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Consolidated Financial Results for the Three Months Ended August 20, 2023 [Japanese GAAP]*



September 15, 2023

Company name: ASKUL Corporation
 Stock exchange listing: Tokyo
 Code number: 2678
 URL: <https://www.askul.co.jp/corp/english/investor>
 Representative: Akira Yoshioka Representative Director, President and CEO (chief executive officer)
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 Phone: +81-3-4330-5130
 Scheduled date of filing quarterly securities report: September 28, 2023
 Scheduled date of commencing dividend payments: -
 Preparation of supplementary materials for 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 Three Months Ended August 20, 2023 (May 21, 2023 to August 20, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended August 20, 2023	113,074	2.7	2,827	(4.4)	2,727	(7.4)	1,729	(8.6)
August 20, 2022	110,087	7.5	2,956	(9.6)	2,947	(9.1)	1,891	(12.1)

(Note) Comprehensive income: Three months ended August 20, 2023: ¥1,801 million [(5.9%)]
 Three months ended August 20, 2022: ¥1,914 million [(12.0%)]

	Basic earnings per share	Diluted earnings per share
Three months ended August 20, 2023	Yen 17.74	Yen 17.70
August 20, 2022	19.41	19.39

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of August 20, 2023	Million yen 220,173	Million yen 66,934	29.1%
May 20, 2023	227,506	66,876	28.2

(Reference) Equity: As of August 20, 2023: ¥64,119 million
 As of May 20, 2023: ¥64,145 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended May 20, 2023	Yen -	Yen 16.00	Yen -	Yen 18.00	Yen 34.00
Fiscal year ending May 20, 2024	-				
Fiscal year ending May 20, 2024(Forecast)		18.00	-	18.00	36.00

(Notes) 1. Revision to the forecast for dividends announced most recently: No
 2. Breakdown of year-end dividends for the fiscal year ended May 2023: Ordinary dividend 16 yen
 Commemorating the 30th anniversary 2 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 20, 2024 (May 21, 2023 to May 20, 2024)

(% 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	482,000	7.9	16,500	12.9	16,200	12.1	10,300	5.2	105.69

(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: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Number of outstanding shares (common stocks)

1) Number of outstanding shares at the end of the period (including treasury stocks):

August 20, 2023: 97,518,800 shares

May 20, 2023: 97,518,800 shares

2) Number of treasury stocks at the end of the period:

August 20, 2023: 62,406 shares

May 20, 2023: 62,406 shares

3) Average number of shares during the period:

Three months ended August 20, 2023: 97,456,394 shares

Three months ended August 20, 2022: 97,446,929 shares

* This 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" on Page 2 and (3) Explanation of Consolidated Forecasts and Other Forward-Looking Information" on Page 3 of Attached Materials.

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1. Qualitative Information on Financial Results

(1) Explanation of Operating Results

During the first quarter of the fiscal year under review (from May 21, 2023 to August 20, 2023), the Japanese economy is expected to see a recovery in domestic consumption as restrictions on activities in response to COVID-19 are gradually relaxed. On the other hand, rising prices of raw materials and energy due to Russia's invasion of Ukraine and other factors, as well as rising import prices due to the depreciation of the yen, have increased domestic prices, affecting the activities of households and corporate activities.

Under such circumstances, the Group has positioned the fiscal year ending May 20, 2024 as the year in which it would accomplish its most important mission of "changing the growth trajectory of profit" while continuing "changing the growth trajectory of sales," which was achieved in the previous fiscal year. In order to achieve the performance targets set forth in the Medium-term Management Plan (from the fiscal year ended May 20, 2022 to the fiscal year ending May 20, 2025), in addition to expanding the number of products handled, the Group has taken aggressive measures that will lead to the growth of the Group, including aggressive advertising and sales promotion investment in B-to-B business and transitioning customers to the new ASKUL website, which began full-scale operation.

As a result, the financial performance of the Group for the first quarter of the fiscal year under review was net sales of 113,074 million yen, a 2.7% increase year-over-year, operating profit of 2,827 million yen, a 4.4% decrease year-over-year, ordinary profit of 2,727 million yen, down 7.4% year-over-year, and profit attributable to owners of parent of 1,729 million yen, a 8.6% decrease year-over-year, all of which progressed generally according to the initial plan.

Operating results by segment are outlined below.

<E-commerce business>

In the B-to-B business, the mainstay business of the Group, we offer a wide range of products to meet the needs of all customers working in the workplace, including living supplies related merchandise such as bottled beverages and daily consumables, products related to COVID-19 such as antigen test kits, and MRO^(Note) products such as bags and packing materials. Although products related to COVID-19 such as antigen test kits and disinfectants declined due to the reclassification of COVID-19's category to Class 5 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases, net sales increased due to higher unit prices resulting from price revisions for some of the mainstay products and other factors, in addition to steady sales of living supplies such as bottled beverages and daily necessities.

Sales via search engines continue to increase owing to the effect of the prior release of some functions (opening of SOLOEL ARENA website, a website for medium and large corporations, to the public) related to the construction of the new ASKUL website in July 2022. During the fiscal year under review, we will proceed as planned with the transition of customers to the new ASKUL WEB website, which went into full operation in July 2023, and enhance the effectiveness of investing.

In addition, the steady performance of AlphaPurchase Co., Ltd., a consolidated subsidiary, and the business results of FEED Corporation, a business subsidiary of AP67 Co., Ltd., which became a consolidated subsidiary at the end of the previous fiscal year, contributed to sales growth throughout the first quarter of the fiscal year under review.

As a result, net sales in the B-to-B business grew by 8,343 million yen from a year earlier to 97,776 million yen, a 9.3% increase year-over-year.

In B-to-C business, net sales in the first quarter of the fiscal year under review generally progressed as planned, although net sales decreased due to a campaign method change resulting from cost optimization in the commerce business of Z Holdings. During the fiscal year under review, the Group is aiming the sales regrowth of LOHACO through the expansion of product lineup and other measures.

As a result, LOHACO sales decreased 5,136 million yen from a year earlier to 8,822 million yen, down 36.8% year-over-year. Consequently, net sales of the B-to-C business in total also decreased 5,216 million yen from a year earlier to 13,041 million yen, a 28.6% decrease year-over-year.

Accordingly, net sales of the E-commerce business, combining the two businesses above, stood at 110,817 million yen, a 2.9% increase year-over-year. Gross profit-net increased substantially to 27,712 million yen, up 4.4% year-over-

year, as the gross profit margin improved due to an increase in sales of living supplies and price revisions for some products.

The ratio of selling, general and administrative expenses to net sales increased by 0.6 points year-over-year mainly due to an increase in amortization of software and depreciation resulting from the operation of the new ASKUL website and ASKUL Tokyo DC, as well as an increase in internet advertising related to the B-to-B business, one of the measures to expand sales during the fiscal year under review. As a result, selling, general and administrative expenses were 24,820 million yen and operating profit was 2,891 million yen, a 3.9% decrease year-over-year

<Logistics business>

Although net sales of the contracted business of logistics that ASKUL LOGIST Corporation received from outside the Group progressed generally on par with the level of the same period of the previous year, the deterioration of profitability due to soaring costs and other factors resulted in a decrease in net sales and profits.

As a result, net sales in the first quarter of the fiscal year under review were 2,007 million yen, a 5.9% decrease year-over-year, and operating loss was 79 million yen, as opposed to an operating loss of 73 million yen a year earlier.

<Other>

Operating profit increased due to improved productivity although net sales of bottled water at TSUMAGOI MEISUI Corporation progressed steady on par with the level of the same period of the previous year.

As a result, net sales for the first quarter of the fiscal year under review were 552 million yen, a 0.4% decrease year-over-year, and operating profit was 39 million yen, up 16.8% year-over-year.

(Note) 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, warehouses, and others.

(2) Explanation of Financial Position

(Assets)

Total assets stood at 220,173 million yen at the end of the first quarter of the fiscal year under review, a decrease of 7,332 million yen from the end of the preceding fiscal year. This was mainly due to decreases of 2,880 million yen in cash and deposits, 1,021 million yen in trade receivables and contract assets, and 1,019 million yen in accounts receivable-other.

(Liabilities)

Total liabilities stood at 153,239 million yen at the end of the first quarter of the fiscal year under review, a decrease of 7,390 million yen from the end of the preceding fiscal year. This was primarily due to decreases of 2,586 million yen in electronically recorded obligations-operating, 2,031 million yen in income tax payable, and 1,541 million yen in notes and accounts payable - trade.

(Net assets)

Net assets stood at 66,934 million yen at the end of the first quarter of the fiscal year under review, an increase of 57 million yen from the end of the preceding fiscal year. The primary factor behind the rise was an increase of 84 million yen in non-controlling interests and a decrease of 25 million yen in retained earnings mainly due to recognition of profit attributable to owners of parent of 1,729 million yen as opposed to dividend payments of 1,754 million yen.

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

The forecast for the year ending May 20, 2024 (full year) announced on July 4, 2023, remains unchanged.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 20, 2023	As of August 20, 2023
Assets		
Current assets		
Cash and deposits	66,223	63,342
Trade receivable and contract assets	51,954	50,933
Merchandise and finished goods	22,017	21,175
Raw materials and supplies	306	285
Costs on construction contracts in progress	112	193
Accounts receivable - other	12,623	11,604
Other	2,757	2,336
Allowance for doubtful accounts	(36)	(32)
Total current assets	155,958	149,838
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,031	10,068
Accumulated depreciation	(4,648)	(4,787)
Buildings and structures, net	5,382	5,280
Land	247	247
Leased assets	30,268	30,268
Accumulated depreciation	(11,850)	(12,605)
Leased assets, net	18,417	17,662
Other	11,719	11,763
Accumulated depreciation	(8,729)	(8,851)
Other, net	2,989	2,911
Construction in progress	825	899
Total property, plant and equipment	27,862	27,001
Intangible assets		
Software	7,950	18,250
Software in progress	11,037	991
Goodwill	5,533	5,398
Customer-related intangible assets	8,064	7,933
Other	9	10
Total intangible assets	32,594	32,585
Investments and other assets		
Investment securities	159	159
Deferred tax assets	4,226	3,848
Other	7,545	7,578
Allowance for doubtful accounts	(840)	(838)
Total investments and other assets	11,091	10,748
Total non-current assets	71,547	70,335
Total assets	227,506	220,173

(Millions of yen)

	As of May 20, 2023	As of August 20, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	54,614	53,073
Electronically recorded obligations - operating	33,683	31,096
Short-term borrowings	380	380
Current portion of long-term borrowings	10,127	9,727
Accounts payable - other	12,356	11,425
Income taxes payable	2,677	646
Accrued consumption taxes	423	1,033
Provisions	373	618
Other	5,863	6,255
Total current liabilities	120,499	114,258
Non-current liabilities		
Long-term borrowings	10,337	9,899
Lease liabilities	16,850	16,071
Retirement benefit liability	4,764	4,847
Asset retirement obligations	3,190	3,192
Deferred tax liabilities	2,750	2,706
Other	2,236	2,263
Total non-current liabilities	40,130	38,980
Total liabilities	160,630	153,239
Net assets		
Shareholders' equity		
Share capital	21,189	21,189
Capital surplus	14,906	14,905
Retained earnings	28,120	28,095
Treasury shares	(92)	(92)
Total shareholders' equity	64,124	64,098
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	20	20
Total accumulated other comprehensive income	20	20
Share acquisition rights	0	0
Non-controlling interests	2,729	2,814
Total net assets	66,876	66,934
Total liabilities and net assets	227,506	220,173

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended August 20, 2022	For the three months ended August 20, 2023
Net sales	110,087	113,074
Cost of sales	83,425	85,253
Gross profit	26,661	27,820
Selling, general and administrative expenses	23,705	24,992
Operating profit	2,956	2,827
Non-operating income		
Interest income	9	9
Subsidy income	6	1
Dividend income of insurance	12	6
Other	43	12
Total non-operating income	72	28
Non-operating expenses		
Interest expenses	58	104
Other	23	23
Total non-operating expenses	82	128
Ordinary profit	2,947	2,727
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	22	-
Other	0	-
Total extraordinary income	22	0
Extraordinary losses		
Loss on retirement of non-current assets	15	14
Provision of allowance for doubtful accounts	-	4
Other	1	0
Total extraordinary losses	16	19
Profit before income taxes	2,952	2,709
Income taxes - current	742	574
Income taxes - deferred	300	332
Total income taxes	1,042	907
Profit	1,909	1,801
Profit attributable to non-controlling interests	18	72
Profit attributable to owners of parent	1,891	1,729

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

(Millions of yen)

	For the three months ended August 20, 2022	For the three months ended August 20, 2023
Profit	1,909	1,801
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	4	(0)
Total other comprehensive income	4	(0)
Comprehensive income	1,914	1,801
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,895	1,729
Comprehensive income attributable to non-controlling interests	18	72

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Notes to Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

[Segment Information]

I. First Three Months of the Previous Fiscal Year (From May 21, 2022 to August 20, 2022)

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							
B-to-B business	89,432	—	89,432	—	89,432	—	89,432
B-to-C business	18,257	—	18,257	—	18,257	—	18,257
Logistics business	—	2,133	2,133	—	2,133	—	2,133
Others	—	—	—	263	263	—	263
Revenue from contracts with customers	107,690	2,133	109,823	263	110,087	—	110,087
Sales to external customers	107,690	2,133	109,823	263	110,087	—	110,087
Intra-segment sales or transfer	—	—	—	290	290	(290)	—
Total	107,690	2,133	109,823	554	110,378	(290)	110,087
Segment profit (loss)	3,008	(73)	2,934	33	2,968	(11)	2,956

(Notes) 1. "Other" represents business segments that do not fall under the Reporting Segment and includes the manufacturing business.

2. The adjustment of minus 11 million yen to segment profit (loss) represents the elimination of inter-segment transactions of minus 11 million yen.

3. Segment profit (loss) is adjusted with operating profit reported in the quarterly consolidated statements of income.

II. First Three Months of the Current Fiscal Year (From May 21, 2023 to August 20, 2023)

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							
B-to-B business	97,776	—	97,776	—	97,776	—	97,776
B-to-C business	13,041	—	13,041	—	13,041	—	13,041
Logistics business	—	2,007	2,007	—	2,007	—	2,007
Others	—	—	—	249	249	—	249
Revenue from contracts with customers	110,817	2,007	112,824	249	113,074	—	113,074
Sales to external customers	110,817	2,007	112,824	249	113,074	—	113,074
Intra-segment sales or transfer	—	—	—	303	303	(303)	—
Total	110,817	2,007	112,824	552	113,377	(303)	113,074
Segment profit (loss)	2,891	(79)	2,811	39	2,851	(23)	2,827

(Notes) 1. "Other" represents business segments that do not fall under the Reporting Segment and includes the manufacturing business.

2. The adjustment of minus 23 million yen to segment profit (loss) represents the elimination of inter-segment transactions of minus 23 million yen.

3. Segment profit (loss) is adjusted with operating profit reported in the quarterly consolidated statements of income.

3. Other

Details of Selling, General and Administrative Expenses (Consolidated)

Item	First Three Months of the Previous Fiscal Year (From May 21, 2022 to August 20, 2022)		First Three Months of the Fiscal Year Under Review (From May 21, 2023 to August 20, 2023)			(Reference) Fiscal Year Ended May 2023 (From May 21, 2022 to May 20, 2023)	
	Amount (Million yen)	Ratio to Sales (%)	Amount (Million yen)	Ratio to Sales (%)	Year-over-Year Change (%)	Amount (Million yen)	Ratio to Sales (%)
Personnel expenses *1	5,543	5.0	6,357	5.6	114.7	22,712	5.1
Shipment expenses *2	6,347	5.8	5,654	5.0	89.1	21,843	4.9
Subcontract expenses	1,179	1.1	1,220	1.1	103.5	4,748	1.1
Business consignment expenses	3,119	2.8	2,882	2.5	92.4	11,696	2.6
Rents	2,807	2.6	2,772	2.5	98.7	10,835	2.4
Provision of allowance for doubtful accounts	2	0.0	(4)	(0.0)	—	16	0.0
Depreciation *3	831	0.8	948	0.8	114.0	3,451	0.8
Amortization of software *4	674	0.6	1,069	0.9	158.5	2,739	0.6
Other expenses *5	3,198	2.8	4,090	3.7	127.9	14,375	3.2
Total	23,705	21.5	24,992	22.1	105.4	92,420	20.7

- *1. Compared with the same period of the previous fiscal year, personnel expenses for the first quarter of the fiscal year under review increased. This was mainly due to the consolidation of AP67 Co., Ltd. And four other companies and an increase in the number of employees.
2. Compared with the same period of the previous fiscal year, shipment expenses for the first quarter of the fiscal year under review decreased. This was mainly due to an increase in sales per box and a growth in the sales ratio of the B-to-B business, which has a low ratio of shipment expenses to net sales.
3. Compared with the same period of the previous fiscal year, depreciation for the first quarter of the fiscal year under review increased. This was mainly due to the operation of ASKUL Tokyo DC in November 2022.
4. Compared with the same period of the previous fiscal year, amortization of software for the first quarter of the fiscal year under review increased. This was mainly due to the full-scale operation of the new ASKUL website for the B-to-B business in July 2023.
5. Compared with the same period of the previous fiscal year, other expenses for the first quarter of the fiscal year under review increased. This was mainly due to the boosting of online advertising for the B-to-B business.