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Consolidated Financial Results for the Three Months Ended August 20, 2024 [Japanese GAAP]*

September 13, 2024

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)
Contact: Tsuguhiro Tamai Director and CFO (chief financial officer)
Phone: +81-3-4330-5130
Scheduled date of commencing dividend payments: -
Preparation of supplementary materials for financial results: Yes
Schedule of 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, 2024 (May 21, 2024 to August 20, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 20, 2024	118,384	4.7	2,574	(8.9)	2,510	(8.0)	1,544	(10.7)
August 20, 2023	113,074	2.7	2,827	(4.4)	2,727	(7.4)	1,729	(8.6)

(Note) Comprehensive income: Three months ended August 20, 2024: ¥1,623 million [(9.9%)]
Three months ended August 20, 2023: ¥1,801 million [(5.9%)]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
August 20, 2024	16.08	16.05
August 20, 2023	17.74	17.70

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
August 20, 2024	226,083	78,471	33.3
May 20, 2024	243,062	81,336	32.2

(Reference) Equity: As of August 20, 2024: ¥75,306 million
As of May 20, 2024: ¥78,262 million

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, 2024	-	18.00	-	18.00	36.00
Fiscal year ending May 20, 2025	-				
Fiscal year ending May 20, 2025 (Forecast)		19.00	-	19.00	38.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 20, 2025 (May 21, 2024 to May 20, 2025)

(% 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	500,000	6.0	18,000	6.2	17,700	6.1	11,200	(41.5)	115.76

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

* Notes:

(1) Significant changes in the scope of consolidation during the period under review: 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) Number of outstanding shares (common stocks)
1) Number of outstanding shares at the end of the period (including treasury stock):

August 20, 2024:	97,564,700 shares
May 20, 2024:	97,564,700 shares

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

August 20, 2024:	2,084,100 shares
May 20, 2024:	810,475 shares

3) Average number of shares during the period:

Three months ended August 20, 2024:	96,059,257 shares
Three months ended August 20, 2023:	97,456,394 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: No

* 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 quarter of the fiscal year under review (from May 21, 2024 to August 20, 2024), the Japanese economy is expected to continue its gradual recovery, with improving employment and income conditions, partly due to increased inbound demand, although some areas remained at a standstill. On the other hand, the outlook remains uncertain due to rising prices of raw materials and energy, unstable foreign exchange rate fluctuations, concerns about the impact of global monetary tightening on the economy and other factors.

Under such circumstances, in the fiscal year under review, the final year of the Medium-term Management Plan (from the fiscal year ended May 20, 2022 to the fiscal year ending May 20, 2025), the Group plans net sales of 500.0 billion yen, a 6.0% increase year-on-year, and operating profit of 18.0 billion yen, a 6.2% increase year-on-year, by increasing net sales and improving the gross profit margin and variable cost ratio to absorb increasing fixed costs. The Group is also aiming to achieve new record highs in both net sales and operating profit.

The financial performance of the Group for the first quarter of the fiscal year under review was net sales of 118,384 million yen, a 4.7% increase year-on-year, operating profit of 2,574 million yen, an 8.9% decrease year-on-year, ordinary profit of 2,510 million yen, down 8.0% year-on-year, and profit attributable to owners of parent of 1,544 million yen, a 10.7% decrease year-on-year.

Operating results by segment are outlined below.

<E-commerce business>

(Million yen)

	For the three months of the previous fiscal year	For the three months of the fiscal year under review	Change (amount)	Change (percentage)
Net sales	110,817	116,282	+5,464	+4.9%
ASKUL business	84,494	88,373	+3,879	+4.6%
LOHACO business	8,822	9,585	+763	+8.7%
Group companies and elimination of intra-group transactions	17,501	18,323	+821	+4.7%
Operating profit	2,891	2,565	(325)	(11.3)%

(Note) Net sales in the E-commerce business were previously disclosed under the classification of the “B-to-B business” and “B-to-C business,” but the classification has been changed to the “ASKUL business,” “LOHACO business,” and “Group companies and elimination of intra-group transactions,” effective from the first quarter of the fiscal year under review for the purpose of disclosure that is more in line with the actual business conditions. The “ASKUL business” refers to the B-to-B business, the “LOHACO business” refers to the B-to-C business, and the “Group companies and elimination of intra-group transactions” refers to both the B-to-B business and B-to-C business.

In the E-commerce business during the first quarter of the fiscal year under review, net sales grew steadily, mainly in the ASKUL business, to 116,282 million yen, a 4.9% increase year-on-year. On the other hand, operating profit was 2,565 million yen, a 11.3% decrease year-on-year, as increased fixed costs, etc., including rents related to the ASKUL Kanto DC, which is scheduled to start operations at the beginning of the fiscal year ending May 20, 2026, could not be absorbed as a result of the decline in gross profit margin due to the temporary impact of foreign exchange rates, etc., resulting in an increase in sales and a decrease in profits.

Net sales and operating profit are outlined below.

(1) Net sales

a. ASKUL business

- Net sales of products for Living Supplies and Medical categories remained strong, with a growth rate of 4.6%, despite sluggish demand for conventional office supplies (office furniture, ink and toner, stationery, etc.)

- Net sales to large and medium-sized companies remained strong, despite sluggish purchase volumes by small and medium-sized enterprises due to delayed demand recovery

b. LOHACO business

- Net sales grew 8.7%, partly due to sales promotion measures in collaboration with LY Corporation

c. Group companies and elimination of intra-group transactions

- Net sales of AlphaPurchase Co., Ltd. and FEED Corporation remained strong, with a growth rate of 4.7%

(2) Operating profit

Operating profit decreased by 325 million yen year-on-year to 2,565 million yen. This was mainly due to a 1.1-point year-on-year decrease in gross profit margin, standing at 23.9%, and increased fixed costs, while the ratio of selling, general and administrative expenses improved 0.7 points year-on-year to 21.7%, as outlined below.

- The purchase price of imported products such as copy paper increased due to the impact of foreign exchange rates, resulting in a decline in the gross profit margin
- The decline in gross profit margin due to the impact of foreign exchange rates has been reflected in the planned figures for the first quarter of the fiscal year under review
- Strategic price reductions were implemented for some Living Supplies category products as part of the measures to acquire new customers, resulting in a decline in gross profit margin
- As for the ratio of shipment expenses to net sales, the unit sales price per box increased due to the revision of the free shipping threshold(Note) in the previous fiscal year, which continued to encourage customers to buy in bulk. However, the ratio was affected by increased case shipments of beverages due to the extreme heat and the announcement of the Nankai Trough Earthquake Extra Information.
- The commencement of leasing of the ASKUL Kanto DC incurred rents and preparation costs (334 million yen in total) for operation in the next fiscal year.

<Logistics business>

Although net sales of the contracted business of logistics that ASKUL LOGIST Corporation received from outside the Group decreased, profitability increased mainly due to service price revisions and improved productivity, resulting in a decrease in sales and an increase in profits.

As a result, net sales in the first quarter of the fiscal year under review were 1,875 million yen, a 6.6% decrease year-on-year, and operating loss was 25 million yen, as opposed to an operating loss of 79 million yen a year earlier.

<Other>

Net sales increased due to strong sales of bottled water of TSUMAGOI MEISUI CORPORATION, and operating profit increased significantly due to further improvement in productivity.

As a result, net sales for the first quarter of the fiscal year under review were 703 million yen, a 27.4% increase year-on-year, and operating profit was 106 million yen, up 172.4% year-on-year.

(Note) The standard amount per order for which the Company bear the basic delivery fee.

(2) Explanation of Financial Position

(Assets)

Total assets stood at 226,083 million yen at the end of the first quarter of the fiscal year under review, a decrease of 16,979 million yen from the end of the preceding fiscal year. This was mainly due to decreases of 11,389 million yen in accounts receivable - other mainly resulting from the receipt of damages for the fire at the ALP Metropolitan, 4,656 million yen in cash and deposits mainly due to the payment related to income taxes payable, electronically recorded obligations - operating and the acquisition of treasury stock, despite the receipt of damages, and 1,088 million yen in trade receivables and contract assets.

(Liabilities)

Total liabilities stood at 147,611 million yen at the end of the first quarter of the fiscal year under review, a decrease of

14,114 million yen from the end of the preceding fiscal year. This was primarily due to decreases of 6,881 million yen in income taxes payable, 3,295 million yen in electronically recorded obligations - operating, 3,202 million yen in accounts payable - other, and 1,375 million yen in accrued consumption taxes.

(Net assets)

Net assets stood at 78,471 million yen at the end of the first quarter of the fiscal year under review, a decrease of 2,864 million yen from the end of the preceding fiscal year. This was primarily due to an increase of 2,750 million yen in treasury shares (decrease in net assets) mainly due to the acquisition of treasury stock implemented until August 2024 as part of new shareholder return policy.

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

The forecast for the year ending May 20, 2025 (full year) announced on July 3, 2024, remains unchanged.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 20, 2024	As of August 20, 2024
Assets		
Current assets		
Cash and deposits	61,744	57,088
Notes and accounts receivable - trade, and contract assets	53,878	52,790
Merchandise and finished goods	23,021	22,383
Raw materials and supplies	334	245
Costs on construction contracts in progress	62	95
Accounts receivable - other	26,194	14,804
Other	2,790	2,783
Allowance for doubtful accounts	(32)	(33)
Total current assets	167,994	150,157
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,363	10,391
Accumulated depreciation	(5,211)	(5,355)
Buildings and structures, net	5,152	5,036
Land	257	257
Leased assets	31,325	32,218
Accumulated depreciation	(14,490)	(15,313)
Leased assets, net	16,834	16,904
Construction in progress	6,965	7,675
Other	12,628	12,742
Accumulated depreciation	(9,345)	(9,408)
Other, net	3,283	3,333
Total property, plant and equipment	32,493	33,207
Intangible assets		
Software	16,475	16,042
Software in progress	2,340	3,053
Goodwill	4,996	4,862
Customer-related intangible assets	7,542	7,411
Other	11	11
Total intangible assets	31,365	31,380
Investments and other assets		
Investment securities	159	108
Deferred tax assets	4,353	3,857
Other	7,497	8,171
Allowance for doubtful accounts	(800)	(799)
Total investments and other assets	11,208	11,338
Total non-current assets	75,068	75,925
Total assets	243,062	226,083

(Millions of yen)

	As of May 20, 2024	As of August 20, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	59,078	59,910
Electronically recorded obligations - operating	26,007	22,712
Short-term borrowings	380	380
Current portion of long-term borrowings	4,103	4,074
Accounts payable - other	14,921	11,719
Income taxes payable	7,420	538
Accrued consumption taxes	2,226	850
Provisions	419	363
Other	6,335	6,702
Total current liabilities	120,893	107,252
Non-current liabilities		
Long-term borrowings	13,237	12,569
Lease liabilities	15,058	15,102
Retirement benefit liability	4,853	4,936
Asset retirement obligations	3,199	3,187
Deferred tax liabilities	2,573	2,529
Other	1,909	2,033
Total non-current liabilities	40,832	40,359
Total liabilities	161,725	147,611
Net assets		
Shareholders' equity		
Share capital	21,233	21,233
Capital surplus	14,940	14,940
Retained earnings	43,750	43,553
Treasury shares	(1,807)	(4,558)
Total shareholders' equity	78,116	75,169
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	145	137
Total accumulated other comprehensive income	145	137
Share acquisition rights	0	0
Non-controlling interests	3,073	3,165
Total net assets	81,336	78,471
Total liabilities and net assets	243,062	226,083

(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, 2023	For the three months ended August 20, 2024
Net sales	113,074	118,384
Cost of sales	85,253	90,406
Gross profit	27,820	27,977
Selling, general and administrative expenses	24,992	25,402
Operating profit	2,827	2,574
Non-operating income		
Interest income	9	17
Subsidy income	1	3
Dividend income of insurance	6	16
Other	12	14
Total non-operating income	28	51
Non-operating expenses		
Interest expenses	104	98
Other	23	17
Total non-operating expenses	128	115
Ordinary profit	2,727	2,510
Extraordinary income		
Gain on sale of non-current assets	0	0
Compensation for damage income	-	6
Total extraordinary income	0	6
Extraordinary losses		
Loss on retirement of non-current assets	14	9
Loss on valuation of investment securities	-	50
Other	4	3
Total extraordinary losses	19	63
Profit before income taxes	2,709	2,454
Income taxes - current	574	367
Income taxes - deferred	332	455
Total income taxes	907	823
Profit	1,801	1,631
Profit attributable to non-controlling interests	72	86
Profit attributable to owners of parent	1,729	1,544

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

(Millions of yen)

	For the three months ended August 20, 2023	For the three months ended August 20, 2024
Profit	1,801	1,631
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(0)	(8)
Total other comprehensive income	(0)	(8)
Comprehensive income	1,801	1,623
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,729	1,536
Comprehensive income attributable to non-controlling interests	72	86

(3) Notes to Quarterly Consolidated Financial Statements

(Changes in Accounting Policies)

(Application of the "Accounting Standard for Current Income Taxes," etc.)

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, revised on October 28, 2022; the "Revised Accounting Standard of 2022"), etc. from the beginning of the first quarter of the fiscal year under review.

Revisions to categories for recording "Income taxes" (taxation on other comprehensive income) conform to the transitional treatment in the proviso of Paragraph 20-3 of the Revised Accounting Standard of 2022, and Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, revised on October 28, 2022; the "Revised Guidance of 2022"). These changes in accounting policies have no impact on the quarterly consolidated financial statements.

As for the revision related to the review of the treatment in the consolidated financial statements in the case of the deferral for tax purposes of gain or loss on sale arising from the sale of shares of subsidiaries, etc. between consolidated companies, the Company has applied the Revised Guidance of 2022 from the beginning of the first quarter of the fiscal year under review. These changes in accounting policies are applied retrospectively, including the quarterly consolidated financial statements and the consolidated financial statements of the previous fiscal year which have been adjusted retrospectively. These changes in accounting policies have no impact on the quarterly consolidated financial statements and the consolidated financial statements of the previous fiscal year.

(Segment Information, etc.)

[Segment Information]

I. First Three Months of the Previous 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							
ASKUL business	84,494	—	84,494	—	84,494	—	84,494
LOHACO business	8,822	—	8,822	—	8,822	—	8,822
Group companies and elimination of intra-group transactions	17,501	—	17,501	—	17,501	—	17,501
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.

II. First Three Months of the Current Fiscal Year (From May 21, 2024 to August 20, 2024)

1. 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							
ASKUL business	88,373	—	88,373	—	88,373	—	88,373
LOHACO business	9,585	—	9,585	—	9,585	—	9,585
Group companies and elimination of intra-group transactions	18,323	—	18,323	—	18,323	—	18,323
Logistics business	—	1,875	1,875	—	1,875	—	1,875
Others	—	—	—	226	226	—	226
Revenue from contracts with customers	116,282	1,875	118,157	226	118,384	—	118,384
Sales to external customers	116,282	1,875	118,157	226	118,384	—	118,384
Intra-segment sales or transfer	—	—	—	477	477	(477)	—
Total	116,282	1,875	118,157	703	118,861	(477)	118,384
Segment profit (loss)	2,565	(25)	2,540	106	2,647	(72)	2,574

(Notes)
1. "Other" represents business segments that do not fall under the Reporting Segment and includes the manufacturing business.
2. The adjustment of minus 72 million yen to segment profit (loss) represents the elimination of inter-segment transactions of minus 72 million yen.
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.

Revenue in the E-commerce business among reporting segments was previously classified into the "B-to-B business" and "B-to-C business," but the classification has been changed to the "ASKUL business," "LOHACO business," and "Group companies and elimination of intra-group transactions," effective from the first quarter of the fiscal year under review for the purpose of disclosure that is more in line with the actual business conditions. This change refers to the classification of revenue within reporting segments and has no impact on segment information. The revenue for the first quarter of the previous fiscal year is stated in the classification after the change.

(Notes to Significant Changes in Shareholders' Equity)

The Company acquired 1,273,600 shares of treasury stock during the first quarter of the fiscal year under review based on a resolution of the Board of Directors meeting held on March 15, 2024. As a result, treasury shares increased by 2,750 million yen, resulting in treasury shares of 4,558 million yen at the end of the first quarter of the fiscal year under review.

(Notes to Going Concern Assumption)

Not applicable.

(Notes to Statements of Cash Flows)

Quarterly consolidated statements of cash flows for the first quarter of the fiscal year under review has not been prepared. Depreciation (including amortization of intangible assets other than goodwill) and amortization of goodwill for the first quarter of the fiscal year under review are as follows.

(Million yen)

	For the three months ended August 20, 2023	For the three months ended August 20, 2024
Depreciation	2,176	2,459
Amortization of goodwill	134	134
Amortization of customer-related intangible assets	130	130

(Significant Subsequent Events)

(Cancellation of Treasury Stock)

The Company resolved, at the meeting of the Board of Directors held on September 13, 2024, to cancel its treasury stock pursuant to the provisions of Article 178 of the Companies Act.

(1) Reason for cancellation of treasury stock

The Company has set a target total return ratio of 45% to improve shareholder returns and capital efficiency.

Based on this policy, the Company resolved, at the meeting of the Board of Directors held on March 15, 2024, to acquire treasury stock, and 1,893,400 of the 2,043,400 shares of treasury stock acquired from March 18, 2024 to August 9, 2024 will be cancelled.

(2) Details of cancellation

1) Class of shares to be cancelled: Common stock of the Company
2) Total number of shares to be cancelled: 1,893,400 shares (1.94% of total number of issued shares before cancellation)
3) Scheduled date of cancellation: September 20, 2024
4) Total number of issued shares after cancellation: 95,671,300 shares

3. Other

Details of Selling, General and Administrative Expenses (Consolidated)

Item	First Three Months of the Previous Fiscal Year (From May 21, 2023 to August 20, 2023)		First Three Months of the Fiscal Year Under Review (From May 21, 2024 to August 20, 2024)			(Reference) Fiscal Year Ended May 2024 (From May 21, 2023 to May 20, 2024)	
	Amount (Million yen)	Ratio to Sales (%)	Amount (Million yen)	Ratio to Sales (%)	Year-on-Year Change (%)	Amount (Million yen)	Ratio to Sales (%)
Personnel expenses	6,357	5.6	6,250	5.3	98.3	25,381	5.4
Shipment expenses	5,654	5.0	5,591	4.7	98.9	21,611	4.6
Subcontract expenses *1	1,220	1.1	1,420	1.2	116.3	5,065	1.1
Business consignment expenses	2,882	2.5	2,839	2.4	98.5	11,223	2.4
Rents *2	2,772	2.5	3,103	2.6	111.9	11,132	2.4
Provision of allowance for doubtful accounts	(4)	(0.0)	2	0.0	-	(27)	(0.0)
Depreciation *3	948	0.8	1,056	0.9	111.5	3,960	0.8
Amortization of software *4	1,069	0.9	1,258	1.1	117.6	4,891	1.0
Other expenses	4,090	3.7	3,880	3.3	94.9	17,310	3.6
Total	24,992	22.1	25,402	21.5	101.6	100,549	21.3

*1. Compared with the same period of the previous fiscal year, subcontract expenses 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 ASKUL business.

2. Compared with the same period of the previous fiscal year, rents for the first quarter of the fiscal year under review increased. This was mainly due to the commencement of leasing of ASKUL Kanto DC in June 2024.

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 introduction of automated transfer robot equipment at ASKUL Value Center Kansai.

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 ASKUL business.