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Summary of Consolidated Financial Results for the Three Months Ended August 20, 2020 [Japanese GAAP]*

September 16, 2020

Company name: ASKUL Corporation

Stock exchange listing: Tokyo

Code number: 2678

URL: <https://www.askul.co.jp/kaisya/ir/>

Representative: Akira Yoshioka, President and chief executive officer

Contact: Tsuguhiro Tamai, Director and chief financial officer

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Scheduled date of filing quarterly securities report: September 29, 2020

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

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

1. Consolidated Financial Results for the Three Months Ended August 20, 2020 (May 21, 2020 to August 20, 2020)

(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, 2020	100,180	2.3	2,990	102.1	2,987	105.1	1,502	65.0
August 20, 2019	97,891	4.2	1,479	-	1,456	-	910	-

(Note) Comprehensive income: Three months ended August 20, 2020: ¥1,442 million [52.6%]
Three months ended August 20, 2019: ¥945 million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended August 20, 2020	29.43	29.31
August 20, 2019	17.85	17.85

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of August 20, 2020	168,587	53,341	31.5
May 20, 2020	174,114	52,825	30.1

(Reference) Equity: As of August 20, 2020: ¥53,045 million
As of May 20, 2020: ¥52,434 million

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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, 2020	-	19.00	-	19.00	38.00
Fiscal year ending May 20, 2021	-				
Fiscal year ending May 20, 2021 (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, 2021(May 21, 2020 to May 20, 2021)

(% 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	%	
Full year	406,300	1.5	9,200	4.3	9,000	4.0	5,000	(11.5)	Yen 97.94

(Note) Revision to the financial results forecast announced most recently: Yes

* 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) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

August 20, 2020: 55,259,400 shares

May 20, 2020: 55,259,400 shares

2) Total number of treasury shares at the end of the period:

August 20, 2020: 4,192,022 shares

May 20, 2020: 4,221,622 shares

3) Average number of shares during the period:

Three months ended August 20, 2020: 51,051,906 shares

Three months ended August 20, 2019: 51,023,762 shares

* 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 6 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 (May 21, 2020 to August 20, 2020), Japan's economy saw consumer spending and corporate activity stagnate as the novel coronavirus spread. Although there are signs of the reopening of economic activity, the economic outlook remains uncertain.

With the spread of the novel coronavirus decreasing demand in a great number of industries, the e-commerce market, in which the Group operates, is expected to play the role of a shopping activity that reduces contact among people who are leading a new lifestyle, and demand there is on an upward trend. On the other hand, as delivery charges remain high primarily due to shortages of delivery drivers, and competition in the industry for better service quality is underway, the business environment continues to allow for little optimism.

With the B-to-B business in the mainstay E-commerce business capturing the expansion of the e-commerce market, the Group is pursuing the mission of "Provide Reliable Services to All Workplaces as a Lifeline for People Working There."

The B-to-C business has been pushing forward with structural reform to ensure that LOHACO realizes positive operating profit in the fiscal year ending May 2023.

During the first quarter of the fiscal year under review, net sales of the B-to-B business, which had fallen after the declaration of a state of emergency of April 2020, recovered steadily. Partly due to special demand for hand sanitizers, face masks, and other preventive products against the novel coronavirus, both net sales and profit increased drastically, which led the B-to-C business LOHACO to improve profitability as planned.

As a consequence, net sales in the first quarter under review broke the 100,000 million yen mark for the first time as the period of the first quarter to 100,180 million yen, a 2.3% increase year on year. Operating profit was 2,990 million yen, a 102.1% increase year on year, and ordinary profit was 2,987 million yen, a 105.1% increase year on year. Net sales and each item of profit reached record highs for the period of the first quarter. As the Group divested part of its stake in ecohai Co., Ltd. in July 2020, it was excluded from consolidation. An allowance for doubtful accounts of 1,000 million yen for possible loss of loans to the company, which had been recorded in the non-consolidated financial statements in past years, was recorded anew on the consolidated financial statements, resulting in profit attributable to owners of parent for the quarter reaching 1,502 million yen, a 65.0% increase year on year.

Operating results by segment are outlined below.

<E-commerce business>

In the B-to-B business, the Group's mainstay business, net sales dropped due to customers' self-restraint on business activities in response to the declaration of a state of emergency in April 2020, leaving sales to middle-level and large corporations in jeopardy. However, since the state of emergency was lifted in May 2020, SMEs and other customers are normalizing their business activities and net sales of the Group are recovering faster than previously assumed. Special demand for hand sanitizers, face masks and other infection-prevention products remains strong, and growth in e-commerce boosted sales of MRO supplies (Note 1), such as packing materials, and long-tail products, on which the Group is focused. Consequently, the first quarter of the fiscal year under review posted a sales increase.

In addition to the effect of SEO (Note 2), which the Group has been strengthening, the Group saw orders surge from new customers, such as medical institutions and nursing care facilities, with which transactions started as a result of the Group's ongoing priority deliveries of hand sanitizers to them at the request of the Government through the Ministry of Economy, Trade and Industry and the Ministry of Health, Labour and Welfare. While the operational rate of existing customers is also rising, the Group is working hard to ensure that all customers including new ones can continue to use the Group's services.

As a result, net sales in the B-to-B business grew by 1,570 million yen from a year earlier to 81,122 million yen, a 2.0% increase year on year.

The Group is determined to continue pushing forward with digitization that deploys data that has been accumulated and focusing on reinforcing service quality that will satisfy customers, such as through expansion of long-tail products that meet diverse work styles, minimization of out-of-stock items and enhancement of delivery quality. Additionally, in

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order to meet the responsibility of a corporation that supports the lifeline of customers, the Group is taking action such as priority deliveries of hand sanitizers at the request of the Government to fight the novel coronavirus. Even in the event of typhoons and torrential rain, the Group will continue fulfilling this mission and responsibility as an infrastructure corporation.

The B-to-C business has strived to improve the profit of LOHACO as its top priority. Regarding profit improvement, as people continue to impose self-restraint on their daily activities, ongoing measures, such as making proposals of highly added value products to customers and optimizing sales prices, are improving product gross margin. Simultaneously, the effects of structural reforms through services, such as "one-box eco," launched in July 2019 (Note 3), are steadily appearing. Also, net sales through PayPay Mall, operated by Yahoo Japan Corporation, in which a new store was opened in October 2019 to capture new customers in an effort to materialize the second growth of "LOHACO," have expanded as planned. By strengthening cooperation with Yahoo Japan Corporation, this way of doing business has also helped reduce sales promotion expenses. Through these measures, gross profit improved and the ratio of selling, general and administrative expenses to net sales declined.

As a result, LOHACO sales increased 659 million yen from a year earlier to 12,929 million yen, a 5.4% increase year on year. Consequently, net sales of the B-to-C business in total also grew by 868 million yen from a year earlier to 16,880 million yen, a 5.4% increase year on year.

However, whereas demand for e-commerce continues to grow, a lengthening in delivery lead time resulting from shipping-out capacity has become an issue with "LOHACO." Therefore, the Group will start working to solve this issue as soon as possible by expanding and reinforcing the shipping-out system.

As a result, net sales of the E-commerce business, combining the two businesses above, stood at 98,002 million yen, an increase of 2.6% year on year. Gross profit-net was 24,849 million yen, a 10.5% increase year on year, as sales of products with higher profitability, such as infection-preventive products, expanded due to the spread of the novel coronavirus, and gross profit margin of LOHACO has also improved.

The increase in sales of both businesses and the improvement in the profit of LOHACO lowered the ratio of selling, general and administrative expenses by 0.4 points year on year. Consequently, selling, general and administrative expenses were 21,407 million, and operating profit was 3,442 million yen, a 174.3% increase year on year.

<Logistics business>

The first quarter of the fiscal year under review posted an operating loss because expenses such as rent for distribution centers in connection with the contracted business of logistics operations scheduled to commence in November 2020 were incurred.

As a result, net sales in the first quarter of the fiscal year under review were 1,991 million yen, a 5.8% decrease year on year, and operating loss was 479 million yen, as opposed to operating profit of 213 million yen a year earlier.

<Other>

Tsumagoimeisui Corporation kept its sales on a level similar to a year earlier and increased profit due to higher sales of products with high profitability.

As a result, net sales of the first quarter of the fiscal year under review fell to 357 million yen, a 1.7% decrease year on year, and operating profit was 54 million yen, a 183.7% increase year on year.

- 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.
2. SEO is an acronym for Search Engine Optimization, which refers to a measure that direct search engines to show the Group's website as a top result for searches of a certain product.
3. A service in which the number of items per purchase unit is reduced and lower prices are offered for applicable beverage products, such as bottled water and tea, with free shipping charges applicable to orders of beverages up to a total of 18 kg per case unit. Promoting purchases that use up the weight limit per case unit by bundling various beverage products will lead to a decrease in the ratio of delivery charges to net sales, while reducing the burden of delivering packages at the same time.

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(2) Explanation of Financial Position

(Assets)

Total assets stood at 168,587 million yen at the end of the first quarter of the fiscal year under review, a decrease of 5,526 million yen from the end of the preceding fiscal year. The primary factor behind the decrease was a decrease of 9,052 million yen in cash and deposits despite an increase of 4,010 million yen in notes and accounts receivable-trade.

(Liabilities)

Total liabilities stood at 115,246 million yen at the end of the first quarter of the fiscal year under review, a decrease of 6,042 million yen from the end of the preceding fiscal year. The main factors behind the decrease were a decrease of 2,850 million yen in electronically recorded obligations-operating, a decrease of 1,669 million yen in income taxes payable, and a decrease of 536 million yen in notes and accounts payable-trade.

(Net assets)

Net assets stood at 53,341 million yen at the end of the first quarter of the fiscal year under review, an increase of 515 million yen from the end of the preceding fiscal year. The primary factor behind the rise was an increase of 527 million yen in retained earnings mainly due to recognition of profit attributable to owners of parent of 1,502 million yen as opposed to dividend payments of 969 million yen.

Consequently, the capital adequacy ratio was 31.5% (30.1% at the end of the preceding fiscal year).

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

The forecast for the year ending May 20, 2021 (full year) announced on July 10, 2020, has been revised. For more details, please see "Revision of Full-Year Earnings Forecast" announced today.

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2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of May 20, 2020	As of August 20, 2020
Assets		
Current assets		
Cash and deposits	63,260	54,208
Notes and accounts receivable - trade	38,701	42,711
Merchandise and finished goods	16,582	16,900
Raw materials and supplies	257	239
Costs on construction contracts in progress	63	98
Accounts receivable - other	10,340	10,236
Other	1,277	1,442
Allowance for doubtful accounts	(24)	(30)
Total current assets	130,458	125,807
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,329	8,283
Accumulated depreciation	(3,162)	(3,236)
Buildings and structures, net	5,166	5,046
Land	137	137
Leased assets	19,408	19,429
Accumulated depreciation	(6,405)	(6,877)
Leased assets, net	13,003	12,551
Other	10,065	10,043
Accumulated depreciation	(6,961)	(7,070)
Other, net	3,104	2,973
Construction in progress	461	1,065
Total property, plant and equipment	21,873	21,774
Intangible assets		
Software	7,285	7,255
Software in progress	1,116	1,318
Goodwill	2,165	1,888
Other	6	5
Total intangible assets	10,574	10,468
Investments and other assets		
Investment securities	808	433
Deferred tax assets	3,873	3,539
Other	6,647	7,696
Allowance for doubtful accounts	(121)	(1,131)
Total investments and other assets	11,208	10,537
Total non-current assets	43,655	42,780
Total assets	174,114	168,587

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(Million yen)

	As of May 20, 2020	As of August 20, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	45,549	45,013
Electronically recorded obligations - operating	21,733	18,882
Short-term borrowings	430	380
Current portion of long-term borrowings	1,767	3,517
Accounts payable - other	10,281	10,433
Income taxes payable	1,972	303
Accrued consumption taxes	1,140	812
Provisions	780	712
Other	3,718	3,748
Total current liabilities	87,374	83,803
Non-current liabilities		
Long-term borrowings	13,679	11,547
Lease obligations	11,879	11,424
Retirement benefit liability	3,716	3,812
Asset retirement obligations	2,438	2,441
Other	2,200	2,217
Total non-current liabilities	33,914	31,443
Total liabilities	121,289	115,246
Net assets		
Shareholders' equity		
Share capital	21,189	21,189
Capital surplus	24,220	24,183
Retained earnings	23,769	24,296
Treasury shares	(16,718)	(16,601)
Total shareholders' equity	52,461	53,067
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(26)	(22)
Total accumulated other comprehensive income	(26)	(22)
Share acquisition rights	7	5
Non-controlling interests	382	290
Total net assets	52,825	53,341
Total liabilities and net assets	174,114	168,587

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(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Million yen)

	For the three months ended August 20, 2019	For the three months ended August 20, 2020
Net sales	97,891	100,180
Cost of sales	74,792	75,323
Gross profit	23,098	24,856
Reversal of provision for sales returns	26	26
Provision for sales returns	26	31
Gross profit - net	23,098	24,851
Selling, general and administrative expenses	21,619	21,861
Operating profit	1,479	2,990
Non-operating income		
Interest income	6	8
Subsidy income	-	37
Rental income	112	47
Other	60	13
Total non-operating income	179	106
Non-operating expenses		
Interest expenses	64	58
Rental expenses	109	44
Other	28	8
Total non-operating expenses	203	110
Ordinary profit	1,456	2,987
Extraordinary income		
Gain on sales of non-current assets	-	1
Total extraordinary income	-	1
Extraordinary losses		
Loss on sales of shares of subsidiaries	-	24
Loss on valuation of investment securities	-	48
Loss on sales of non-current assets	-	0
Loss on retirement of non-current assets	2	0
Provision of allowance for doubtful accounts	-	1,000
Total extraordinary losses	2	1,074
Profit before income taxes	1,453	1,914
Income taxes - current	300	145
Income taxes - deferred	225	329
Total income taxes	526	475
Profit	927	1,439
Profit (loss) attributable to non-controlling interests	16	(63)
Profit attributable to owners of parent	910	1,502

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

(Million yen)

	For the three months ended August 20, 2019	For the three months ended August 20, 2020
Profit	927	1,439
Other comprehensive income		
Deferred gains or losses on hedges	0	-
Foreign currency translation adjustment	(1)	-
Remeasurements of defined benefit plans, net of tax	19	3
Total other comprehensive income	18	3
Comprehensive income	945	1,442
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	929	1,506
Comprehensive income attributable to non-controlling interests	16	(63)

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(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Notes to Significant Changes in Shareholders' Equity)

Not applicable.

(Supplementary Information)

(Accounting estimates regarding the impact of the spread of the novel coronavirus)

There are no material changes to the assumptions of (Accounting estimates regarding the impact of the spread of novel coronavirus) in (Supplementary Information) stated in the securities report for the previous fiscal year.

(Segment Information, etc.)

[Segment Information]

I First Three Months of the Previous Fiscal Year (From May 21, 2019 to August 20, 2019)

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

(Unit: 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	95,562	2,114	97,677	214	97,891	—	97,891
Intra-segment sales or transfers	—	—	—	148	148	(148)	—
Total	95,562	2,114	97,677	363	98,040	(148)	97,891
Segment profit	1,254	213	1,468	19	1,487	(8)	1,479

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

2. The adjustment of minus 8 million yen to segment profit represents the elimination of inter-segment transactions of minus 8 million yen.

3. Segment profit is adjusted with operating profit reported on the quarterly consolidated statements of income.

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II. First Three Months of the Fiscal Year Under Review (From May 21, 2020 to August 20, 2020)

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

(Unit: 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	Subtotal				
Net sales							
Sales to external customers	98,002	1,991	99,993	186	100,180	—	100,180
Intra-segment sales or transfers	—	—	—	170	170	(170)	—
Total	98,002	1,991	99,993	357	100,350	(170)	100,180
Segment profit (loss)	3,442	(479)	2,962	54	3,017	(26)	2,990

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

2. The adjustment of minus 26 million yen to segment profit (loss) represents the elimination of inter-segment transactions of minus 26 million yen.

3. Segment profit (loss) is adjusted with operating profit reported on 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, 2019 to August 20, 2019)		First Three Months of the Fiscal Year Under Review (From May 21, 2020 to August 20, 2020)			(Reference) Fiscal Year Ended May 2020 (From May 21, 2019 to August 20, 2020)	
	Amount (Million yen)	Ratio to Sales (%)	Amount (Million yen)	Ratio to Sales (%)	Year-on- Year Change (%)	Amount (Million yen)	Ratio to Sales (%)
Personnel expenses	5,104	5.2	5,291	5.3	103.7	20,721	5.2
Shipment expenses	5,857	6.0	6,038	6.0	103.1	23,062	5.8
Provision for sales promotion expenses	140	0.1	150	0.2	107.2	533	0.1
Subcontract expenses	936	1.0	841	0.8	89.9	3,566	0.9
Business consignment expenses	2,751	2.8	2,790	2.8	101.4	10,921	2.7
Rents	2,387	2.4	2,421	2.4	101.4	9,727	2.4
Provision of allowance for doubtful accounts	10	0.0	26	0.0	254.9	69	0.0
Depreciation	723	0.7	771	0.8	106.6	3,017	0.8
Amortization of software	554	0.6	638	0.6	115.3	2,373	0.6
Other expenses	3,152	3.3	2,890	2.9	91.7	12,869	3.2
Total	21,619	22.1	21,861	21.8	101.1	86,862	21.7