lifespans.

The social value of bicycle use is also increasing through common awareness of avoiding the Three Cs (closed spaces, crowded places, and close-contact settings) as countermeasures against the spread of COVID-19, and many people are using bicycles more and more. Opportunities to ride bicycles appear to be increasing for reasons such as resolving a lack of exercise, avoiding the congestion of crowded trains, and running errands in the neighborhood as more time is being spent at home, so bicycles are being used actively not only to avoid the congestion of crowds, but also to resolve a lack of exercise brought on by remote work and for outdoor playtime for children. Additionally, there is a growing number of people who use bicycles for things like casual

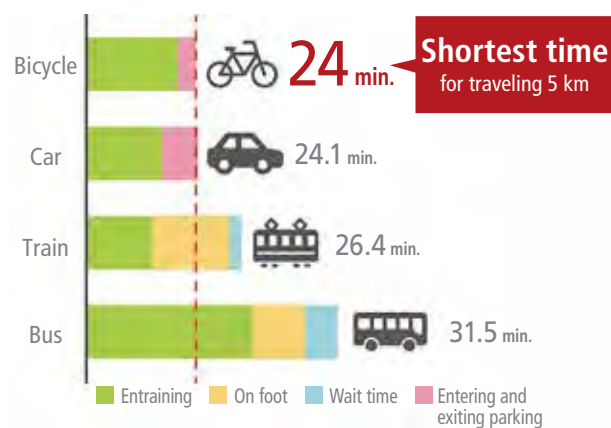
food tourism, outdoor camping, and riding events where they can enjoy nature.

Bicycles have the value of protecting sound mental and physical health, which is most important for individuals to realize a plentiful life. ASAHI has a responsibility to help realize a healthy society through bicycles. We believe that working to promote bicycle use based on Our Vision of Color the World with Bicycle Life Always, Together, Forever will lead to the realization of a bicycle life for each individual and a healthy society, and we will continue to advance these initiatives.



3. Environment: Realize an Environmentally Friendly Society by Promoting Bicycle Use

Bicycles do not have engines and do not require fuel to operate. As clean vehicles that do not produce any greenhouse gases, which cause global warming, and are capable of traveling distances of 2–5 km in less time than cars, bicycles possess excellent traits as a method of transportation. When used in place of cars, bicycles effectively reduce greenhouse gases expelled by cars and used during fuel production and alleviate traffic congestion.



Using a bicycle for commuting to work or school or for shopping is an important activity for each individual to fulfill a role in realizing an environmentally friendly society. For instance, data shows that if a



person commutes 15 km one way (30 km round trip) by bicycle for 40 years from the age of 20 to retirement, they can reduce the amount of CO₂ emissions by 50 tons in comparison to using a car.

Since bicycles are also easy to maneuver and can be brought to a stop without any effort, they enliven interactions with other people and nature, and protect the precious natural environment from the destruction caused by greenhouse gases.

We believe it is necessary to leverage the various benefits of bicycles to pass along to the next generation an environment in which not only human beings but all organisms on Earth can coexist, and that we bear a tremendous responsibility to accomplish this.

We, at ASAHI, strive to promote further use of bicycles as a form of mobility indispensable to a future society that is low-carbon, harmonious with nature, and recycling-oriented. At the same time, we will fulfill our roles and responsibilities to realize an environmentally friendly society through bicycles while working actively on more efficient shipment and delivery of bicycles as well as development of a cycle of recycling, reusing and sharing.



Corporate Governance

Basic Philosophy

We believe that enhancement of corporate governance is indispensable to continually improving corporate value and maintaining and guaranteeing appropriate business activities, and are taking steps to periodically evaluate, reinforce and build a corporate governance structure.

Furthermore, based on a resolution at the 46th Ordinary General Meeting of Shareholders held on May 15, 2021, ASAHI transitioned from a Company with Board of Auditors to a Company with Audit & Supervisory Committee.

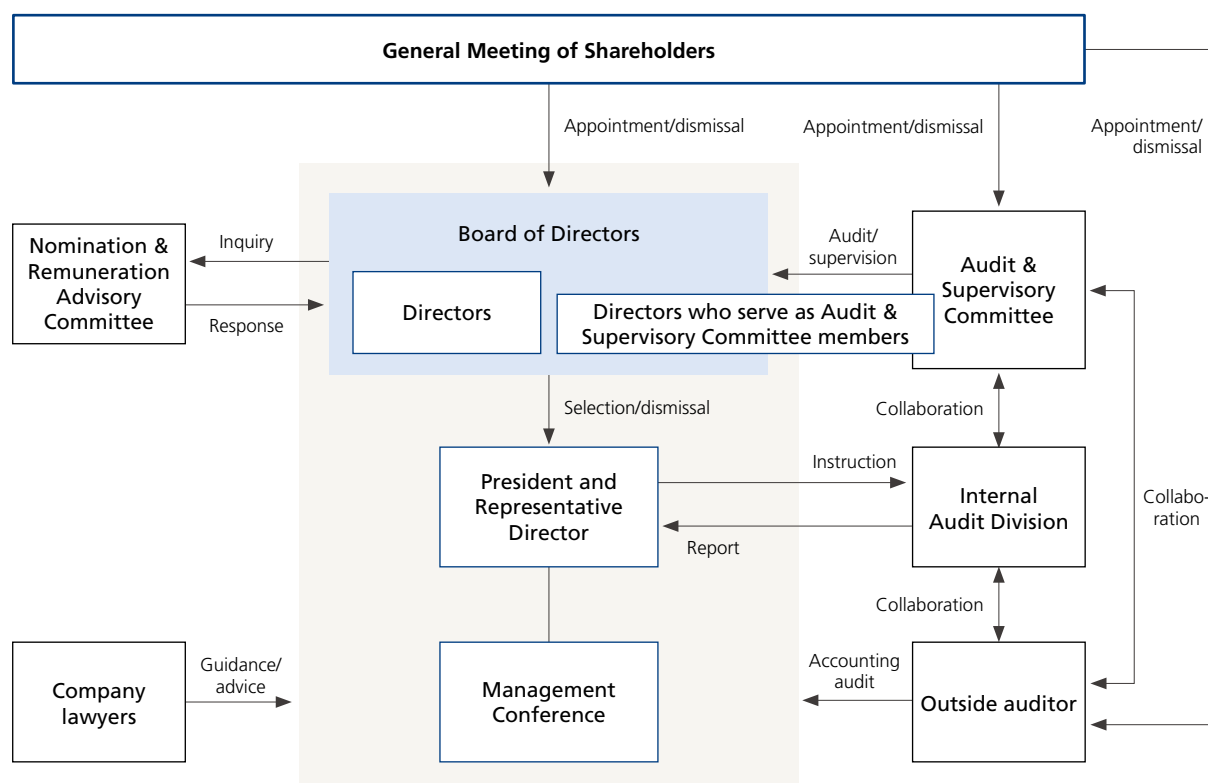
(a) Looking toward the future, we will separate supervision of management and execution of duties, focus on a so-called monitoring-type Board of Directors, and strengthen the supervision of management.

(b) We will entrust a portion of decision-making regarding critical business execution to directors, and strive to accelerate business development as well as management of duties.

(c) We will enhance our audit system. The Audit & Supervisory Committee, outside auditor and Internal Audit Division will collaborate closely to increase the transparency and fairness of management.

(d) We will conduct timely and fair disclosure of information regarding management and proactively fulfill our accountability obligations in order to develop smooth relationships with stakeholders and gain society's trust in our sound management.

Organizational Chart



Execution of Duties and Audit and Supervisory Functions

The company's Board of Directors is comprised of executive directors well-versed in business dynamics and operations who possess in-depth knowledge, experience, and abilities, and independent outside directors with abundant experience, deep insight, etc. regarding matters such as corporate management and highly specialized professions who present no conflicts of interest with general shareholders. Candidates are selected based on an overall balance of knowledge, experience, and abilities and diversity within the Board of Directors is ensured.

The current Board of Directors consists of a total of seven directors: four directors (excluding directors who serve as Audit & Supervisory Committee members) and three directors who serve as Audit & Supervisory Committee members (of which, three are outside directors). Board of Directors meetings are held once per month as the body that supervises the execution of directors' duties and makes decisions related to business operation focused on basic management matters, and ad-hoc meetings are held flexibly as needed.

Furthermore, the company has established a Management Conference, which is comprised of executive directors, directors who serve as full-time Audit & Supervisory Committee members and managers of each

department, to discuss important matters related to management and report on the status of execution of duties by each department.

The Audit & Supervisory Committee is made up of three directors who serve as Audit & Supervisory Committee members (of which, three are outside directors). Audit & Supervisory Committee meetings are held once per month as the body that performs tasks such as conducting audit and drafting reports on the execution of directors' duties. In addition, the committee periodically meets with the President and Representative Director, expresses opinions and exchanges information regarding important issues related to audits, etc.

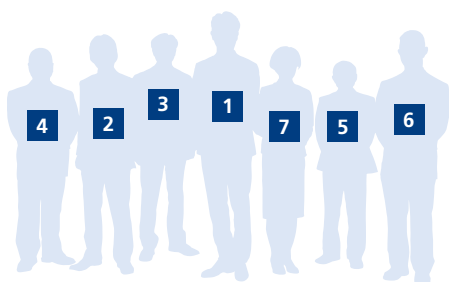
Directors who serve as Audit & Supervisory Committee members attend important meetings, such as the Board of Directors meeting, in order to conduct rational and efficient audits of operations, and examine the status of execution of duties by directors (excluding directors who serve as Audit & Supervisory Committee members). At the same time, they strive for close collaboration with the Internal Audit Division and exchange opinions, etc. By maintaining collaboration with the outside auditor, these directors work to ensure the success of their own audits while guaranteeing the efficiency of audits and supervision.

Executive Remuneration

The company establishes a Nomination & Remuneration Advisory Committee with the objective of further enhancing corporate governance by improving the transparency and objectivity of procedures related to decisions regarding the nomination and remuneration of directors. The Nomination & Remuneration Advisory Committee is composed of three or more committee members, the majority of whom are independent outside directors, appointed through a resolution of the Board of Directors. The committee deliberates on issues such as decisions about candidates for directors, selection and dismissal of the President and Representative Director, and remuneration of directors (excluding directors who serve as Audit & Supervisory Committee members).

Distribution of individual remuneration for directors (excluding directors who serve as Audit & Supervisory Committee members) is calculated within a limited range of remuneration for this group approved at the General Meeting of Shareholders, and is decided by the Board of Directors after deliberation by the Nomination & Remuneration Advisory Committee, which entails a comprehensive assessment that takes into consideration position, responsibilities, and degree of contribution to results as well as company results and employee salary. Individual remuneration for directors who serve as Audit & Supervisory Committee members is calculated within a limited range of remuneration for this group, and determined through consultation with the directors who serve as Audit & Supervisory Committee members.

Directors



1 Yoshifumi Shimoda
President and Representative Director

2 Motoi Mochizuki
Executive Vice President

4 Shigeru Mori
Director

6 Takashi Kanda
Outside Director (Audit & Supervisory Committee Member)

3 Shiro Nishioka
Director

5 Koichi Nishimura
Outside Director (Full-Time Audit & Supervisory Committee Member)

7 Atsuko Suzuki
Outside Director (Audit & Supervisory Committee Member)



Yoshifumi Shimoda
President and Representative Director

April 1994	Joined ASAHI
January 1999	Product Department Manager
May 2006	Director and Manager, Product Department
February 2008	Director; Manager, Product Headquarters; and Manager, Product Department
May 2008	Senior Managing Director and Manager, Product Headquarters
March 2010	Executive Director and General Manager at Asahi (Beijing) Bicycle Trading Co., Ltd. (current)
May 2012	President and Representative Director (current)



Motoi Mochizuki

Executive Vice President

April 1982 Joined Bridgestone Corporation
 September 2012 Vice President and Officer, Performance Film and Electro-Material Business Division at Bridgestone Corporation
 September 2014 Vice President and Senior Officer Responsible for Chemical Business and Chemical Product Sales at Bridgestone Corporation
 July 2018 Executive Vice President and Representative Board Member at Bridgestone Cycle Corporation (transferred)
 October 2018 Representative Director at Bridgestone Cycle Corporation
 January 2019 CEO and Representative Executive Officer at Bridgestone Sports Co., Ltd. (concurrent position)
 September 2019 Representative Director and Chairman of the Board at Bridgestone Cycle Corporation
 June 2020 Chairman of the Board at Bridgestone Cycle Corporation (retired)
 July 2020 Part-Time Advisor at Bridgestone Sports Co., Ltd.
 April 2021 Part-Time Advisor at Bridgestone Sports Co., Ltd. (retired)
 May 2021 Joined ASAHI as Executive Vice President (current)



Koichi Nishimura

Outside Director
 (Full-Time Audit & Supervisory Committee Member)

April 1971 Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)
 August 1994 Manager, Accounting Department at Nara Matsushita Industrial Equipment Co., Ltd. (temporary assignment)
 April 2001 Head Office Audit Group at Matsushita Industrial System Co., Ltd. (temporary assignment)
 February 2005 General Manager, General Affairs, Hokkaido Branch at Matsushita Industrial System Co., Ltd. (temporary assignment)
 September 2005 Left Matsushita Electric Industrial Co., Ltd.
 May 2008 Joined ASAHI as Full-Time Auditor
 March 2010 Auditor at Asahi (Beijing) Bicycle Trading Co., Ltd. (current)
 May 2021 Outside Director (Full-Time Audit & Supervisory Committee Member) (current)



Shiro Nishioka

Director

November 1989 Joined TOKYO LEGAL MIND, K.K.
 October 1995 Joined Osaka City Dome Co., Ltd.
 May 2004 Joined FirstServer, Inc. (currently IDC Frontier Inc.)
 January 2009 Joined ASAHI as Manager, General Affairs Department
 May 2010 Director and Manager, General Affairs Department
 May 2020 Director (current)



Takashi Kanda

Outside Director
 (Audit & Supervisory Committee Member)

October 1999 Passed the bar exam
 April 2000 Entered the Legal Training and Research Institute of Japan
 September 2001 Completed the judicial training course (54th session)
 October 2001 Joined the Osaka Bar Association Registered Law Office of Okumura, Hori and Nakado (currently Eichi Law Offices)
 March 2006 Appointed as Employee Attorney at Shinsaibashi Partners (current)
 July 2011 Registered with the Tokyo Bar Association
 May 2013 Joined ASAHI as Auditor
 May 2021 Outside Director (Audit & Supervisory Committee Member) (current)



Shigeru Mori

Director

April 1983 Joined Sumitomo Metal Industries, Ltd. (currently Nippon Steel Corporation)
 February 2002 Joined FirstServer, Inc. (currently IDC Frontier Inc.)
 June 2004 Director and Manager, Administrative Department at FirstServer, Inc.
 November 2008 Joined Sumitomo Machinery Corporation (currently BENKAN KIKOH Corporation)
 June 2011 Director and Manager, Administrative Department at Sumitomo Machinery Corporation
 August 2016 Director (retired), Executive Officer at Sumitomo Machinery Corporation
 September 2020 Joined ASAHI as Assistant Manager, Accounting Department
 May 2021 Director (current)



Atsuko Suzuki

Outside Director
 (Audit & Supervisory Committee Member)

April 1986 Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)
 April 2008 Director and Manager, CSR Office at Matsushita Electric Industrial Co., Ltd. (left in December 2014)
 April 2010 Outside Director and Auditor at Nara Women's University (retired in December 2012)
 January 2015 Joined ASAHI BREWERIES, LTD.
 April 2015 Manager, Social Environment Department at ASAHI BREWERIES, LTD.
 October 2015 Manager of the Sustainability Promotion Section, Olympic/Paralympic Promotion Headquarters at ASAHI BREWERIES, LTD. (concurrent position)
 April 2017 Director and General Manager, CSR Division at Asahi Group Holdings, Ltd.
 May 2019 Left ASAHI BREWERIES, LTD.
 May 2020 Joined ASAHI as Outside Director
 June 2020 Outside Director at YAMAZEN CORPORATION (current)
 March 2021 External Audit & Supervisory Board Member at Lion Corporation (current)
 May 2021 Outside Director (Audit & Supervisory Committee Member) (current)

Risk Management

Business Risks

(1) Store Opening Policy

(a) Store Development through Directly Managed Stores

Store development through directly managed stores offers the following merits.

- Company management policy, measures, and so forth can be implemented rapidly and properly.
- Store management can be implemented easily and flexibly.
- Store openings, closings, relocations, and so forth can be implemented with agility.

These merits are counterbalanced by the following risks.

- Bearing the costs such as store opening expenses and personnel expenses is a significant risk.
- There is a risk that the company's financial position and operating results could be impacted if it is unable to open stores as planned.
- Directly operated stores are basically opened on leased premises, and guarantees and construction assistance fund receivables are deposited with the lessor when the contract for the store premises is made. The balance of guarantee deposits as of the end of the fiscal year under review is ¥5,105,842 thousand (11.3% of total assets), and the balance of construction assistance fund receivables is ¥1,078,175 thousand (2.4% of total assets). The guarantee deposits are returned in accordance with the contract when the lease contract is cancelled due to expiration of the lease term or the like. There is a risk that these guarantee deposits and construction assistance fund receivables may become partially or totally unrecoverable if an unexpected event were to occur, such as the financial collapse of the lessor.
- If the company cancels a leased property contract before the expiration of the lease term set forth in the contract, there is a risk that the company would be obliged to pay a penalty in accordance with the contract.

The company strives to open stores in carefully selected properties, giving overall consideration to the commercial area, competition status, and investment effect, and so forth, for each property in order to reduce risks such as early contract termination as much as possible after opening a new store. To this end, we focus on securing and developing human resources who specializing in store development, as well as strengthening relationships with property brokers and other tenants to gather more information and making use of existing store data to build a highly accurate sales forecasting system. The store opening schedule is set to allow sufficient time and avoid the risk of a delay in store opening.

In addition, with regard to recovering deposits such as guarantee deposits, the company is promoting greater efficiency in existing store lease management, conducting periodic reviews of deposits, and working to recover part of the deposits with the cooperation of the store lessor.

(b) Franchise Stores

The company opens some stores as franchise stores with a view to streamlining the expansion of the Cycle Base Asahi brand. Franchise store openings incur a lower cost than directly operated store openings and help to increase brand penetration and market share of our products. We provide guidance on store management to franchise stores in accordance with the franchise agreement.

Meanwhile, since franchise stores are independent management entities, they encompass the following potential risks.

- It may be difficult to promote unified store management expertise and the company's management policies and measures.
- The company may not be able to execute store openings, closings, and relocations with agility in accordance with its store opening policy.
- The financial position of a franchise store may cause hindrances to the store's operation.
- If a serious claim and so forth arises at a franchise store, it could cause a loss of confidence in the company's overall brand.
- If a dispute and so forth arises between the company and a franchise store, caused by either party, a cancellation of the franchise agreement or lawsuit and so forth could have a serious impact on the company's business performance and financial position.

We therefore select franchise stores that have properly understood and agreed with its management policy, and that have a strong financial foundation.

(2) Seasonal Fluctuation in Business Performance

The main products sold by the company are bicycles and bicycle accessories. Since demand for these produces peaks in spring at the time when people start new schools and jobs, net sales tend to be higher in the first half of the fiscal year than the second half. On the other hand, the ratio of our fixed expenses is approximately the same for both halves of the fiscal year. Therefore, the majority of our operating income tends to be weighted towards the first half of the fiscal year. Furthermore, our business performance for the first and second halves of the past two fiscal years, and the ratio to the full-year performance is as follows.

(¥ thousand)

	Fiscal year ended February 20, 2020			Fiscal year ended February 20, 2021		
	First half	Second half	Full year	First half	Second half	Full year
Net sales	34,047,705 56.9%	25,804,980 43.1%	59,852,686 100.0%	39,143,931 56.4%	30,312,070 43.6%	69,456,001 100.0%
Gross profit	17,170,664 56.7%	13,121,070 43.3%	30,291,734 100.0%	19,911,611 56.9%	15,110,095 43.1%	35,021,706 100.0%
Operating profit	3,795,578 94.7%	210,563 5.3%	4,006,142 100.0%	6,084,275 88.6%	779,608 11.4%	6,863,883 100.0%
Ordinary profit	3,910,608 92.0%	337,780 8.0%	4,248,388 100.0%	6,223,319 84.9%	1,103,307 15.1%	7,326,626 100.0%

Notes: 1. Net sales does not include consumption taxes, and so forth.
2. Ratios are compared to full-year results.

(3) Private Brand Products

The company focuses on planning and developing private brand products, aiming to provide customers with a diverse product lineup and products of reliable quality and value.

Private brand products are planned and developed by the company, with production consigned mainly to overseas bicycle manufacturers. In the fiscal year under review, we purchased ¥14,568,696 thousand worth of products manufactured under consignment (41.0% of our overall purchase amount), the majority being manufactured in China. For that reason, depending on political and social developments and the economic environment in China going forward, production may be hindered, production costs may increase, and so forth, which could have an impact on our financial position and operating results.

In addition, the company strives to change sales prices flexibly to cope with purchase price fluctuations that it cannot absorb through its own efforts. However, if the time gap between purchasing and sales gives rise to a period during which sufficient adjustment cannot be made, or if the purchase price increases more than anticipated, it could have an impact on our gross profit margin.

Therefore, we conduct timely model changes giving consideration to the balance between component performance and functionality and so forth, and price, aiming to maintain appropriate pricing.

Furthermore, in planning and developing private brand products, the company pays close attention to the patents, trademarks, design rights, and so forth, of other manufacturers. However, if a dispute in court arose due to infringement of such rights, the process would require a large amount of expenses, which could have an impact on our financial position and operating results.

(4) Foreign Exchange Risk

The company imports products from overseas manufacturers, primarily in China. Our import purchasing ratio for the fiscal year under review was 40.3%. We negotiate purchase price revisions with overseas suppliers and sales price revisions with domestic buyers; however, if the extent of foreign exchange fluctuation exceeds expectations or if the timing of exchange contracts is inappropriate, it could have an impact on our financial position and operating results.

The company conducts exchange contract transactions at an appropriate time to reduce foreign exchange fluctuation risk.

Risk Management

(5) Collection of Accounts Receivables

The company conducts credit transactions with corporations for product supply and so forth. If a customer were to experience an unexpected bankruptcy, it could have an impact on our financial position and operating results.

To manage credit for its customers, the company periodically gathers information and takes adequate precautions such as using credit companies.

(6) Impairment of Fixed Assets

The company owns property, plant and equipment and intangible assets related to its stores and so forth. When the carrying value of stores and so forth cannot be recovered due to a decrease in their profitability, impairment accounting needs to be carried out to reflect the decrease in value in the carrying value of these assets. As a result, impairment losses are recognized for the stores, which could have an impact on our financial position and operating results.

Therefore, the company has set out store opening standards according to store format and examines investment recovery before conducting store openings.

The book value of non-current assets pertaining to stores and so forth at the end of the fiscal year under review was ¥8,472,196 thousand.

(7) Securing and Training Human Resources

The company's business is based mainly on retail sales of bicycles and related products through directly operated stores, and it is aggressively opening new stores. Moreover, since bicycles are made for riding, trust is the most important aspect to emphasize, and it is important that assembly, maintenance, repairs, and so forth are carried out properly and reliably at stores. Therefore, if the pace of increase in the number of stores causes issues in terms of securing and training human resources, decreases in the speed of store openings and the level of customer service could have an impact on our financial position and operating results.

For this reason, the company hires staff flexibly throughout the year in addition to its annual intake of new graduates to supplement staff numbers and provide for store openings. Furthermore, we provide support for employees who have been in the company for two years or more in obtaining official certifications such as Bicycle Trust Engineer and Bicycle Technician, as technical qualifications to ensure trust. In addition, we have introduced the Meister Certification System of internal qualifications in three fields: customer service, technician service, and tour guiding (leading customer participation events). Employees who have attained a certain standard in these fields and passed an internal examination can acquire a Meister qualification, which encourages employees to voluntarily improve their skills. We have also succeeded in securing human resources with the ability to work on the front line right away, for example by offering full employment to part-time workers who are judged to have sufficient qualification given their technical experience. By deploying these highly skilled and capable specialist employees, the company can increase its uniqueness and usefulness as a specialty chain store, while also securing and developing human resources. In other activities, we actively provide various opportunities, such as holding internal technical seminars, exhibitions, and technical seminars by manufacturers, and so forth. We continuously work to train human resources by encouraging them to acquire technological and product knowledge.

(8) Quality Control

When customers order a bicycle, we assemble and maintain it in our store before providing it to the customer. If a bicycle that we have sold causes an accident or injury and so forth due to negligence in this assembly and maintenance, we may be required to pay compensation or reparations for the damages.

Moreover, products sold under our private brand or the LOUIS GARNEAU brand, for which we have acquired the sales rights in Japan, are subject to the Product Liability Act since we consign manufacture of the products to a manufacturer according to the company's specifications. When we plan and order these products, we set our own quality standards with conformity to Japanese Industrial Standards (JIS standards) as the minimum requirement for our procurement of components and selection of manufacturers both in Japan and overseas. For product defects of the kind that can result in product liability

compensation can also incur costs for product recalls, exchange and repair, and design changes as well as the compensation amount. There is also a risk of impairing the company's social standing. All of these could have a resulting impact on our financial position and operating results. We have taken out a product liability insurance policy to cover product liability compensation. In addition, we undertake detailed specification checks of sample products as well as mandating final specification inspections when shipping finished products and general inspection of quality and function. If necessary, we implement quality control by carrying out on-site inspections ourselves.

(9) Management of Customer Information

When customers have purchased a bicycle from the company, it recommends that they register the bicycle to prevent theft in accordance with the Act on Promotion of Safe Use of Bicycles and Comprehensive Advancement of Measures for Bicycle Parking (Act No. 87, November 25, 1980), and provides various services through its Cycle Mate membership service, which offers theft compensation, free inspections, various discounts, and so forth. We also conduct mail-order sales through the internet. We take every precaution in managing customers information, but if an external leak of customer information occurred due to unauthorized access and so forth, the direct damage to the company and the loss of trust in the company could have an impact on our financial position and operating results.

Therefore, we manage customer information rigorously in accordance with our internal Regulation on Protection and Management of Personal Information. In our internet mail-order sales, we have also taken security measures, such as installing a firewall to prevent unauthorized access from outside. We also conduct training for personnel through internal training programs.

(10) Overseas Strategy

The company is expanding its business overseas in order to realize its management philosophy: "We aim to be a company that can contribute to the people of the world through bicycles. We aim to create prosperous and satisfying lives for all those who support and participate in our mission." In March 2010, we established a local subsidiary in Beijing, China, Asahi (Beijing) Bicycle Trading Co., Ltd. As of February 20, 2021, the subsidiary is conducting sales activities centered on wholesale supply and an online store. In our overseas business strategy, unforeseen changes and so forth in the local government, economy, or society could make it difficult to continue business, which could have an impact on our financial position and operating results.

Therefore, we survey the local political and economic situation as necessary and make investments within our risk tolerance.

(11) Impact of the Spread of COVID-19

The novel coronavirus (COVID-19) that was first recognized in China at the end of 2019 continues to spread in countries around the world today. The company's foremost concern is for the trust of its customers, business partners, and employees. Moreover, we have taken various steps to prevent further spread of infection, including thoroughly implementing measures in accordance with the guidelines provided by the World Health Organization and public health agencies in each country, generally prohibiting travel to countries and regions with high infection risk, suspending or restricting events that involve large groups of customers, and utilizing remote work, mainly for back-office operations.

As of April 2021, in China, which is our main country for bicycle production, the plants to which we consign production are operating normally. However, if the spread of infections in Japan draws out and the pandemic situation progresses, a deterioration in business conditions and slump in economic activity at the national level could have an impact on our financial position and operating results.

Therefore, assuming that we may have to live with COVID-19, we are promoting various initiatives to improve the working environments, such as infection prevention measures in stores and remote working.

Ten-Year Summary of Key Financial and Non-Financial Indicators

(As of February 20 of each year)

Financial Data

	2012	2013	2014	2015
Operating results				
Net sales	35,538	37,498	42,164	44,561
Operating profit	4,428	4,018	3,556	2,422
Ordinary profit	4,496	4,106	3,640	2,480
Profit	2,409	2,171	2,188	1,370

Financial position

Total assets	19,928	22,304	24,593	29,326
Net assets	14,302	16,314	18,011	19,425

Per-share information

Profit per share	91.84	82.75	83.41	52.34
Net assets per share	545.07	621.72	686.42	742.62
Dividend per share	10.00	12.00	12.00	12.00

Cash flows

Cash flows from operating activities	2,372	2,963	2,222	1,893
Cash flows from investing activities	(3,848)	(2,430)	(2,845)	(4,584)
Cash flows from financing activities	256	(363)	584	1,964

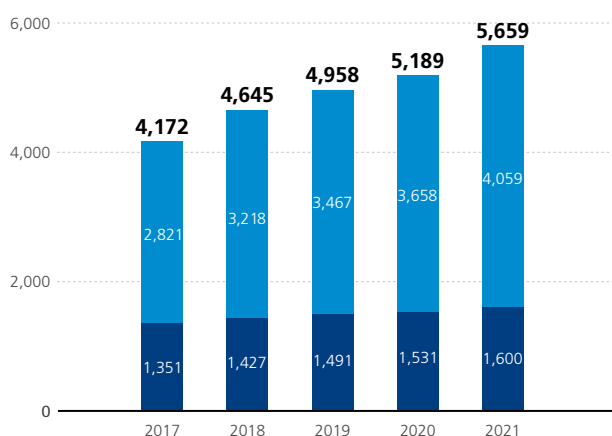
Management indicators

Return on Equity (ROE)	18.3	14.2	12.8	7.3
Return on Assets (ROA)	13.3	10.3	9.3	5.1
Equity ratio	71.8	73.1	73.2	66.2

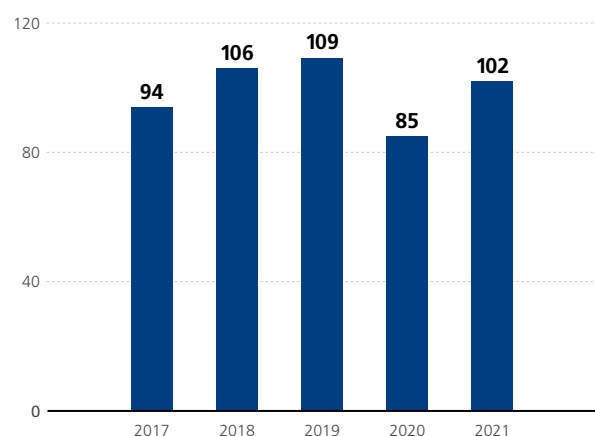
Non-Financial Data

Number of employees

■ Employees ■ Partners

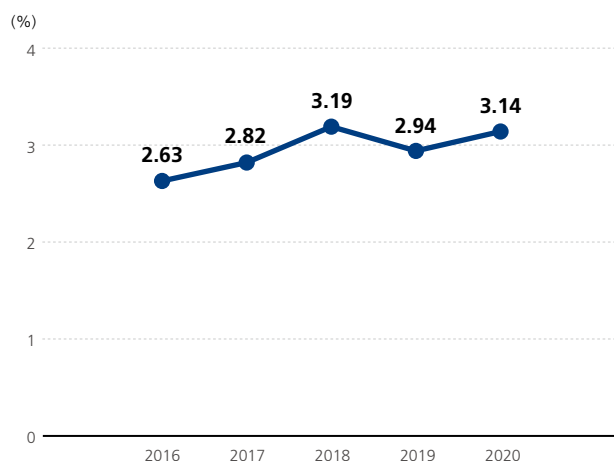


Number of new graduate recruits



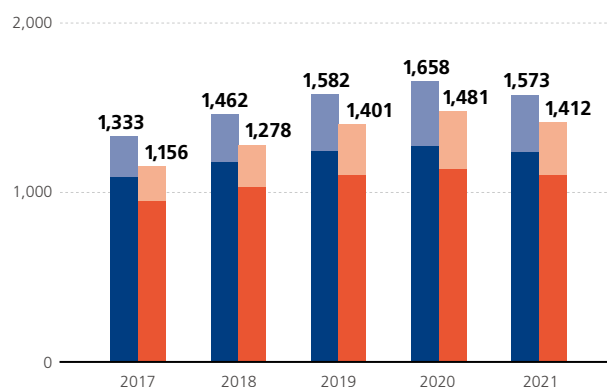
2016	2017	2018	2019	2020	2021
					(¥ million)
48,402	51,088	53,620	57,460	59,852	69,456
3,233	3,385	3,425	3,915	4,006	6,863
3,379	3,517	3,507	4,027	4,248	7,326
1,968	2,165	2,051	2,360	2,559	4,717
					(¥ million)
32,795	34,029	36,274	36,781	37,949	45,287
20,433	22,586	24,111	26,134	28,220	32,496
					(¥)
75.24	82.77	78.42	90.24	98.09	180.91
781.16	863.46	921.76	999.11	1,082.11	1,246.10
14.00	14.00	14.00	18.00	18.00	28.00
					(¥ million)
3,198	4,297	1,226	4,789	3,953	7,295
(2,546)	(2,281)	(1,519)	(1,751)	(1,574)	(1,870)
84	(1,496)	882	(2,617)	(2,332)	(660)
					(%)
9.9	10.1	8.8	9.4	9.4	15.5
6.3	6.5	5.8	6.5	6.8	11.3
62.3	66.4	66.5	71.1	74.4	71.8

Employment rate of people with disabilities



Number of qualification holders

Bicycle Trust Engineers ■ Employees ■ Partners
Bicycle Technicians ■ Employees ■ Partners



ASAHI by the Numbers (Other Non-Financial Information)

Rate of bicycle commuting among employees

51%



Annual repairs

Approx. **3** million



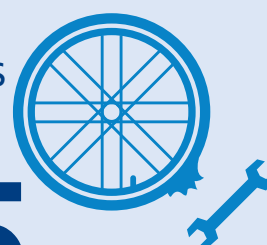
Bicycle clubs

47



Annual flat tire repairs
Approx.

0.25 million



Annual store visitors

Approx. **7.5** million



Annual tube replacements

Approx. **0.6** million



GOOD DESIGN AWARD Recipients

88CYCLE

2016



FASTRIDE HUBS

2017



Average
employee age



33.0

Registered
app users



0.7 million

Percentage of
female employee



Approx. 30%

Annual improvement
proposals
Approx.



0.63 million

Rate of employees
using paid leave
Approx.



73% (Average days used: 13 days)

Share cycle
stations

Number of
units owned

178

399

OUTRUNK

2017



OFFICE PRESS-e

2020



Corporate Information

(As of February 20, 2021)

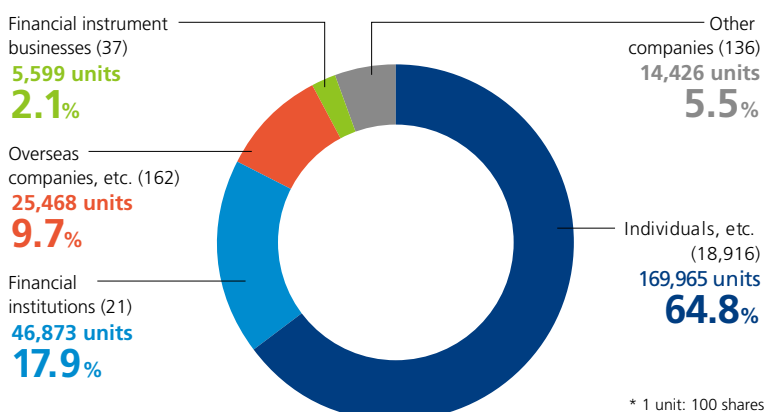
Company Overview

Company name	ASAHI CO., LTD.
Head office address	3-11-4 Takakura-cho, Miyakojima-ku, Osaka-shi, 534-0011
Founded	April 1949
Established	May 1975
Capital	¥2,061.35 million (As of February 20, 2021)
Representative	President and Representative Director Yoshifumi Shimoda
Number of employees	5,659 (Includes part-time and temporary workers)

Share Information

Total number of authorized shares	96,243,200
Total number of outstanding shares	26,240,800
Number of shareholders	19,823

Status by Type of Shareholder (units)



Status of Major Shareholders

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)*
Yoshifumi Shimoda	3,550,341	13.53
Hideki Shimoda	2,042,216	7.78
Michiko Shimoda	1,892,198	7.21
The Master Trust Bank of Japan, Ltd. (Trust account)	1,552,100	5.91
cba Co., Ltd.	972,100	3.70
Custody Bank of Japan, Ltd. (Trust account B)	906,600	3.45
Shinobu Shimoda	766,960	2.92
Tomiaki Shimoda	759,592	2.89
Custody Bank of Japan, Ltd. (Trust account)	689,200	2.63
ASAHI Employee Stock Ownership Association	599,400	2.28

* Ownership ratios have been calculated after deducting treasury shares (386 shares). Furthermore, treasury shares do not include 161,590 shares held by The Master Trust Bank of Japan, Ltd. (Trust account) established for the introduction of the executive remuneration BIP trust.

Store Network

Total number of stores

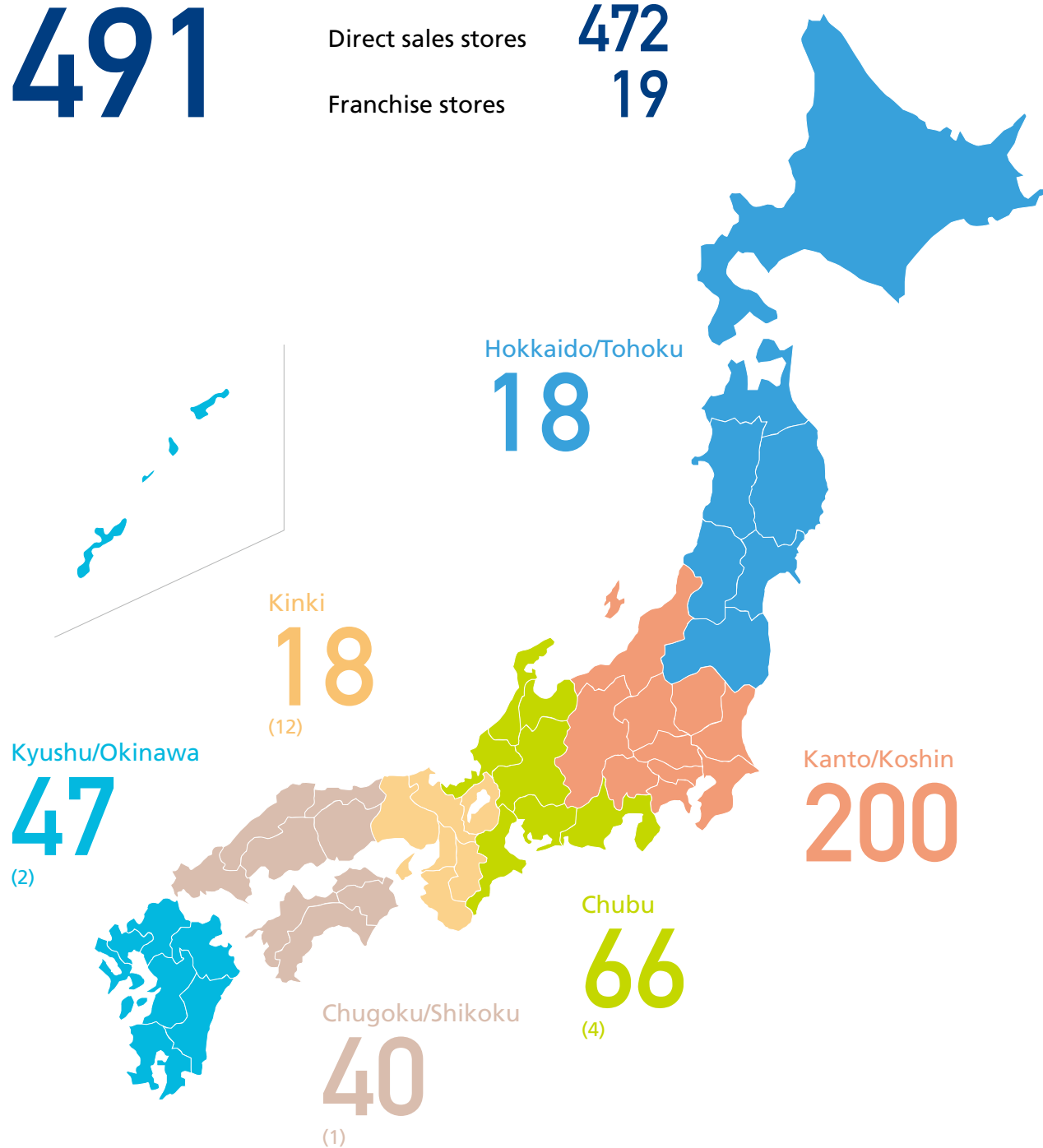
491

Direct sales stores

472

Franchise stores

19



* () denotes franchise stores



ASAHI CO., LTD.

3-11-4 Takakura-cho, Miyakojima-ku, Osaka-shi

534-0011

TEL: (+81) 06-6923-2611

FAX: (+81) 06-6922-1798