Summary of Consolidated Financial Results for the Six Months Ended November 20, 2021 [Japanese GAAP]*

December 16, 2021

Company name: ASKUL Corporation
Stock exchange listing: Tokyo
Code number: 2678
URL: https://www.askul.co.jp/kaisya/ir/
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Scheduled date of filing quarterly securities report: December 28, 2021
Scheduled date of commencing dividend payments: January 17, 2022
Availability of supplementary briefing material on quarterly financial results: Yes
Schedule of quarterly financial results briefing session: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended November 20, 2021 (May 21, 2021 to November 20, 2021)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
November 20, 2021	209,038	1.3	6,696	13.0	6,716	13.7	4,546	31.6
November 20, 2020	206,452	3.4	5,926	70.9	5,908	74.1	3,453	57.5

(Note) Comprehensive income: Six months ended November 20, 2021: ¥4,598 million [34.7%]
Six months ended November 20, 2020: ¥3,413 million [54.3%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
November 20, 2021	44.37	44.31
November 20, 2020	33.81	33.66

(Notes) 1 The Group has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., effective the beginning of the current period. Accordingly, the above figures for the six months ended November 20, 2021 indicates the amounts after the application of the said accounting standard, etc.
When calculating the figures for the six months ended November 20, 2020 in accordance with the same Accounting Standard, change ratio of net sales would be 2.5%.

2 ASKUL Corporation conducted a 2-for-1 stock split of common stock on May 21, 2021. "Basic earnings per share" and "Diluted earnings per share" are calculated on the assumption that the said stock split was implemented at the beginning of the preceding fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
November 20, 2021	193,091	62,287	32.0
May 20, 2021	190,107	59,203	30.9

(Reference) Equity: As of November 20, 2021: ¥61,827 million
As of May 20, 2021: ¥58,777 million

(Note) The Group has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., effective the beginning of the current period. Accordingly, the above figures as of November 20, 2021 indicates the amounts after the application of the said accounting standard, etc.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 20, 2021	-	19.00	-	30.00	49.00
Fiscal year ending May 20, 2022	-	15.00			
Fiscal year ending May 20, 2022 (Forecast)			-	15.00	30.00

(Notes) 1 Revision to the forecast for dividends announced most recently: No
2 ASKUL Corporation conducted a 2-for-1 stock split of common stock on May 21, 2021. The actual amounts of dividends before the said stock split are described for the fiscal year ended May 2021.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 20, 2022 (May 21, 2021 to May 20, 2022)
(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	430,000	1.9	14,000	0.5	13,900	0.4	9,000	16.0	87.82

(Note) Revision to the financial results forecast announced most recently: No

* Notes:
(1) Changes in significant subsidiaries during the period under review
(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: Yes
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(4) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
November 20, 2021: 102,518,800 shares
May 20, 2021: 102,518,800 shares

2) Total number of treasury shares at the end of the period:
November 20, 2021: 71,796 shares
May 20, 2021: 41,874 shares

3) Average number of shares during the period:
Six months ended November 20, 2021: 102,463,511 shares
Six months ended November 20, 2020: 102,149,706 shares

(Note) ASKUL Corporation conducted a 2-for-1 stock split of common stock on May 21, 2021.
"Total number of issued shares," “Total number of treasury shares,” and "Average number of shares during the period" are calculated on the assumption that the said stock split was implemented at the beginning of the preceding fiscal year.

* This Summary of Consolidated Financial Results is not subject to quarterly review.
* Notes for using forecasted information and others
Earnings forecasts and other forward-looking statements contained in this document are based on the information ASKUL has obtained to date and on certain assumptions it considers reasonable. As such, these forecasts and statements are not intended as a commitment by the Company to achieve them. Note also that actual results and other future events may differ materially from these forecasts and statements due to a variety of factors. For the assumptions on which earnings forecasts are based and notes and information on the use of earnings forecasts, see “1. Qualitative Information on Financial Results (3) Explanation of Consolidated Forecasts and Other Forward-Looking Information” on Page 4 of Attached Materials.

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1. Qualitative Information on Financial Results

(1) Explanation of Operating Results

During the first six months of the fiscal year under review (from May 21, 2021 to November 20, 2021), Japan saw signs of economic recovery in some fields as states of emergency and other measures, taken intermittently in the face of COVID-19, were completely lifted at the end of September 2021. However, the outlook for the Japanese economy remains uncertain due to the fear of the spread of a new variant.

The e-commerce market, in which the Group operates, keeps growing as it is strongly hoped that the market will play the role of allowing shopping activities where there is reduced contact among people with new lifestyles, which has been necessitated by the spread of COVID-19. On the other hand, competition in the industry for better service quality has continued. As a result, it has become a business management issue to realize sustainable growth in sales and profits while accommodating diverse customer demands.

Under such circumstances, the Group positions the fiscal year ending May 20, 2022 as the time to cement the foothold to fulfil the Medium-term Management Plan (from the fiscal year ending May 20, 2022 to the fiscal year ending May 20, 2025). To this end, the Group will strive to secure operating profit and simultaneously and proactively make investments. The B-to-B business in the mainstay e-commerce business, taking the expansion of the e-commerce market as an opportunity, is pushing forward with its operations steadily. For example, it is expanding the range of products handled and constructing a new website, toward the fulfilment of the Medium-term Management Plan. The B-to-C business has been engaged in improving its earnings to ensure that LOHACO starts generating operating profit in the fiscal year ending May 20, 2023 and subsequently, continues growth.

In the first six months of the fiscal year under review, the B-to-B business managed to secure a net sales increase due to growth in sales of living supplies and MRO (Note 1), which are growth fields, despite a decline in special demand for infection-prevention products and sluggish demand for office supplies. On the other hand, profit decreased due to a fall in gross profit margin, resulting from the special demand decrease and others, though the result is in line with the initial plan set at the start of the fiscal year. In the B-to-C business, net sales increased due to strengthened collaboration mainly with the Z Holdings Group, and the effort to improve earnings has made steady progress thanks to a reduction in fixed costs accompanying the renewal of “LOHACO Main Store” in addition to an improvement in the variable cost ratio (real value excluding the effects of adopting “Accounting Standard for Revenue Recognition” etc.).

In the logistics business, earnings improved significantly primarily due to an expansion of the contract business of logistics.

As a result, the financial performance of the Group for the first six months of the fiscal year under review was net sales of 209,038 million yen, a 1.3% increase year on year and a 2.5% increase year on year in real terms (Note 2), operating profit of 6,696 million yen, a 13.0% increase year on year, ordinary profit of 6,716 million yen, up 13.7% year on year, and profit attributable to owners of parent of 4,546 million yen, a 31.6% increase year on year. They each reached record highs for the first six months of a fiscal year.

The Group has applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020; hereinafter referred to as the “Accounting Standard for Revenue Recognition”), etc. since the beginning of the first quarter of the current fiscal year. Accordingly, net sales for the first six months of the fiscal year under review decreased by 2,737 million yen.

Operating results by segment are outlined below.

<E-commerce business>

In the B-to-B business, the mainstay business of the Group, net sales remained solid. Net sales in the first six months of the fiscal year under review increased as sales grew in living supplies, such as beverages consumed in diverse workplaces; MRO products, such as packing materials, whose demand rose due to increasing demand for e-commerce; and long tail products whose lineups are reinforced as a key effort although special demand for products to combat COVID-19, such as hand sanitizers and face masks, declined, and demand for office suppliers stagnated.

With the customer base too on an expanding trend, the Group strives to add specialized products required by each area of medical care and nursing care, and manufacturing, in particular, that the Group focuses on strategically, thereby ensuring that customers continue to use the Group’s services.

As a result, net sales in the B-to-B business grew by 678 million yen from a year earlier to 169,594 million yen, a 0.4% increase year on year and up 1.6% year on year in real terms.

The B-to-C business relocated LOHACO Main Store to the system infrastructure that Yahoo Japan Corporation provided, and renewed and opened a new main store in June 2021. By utilizing the Z Holdings Group's infrastructure, including the capacity to attract customers, site platforms, and payment systems, the Group will expand its customers and reduce costs. At the same time, it will further concentrate management resources on its strengths, which are original products, logistics and communication with customers, thereby boosting further growth. During the first six months of the fiscal year under review, the functions of the renewed “LOHACO Main Store” were improved, and simultaneously, large-scale sales promotions were carried out in coordination with SoftBank Corporation and Yahoo Japan Corporation.

As a result, LOHACO sales increased 919 million yen from a year earlier to 26,571 million yen, up 3.6% year on year and a 5.2% increase year on year in real terms. Consequently, net sales of the B-to-C business in total rose by 1,067 million yen from a year earlier to 34,819 million yen, a 3.2% increase year on year and up 4.7% year on year in real terms.

As a result, net sales of the e-commerce business, combining the two businesses above, stood at 204,413 million yen, a 0.9% increase year on year and up 2.2% year on year in real terms. Gross profit-net stood at 50,604 million yen, down 1.2% year on year and a 0.2% decrease year on year in real terms, as the gross profit margin fell 0.5 points year on year (a 0.5 points decrease year on year in real terms), caused by lower sales of products with high profit ratios, including infection-prevention products.

Operating profit increased to 6,752 million yen, a 1.8% increase year on year, as the ratio of selling, general and administrative expenses to net sales declined by 0.5 points year on year, a 0.5 points decrease year on year in real terms, resulting in selling, general and administrative expenses standing at 43,852 million yen. The decrease in the expenses was mainly due to improvements in the logistics costs of the B-to-B business, LOHACO and Charm, a consolidated subsidiary, and a cut in fixed costs accompanying the renewal of LOHACO Main Store. As a result of the application of the Accounting Standard of Revenue Recognition, etc., net sales decreased by 2,737 million yen.

<Logistics business>

Net sales increased due to an expansion of the contracted business of logistics that ASKUL LOGIST Co., Ltd. received from outside the Group. In the first six months of the fiscal year under review, the operating profit and loss situation improved significantly year on year because of the reduced burden of expenses, such as rent for a distribution center in connection with the preparation period for the contracted business of logistics.

As a result, net sales in the first six months of the fiscal year under review were 4,224 million yen, a 23.4% increase year on year, and operating loss was 78 million yen as opposed to an operating loss of 742 million yen a year earlier. There are no effects from the application of the Accounting Standard for Revenue Recognition, etc.

<Other>

Tsumagoimeisui Corporation increased net sales due to strong sales of its bottled water including LOHACO, but profits fell partly because of the cost for testing that occurred prior to the operation of a new production line.

As a result, net sales for the first six months of the fiscal year under review were 735 million yen, a 5.4% increase year on year, and operating profit was 43 million yen, down 40.1% year on year. There are no effects from the application of the Accounting Standard for Revenue Recognition, etc.

(Notes) 1. MRO is an acronym for Maintenance, Repair and Operations, and the term “MRO supplies” denotes indirect materials including consumables and repair supplies for use at factories, construction sites, and warehouses and others.
2. A year-on-year comparison assuming that the Accounting Standard for Revenue Recognition, etc. have been applied since the fiscal year ended May 20, 2021.

(2) Explanation of Financial Position

(Assets)

Total assets stood at 193,091 million yen at the end of the second quarter of the fiscal year under review, an increase of 2,984 million yen from the end of the preceding fiscal year. The primary factors behind the increase were an increase of 2,028 million yen in notes and accounts receivable-trade, an increase of 1,746 million yen in software in progress and an increase of 1,462 million yen in construction in progress as opposed to a decrease of 1,028 million yen in cash and deposits.

(Liabilities)

Total liabilities stood at 130,804 million yen at the end of the second quarter of the fiscal year under review, a decrease of 99 million yen from the end of the preceding fiscal year. The main factors behind the decrease were a decrease of 2,252 million yen in long-term borrowings (including the current portion thereof) and a drop of 1,219 million yen in accounts payable-other as opposed to an increase of 4,474 million yen in electronically recorded obligations-operating.

(Net assets)

Net assets stood at 62,287 million yen at the end of the second quarter of the fiscal year under review, an increase of 3,084 million yen from the end of the preceding fiscal year. The primary factor behind the rise was an increase of 3,002 million yen in retained earnings mainly due to recognition of profit attributable to owners of parent of 4,546 million yen as opposed to dividend payments of 1,537 million yen.

Consequently, the capital adequacy ratio was 32.0% (30.9% at the end of the preceding fiscal year).

(Status of cash flows)

Cash and cash equivalents (hereinafter “funds”) stood at 65,231 million yen at the end of the period under review, a decrease of 1,028 million yen from the end of the preceding fiscal year. The status of each cash flow and factors behind changes in the period under review are as follows.

(Cash flows from operating activities)

Net funds provided by operating activities were 10,045 million yen, a 260.9% increase year on year. The main factors contributing to the increase were 6,860 million yen in profit before income taxes, an increase of 5,216 million yen in trade payables, and depreciation and amortization of software totaling 3,026 million yen despite the decreasing factors such as payment of 2,604 million yen in income taxes and an increase of 2,006 million yen in trade receivables.

(Cash flows from investing activities)

Net funds used in investing activities were 6,322 million yen, a 115.8% increase year on year. This was due to factors causing the decrease in funds, such as 3,410 million yen paid to purchase software and 2,167 million yen paid to purchase property, plant and equipment.

(Cash flows from financing activities)

Net funds used in financing activities were 4,751 million yen, a 123.3% increase year on year. This was due to factors causing a decrease in funds, such as repayments of long-term borrowings of 2,751 million yen, cash dividends paid of 1,537 million yen and repayments of lease obligations of 950 million yen.

(3) Explanation of Consolidated Forecasts and Other Forward-Looking Information

The forecast for the year ending May 20, 2022 (full year) announced on July 2, 2021, remains unchanged.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of May 20,2021	As of November 20,2021
Assets		
Current assets		
Cash and deposits	66,259	65,231
Notes and accounts receivable - trade	45,582	47,610
Merchandise and finished goods	17,925	17,359
Raw materials and supplies	266	304
Costs on construction contracts in progress	35	103
Accounts receivable - other	12,013	11,948
Other	1,242	1,481
Allowance for doubtful accounts	(34)	(33)
Total current assets	143,291	144,006
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,587	8,823
Accumulated depreciation	(3,599)	(3,886)
Buildings and structures, net	4,987	4,937
Land	132	119
Leased assets	19,787	20,138
Accumulated depreciation	(7,440)	(8,439)
Leased assets, net	12,346	11,699
Other	10,539	10,781
Accumulated depreciation	(7,430)	(7,860)
Other, net	3,108	2,920
Construction in progress	4,391	5,853
Total property, plant and equipment	24,966	25,530
Intangible assets		
Software	5,983	5,998
Software in progress	3,350	5,096
Goodwill	1,614	1,492
Other	88	84
Total intangible assets	11,036	12,671
Investments and other assets		
Investment securities	183	143
Deferred tax assets	4,043	3,477
Other	7,365	8,020
Allowance for doubtful accounts	(780)	(758)
Total investments and other assets	10,812	10,882
Total non-current assets	46,815	49,084
Total assets	190,107	193,091

(Million yen)

	As of May 20,2021	As of November 20,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	51,474	52,216
Electronically recorded obligations - operating	23,497	27,971
Short-term borrowings	380	380
Current portion of long-term borrowings	12,649	10,140
Accounts payable - other	12,369	11,150
Income taxes payable	2,793	1,904
Accrued consumption taxes	1,006	586
Provisions	926	415
Other	3,688	4,257
Total current liabilities	108,786	109,023
Non-current liabilities		
Long-term borrowings	2,115	2,372
Lease obligations	11,211	10,419
Retirement benefit liability	4,127	4,234
Asset retirement obligations	2,714	2,743
Other	1,948	2,012
Total non-current liabilities	22,117	21,780
Total liabilities	130,903	130,804
Net assets		
Shareholders' equity		
Share capital	21,189	21,189
Capital surplus	14,320	14,320
Retained earnings	23,391	26,393
Treasury shares	(81)	(39)
Total shareholders' equity	58,819	61,863
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(42)	(36)
Total accumulated other comprehensive income	(42)	(36)
Share acquisition rights	(5)	(17)
Non-controlling interests	431	477
Total net assets	59,203	62,287
Total liabilities and net assets	190,107	193,091

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Million yen)

	For the six months ended November 20,2020	For the six months ended November 20,2021
Net sales	206,452	209,038
Cost of sales	155,163	158,114
Gross profit	51,288	50,924
Reversal of provision for sales returns	26	-
Provision for sales returns	31	-
Gross profit - net	51,283	50,924
Selling, general and administrative expenses	45,357	44,228
Operating profit	5,926	6,696
Non-operating income		
Interest income	20	21
Rental income	94	53
Subsidy income	59	106
Other	22	13
Total non-operating income	197	194
Non-operating expenses		
Interest expenses	115	110
Rental expenses	88	45
Other	12	18
Total non-operating expenses	216	174
Ordinary profit	5,908	6,716
Extraordinary income		
Gain on sales of non-current assets	1	0
Insurance claim income	-	219
Total extraordinary income	1	219
Extraordinary losses		
Loss on sales of non-current assets	0	6
Loss on retirement of non-current assets	12	25
Loss on valuation of investment securities	48	40
Loss on sales of shares of subsidiaries	24	-
Provision of allowance for doubtful accounts	1,000	-
Other	0	3
Total extraordinary losses	1,086	75
Profit before income taxes	4,823	6,860
Income taxes - current	1,463	1,705
Income taxes - deferred	(46)	562
Total income taxes	1,417	2,268
Profit	3,406	4,592
Profit (loss) attributable to non-controlling interests	(47)	45
Profit attributable to owners of parent	3,453	4,546

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Million yen)

	For the six months ended November 20,2020	For the six months ended November 20,2021
Profit	3,406	4,592
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	7	6
Total other comprehensive income	7	6
Comprehensive income	3,413	4,598
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,460	4,552
Comprehensive income attributable to non-controlling interests	(47)	45

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended November 20,2020	For the six months ended November 20,2021
Cash flows from operating activities		
Profit before income taxes	4,823	6,860
Depreciation	1,638	1,763
Amortization of software	1,353	1,263
Amortization of long-term prepaid expenses	51	79
Amortization of goodwill	187	121
Increase (decrease) in allowance for doubtful accounts	1,039	(22)
Increase (decrease) in provisions	705	(510)
Increase (decrease) in retirement benefit liability	205	116
Interest and dividend income	(20)	(21)
Interest expenses	115	110
Insurance claim income	-	(219)
Loss (gain) on valuation of investment securities	48	40
Loss on retirement of non-current assets	12	25
Loss (gain) on sales of non-current assets	(1)	6
Decrease (increase) in trade receivables	(9,837)	(2,006)
Decrease (increase) in inventories	(756)	459
Decrease (increase) in accounts receivable - other	(436)	64
Increase (decrease) in trade payables	5,379	5,216
Increase (decrease) in accounts payable - other	632	(761)
Increase (decrease) in accrued consumption taxes	(297)	(420)
Other, net	(267)	355
Subtotal	4,576	12,519
Interest and dividends received	20	21
Interest paid	(115)	(110)
Proceeds from insurance income	-	219
Income taxes paid	(1,697)	(2,604)
Net cash provided by (used in) operating activities	2,783	10,045
Cash flows from investing activities		
Purchase of property, plant and equipment	(670)	(2,167)
Purchase of software	(1,855)	(3,410)
Purchase of long-term prepaid expenses	(5)	(69)
Payments of guarantee deposits	(3)	(678)
Proceeds from refund of guarantee deposits	3	4
Loan advances	(1)	(0)
Collection of loans receivable	12	1
Purchase of investment securities	(0)	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(396)	-
Payments for asset retirement obligations	(5)	-
Other, net	(4)	(1)
Net cash provided by (used in) investing activities	(2,929)	(6,322)

(Million yen)

	For the six months ended November 20,2020	For the six months ended November 20,2021
Cash flows from financing activities		
Proceeds from long-term borrowings	-	499
Net increase (decrease) in short-term borrowings	(50)	-
Repayments of long-term borrowings	(520)	(2,751)
Repayments of lease obligations	(907)	(950)
Payments for purchase of treasury subscription right to shares	(2)	(11)
Proceeds from disposal of treasury shares	322	-
Dividends paid	(969)	(1,537)
Net cash provided by (used in) financing activities	(2,127)	(4,751)
Net increase (decrease) in cash and cash equivalents	(2,273)	(1,028)
Cash and cash equivalents at beginning of period	63,260	66,259
Cash and cash equivalents at end of period	60,986	65,231

(4) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Notes to Significant Changes in Shareholders' Equity)

Not applicable.

(Change in Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Group applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as “Accounting Standard for Revenue Recognition"), etc. at the beginning of the first quarter of the current fiscal year. Accordingly, the Group recognizes revenue in the amount expected to be received in exchange for promised goods or services at points where control over such goods or services is transferred to customers.

Applying the alternative handling prescribed in paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, the Group recognizes revenue from the domestic sale of merchandise or finished goods at the point of their shipment in cases where control over the concerned merchandise or finished goods moves to customers in a normal period after their shipment.

Main changes in the application of the Accounting Standard for Revenue Recognition, etc. are as follows.

(1) Transaction as agent

In transactions where the role of the Group in providing goods or services to customers falls under the category of agents, the Group recognized revenue in the gross amount received for goods or services from customers. However, the Group has switched to the method of recognizing revenue in the net amount after deducting the amount paid to the suppliers of the goods or services from the gross amount of the consideration.

(2) Points of other companies

The Group recorded points of other companies, granted to customers at the time of a sale, in selling, general and administrative expenses. However, the Group has switched to the method of recognizing revenue in the net amount after deducting the amount paid to suppliers from the amount received from customers.

The application of the Accounting Standard of Revenue Recognition, etc. follows the provisional treatment stipulated in the proviso of paragraph 84 of the Accounting Standard of Revenue Recognition. The cumulative impact of the retroactive application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year is added to or deducted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policy is applied to this initial balance.

As a result, net sales, cost of sales, and selling, general and administrative expenses for the first six months of the fiscal year under review decreased by 2,737 million yen, 2,237 million yen and 503 million yen respectively. However, there was no impact on operating profit, ordinary profit or profit before income taxes. There is no impact on the initial balance of retained earnings for the fiscal year under review.

In accordance with the application of the Accounting Standard for Revenue Recognition, etc., returned assets and refund liabilities, which were presented in “Provision for sales returns” in “Current liabilities” of the consolidated balance sheet of the previous fiscal year, are presented by including them in “Other” in “Current assets,” and in “Other” in “Current Liabilities” from the first quarter of the current fiscal year. Contract liabilities, which were presented in “Provision for sales promotion expenses” in “Current liabilities” of the consolidated balance sheet of the previous fiscal year, are presented by including them in “Other” in “Current liabilities” from the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Group did not implement reclassifications that reflected the new method of presentation for the results of the previous consolidated fiscal year.

(Segment Information, etc.)

[Segment Information]

I. First Six Months of the Previous Fiscal Year (From May 21, 2020 to November 20, 2020)

Information on net sales and profit (loss) by reporting segment

(Million yen)

	Reporting Segment			Others (Note 1)	Total	Adjustments (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
	E-commerce business	Logistics business	Total				
Net sales							
Sales to external customers	202,667	3,422	206,090	362	206,452	-	206,452
Intra-segment sales or transfer	-	-	-	335	335	(335)	-
Total	202,667	3,422	206,090	698	206,788	(335)	206,452
Segment profit (loss)	6,633	(742)	5,890	72	5,962	(35)	5,926

(Notes) 1. “Other” represents business segments that do not fall under the Reporting Segment and includes the manufacturing business.
2. The adjustment of minus 35 million yen to segment profit (loss) represents an elimination in inter-segment transactions.
3. Segment profit (loss) is adjusted with operating profit reported in the quarterly consolidated statements of income.

II. First Six Months of the Current Fiscal Year (From May 21, 2021 to November 20, 2021)

1. Information on net sales and profit (loss) and disaggregation of revenue by reporting segment

(Million yen)

	Reporting Segment			Others (Note 1)	Total	Adjustments (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
	E-commerce business	Logistics business	Total				
Net sales							
B-to-B business	169,594	-	169,594	-	169,594	-	169,594
B-to-C business	34,819	-	34,819	-	34,819	-	34,819
Logistics business	-	4,224	4,224	-	4,224	-	4,224
Others	-	-	-	399	399	-	399
Revenue from contracts with customers	204,413	4,224	208,638	399	209,038	-	209,038
Sales to external customers	204,413	4,224	208,638	399	209,038	-	209,038
Intra-segment sales or transfer	-	-	-	335	335	(335)	-
Total	204,413	4,224	208,638	735	209,374	(335)	209,038
Segment profit (loss)	6,752	(78)	6,673	43	6,716	(20)	6,696

(Notes) 1. “Other” represents business segments that do not fall under the Reporting Segment and includes the manufacturing business.
2. The adjustment of minus 20 million yen to segment profit (loss) represents an elimination in inter-segment transactions.
3. Segment profit (loss) is adjusted with operating profit reported in the quarterly consolidated statements of income.

2. Matters concerning changes to reportable segments, etc.

As described in Change in Accounting Policies, the Company applied the Accounting Standard for Revenue Recognition, etc. and changed the accounting method for revenue recognition from the beginning of the first quarter of the current fiscal year. Accordingly, the Company changed the calculation methods for business segment profit (loss) in the same manner.

As a result of this change, net sales in the e-commerce business decreased by 2,737 million yen in the first six months of the fiscal year under review, compared with those processed in the previous method.

3. Others

Details of Selling, General and Administrative Expenses (Consolidated)

Item	First Six Months of the Previous Fiscal Year (From May 21, 2020 to November 20, 2020)		First Six Months of the Fiscal Year Under Review (From May 21, 2021 to November 20, 2021)			(Reference) Fiscal Year Ended May 2021 (From May 21, 2020 to May 20, 2021)	
	Amount (Million yen)	Ratio to Sales (%)	Amount (Million yen)	Ratio to Sales (%)	Year-on-Year Change (%)	Amount (Million yen)	Ratio to Sales (%)
Personnel expenses *1	11,298	5.5	10,413	5.0	92.2	21,953	5.2
Shipment expenses	12,146	5.9	12,178	5.8	100.3	24,182	5.7
Provision for sales promotion expenses *2	292	0.1	-	-	-	519	0.1
Subcontract expenses *3	1,699	0.8	1,961	0.9	115.4	3,486	0.8
Business consignment expenses	5,650	2.7	5,861	2.8	103.7	11,570	2.7
Rents	5,139	2.5	5,266	2.5	102.5	10,067	2.4
Provision of allowance for doubtful accounts	43	0.0	(14)	(0.0)	-	33	0.0
Depreciation	1,554	0.8	1,594	0.8	102.6	3,160	0.7
Amortization of software	1,331	0.6	1,230	0.6	92.4	2,755	0.7
Other expenses	6,201	3.1	5,735	2.8	92.5	12,727	3.1
Total	45,357	22.0	44,228	21.2	97.5	90,455	21.4

*1. Compared with the same period of the previous fiscal year, personnel expenses decreased for the first six months of the fiscal year under review, and the main factor was the effect from a decrease in provision for term-end performance-linked bonuses and others.

2. Compared with the same period of the previous fiscal year, provision for sales promotion expenses for the first six months of the fiscal year under review decreased. This was due to the application of the Accounting Standard for Revenue Recognition, etc.

3. Compared with the same period of the previous fiscal year, subcontract expenses for the first six months of the fiscal year under review increased. This was due to the construction of the new website for the B-to-B business.