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Excerpt from Summary of Consolidated Financial Results for the Six Months Ended November 20, 2018 [Japanese GAAP]

December 14, 2018

Company name:	ASKUL Corporation	
Stock exchange listing:	Tokyo	
Code number:	2678	
URL:	https://www.askul.co.jp/kaisya/ir/	
Representative:	Shoichiro Iwata	President and chief executive officer
Contact:	Tsuguhiro Tamai	Executive officer and chief financial officer
Phone:	03-4330-5130	

Scheduled date of filing quarterly securities report:	December 28, 2018
Scheduled date of commencing dividend payments:	January 21, 2019
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 Six Months Ended November 20, 2018 (May 21, 2018 to November 20, 2018)

(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, 2018	191,437	11.5	1,029	(55.4)	958	(54.5)	315	(90.7)
November 20, 2017	171,693	4.0	2,309	(36.6)	2,104	(41.3)	3,393	61.2

(Note) Comprehensive income: Six months ended November 20, 2018: ¥ 342 million [(89.9) %]
Six months ended November 20, 2017: ¥ 3,395 million [56.8 %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
November 20, 2018	6.20	6.19
November 20, 2017	66.66	66.58

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
November 20, 2018	171,394	49,428	28.7
May 20, 2018	173,713	49,344	28.3

(Reference) Equity: As of November 20, 2018: ¥ 49,226 million
As of May 20, 2018: ¥ 49,161 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, 2018	-	18.00	-	18.00	36.00
Fiscal year ending May 20, 2019	-	18.00			
Fiscal year ending May 20, 2019 (Forecast)			-	18.00	36.00

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

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending May 20, 2019 :
Commemorative dividend - yen
Special dividend - yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 20, 2019 (May 21, 2018 to May 20, 2019)

(% 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	390,000	8.2	6,000	43.1	5,800	47.2	3,500	(25.4)	68.66

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

* Notes:

(1) Changes in significant subsidiaries during the six months ended November 20, 2018
(changes in specified subsidiaries resulting in changes in scope of consolidation): No
New - (Company name:)
Exclusion: - (Company name:)

(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):
November 20, 2018: 55,259,400 shares
May 20, 2018: 55,259,400 shares
2) Total number of treasury shares at the end of the period:
November 20, 2018: 4,235,632 shares
May 20, 2018: 4,286,859 shares
3) Average number of shares during the period:
Six months ended November 20, 2018: 50,995,331 shares
Six months ended November 20, 2017: 50,912,130 shares

* This excerpt from the 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 3 of Attached Materials.

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1. Qualitative Information on Financial Results

(1) Explanation of Operating Results

During the period under review (May 21, 2018 through November 20, 2018), while Japan’s economy has remained on a moderate recovery path, with continued improvement in corporate earnings and the employment environment, the outlook for the economy has been uncertain with increasingly unpredictable movements of stock prices, currency exchange rates, and others, due mainly to unstable political circumstances overseas.

Competition in the e-commerce market, in which the Group operates, has been intensifying with increasing tie-ups between retailers and major mail-order providers, although the market is expected to continue growing. In addition, an upward trend in delivery costs arising from a shortage of delivery drivers and other factors has had a considerable influence on the business of e-commerce companies.

Under these circumstances, consolidated net sales for the period under review achieved double-digit growth of 11.5% year-on-year. In the B-to-B business of the mainstay e-commerce business, sales grew steadily by 5.2% year-on-year. In the B-to-C business, sales increased 56.1% year-on-year, attributed to a recovery from the fire accident in LOHACO service and continued consolidation effects with Charm Co., Ltd. becoming a Group subsidiary at the end of the first quarter of the preceding fiscal year, which continued through the first quarter.

Under such circumstances, consolidated financial results for the fiscal period under review marked a steady performance as a whole against the full-year plan.

Net sales grew 4.0% year-on-year, due to solid operating performance in the B-to-B business, the core of the e-commerce business, with a 4.2% sales growth year-on-year. In the B-to-C business, the mainstay business of LOHACO experienced a decline in net sales due to restricted sales promotions and other activities because of limited delivery capacity, as well as a reduced number of product lineups after the fire. Meanwhile Charm Co., Ltd.,, a commerce retailer specializing in pets and gardening items, and a wholly-owned subsidiary converted through acquisition, contributed to sales growth. As a result, the B-to-C business as a whole achieved a 0.7% increase in sales.

Gross profit increased, attributable to higher gross profit margins in both the B-to-B and B-to-C businesses, mainly due to extended private brand (PB) products (Note 1). However, the Group saw rising logistics variable expenses in selling, general and administrative expenses. This was because labor productivity was still below the level of ALP Tokyo Metropolitan, with delivery work undertaken under the ongoing process of fully implementing logistics equipment, which underpin the highly automated operations at AVC Hidaka and other new logistics centers. In addition, a rise in the fixed cost ratio to net sales due to rent and other expenses brought about negative impacts. The increase in these costs resulted in a decline in operating income.

As a consequence, the ASKUL Group posted 171,693 million yen, a 4.0% increase year-on-year, in net sales; 2,309 million yen, a 36.6% decrease year-on-year, in operating income; 2,104 million yen, a 41.3% decline year-on-year, in ordinary income; and 3,393 million yen, a 61.2% increase year-on-year, in profit attributable to owners of the parent, due to booking of gains/losses on sale of land, building and others of ALP Tokyo Metropolitan and ALP Fukuoka, in the first half of the fiscal year under review.

Operating results of each business are as follows.

<E-commerce business>

In the B-to-B business, the mainstay business of the Group, we are steadily taking steps toward further growth. Specifically, the Group implemented measures to have our website ranked high when customers with no purchasing history with us search for products on search engines (Search Engine Optimization, or SEO) and to strengthen web advertising, thereby successfully acquiring new customers. In addition, the Group conducted efficient and effective sales promotion activities using big data, made improvements to search functions on the website, and took other measures. As a result, we were able to promote shopping around by customers who have used the Group’s services, resulting in increases in both the number of items purchased and the average purchase per customer. The Group also issued “ASKUL Catalogue 2018 Autumn—Winter” in August 2018, and released proposals of its regular delivery service, new services suitable for diversified workstyles and office environments, and so forth. In terms of product category, living supplies including daily consumable goods and disposable papers, which are frequently used in stores, etc., and beverages consumed in offices, were the major driving forces behind sales growth, while sales of MRO supplies (note) and products used at health and nursing care facilities also expanded. There was a contribution from sales growth of long-tail products, our focus area, and other factors. Consequently, the B-to-B business posted net sales of 155,587 million yen, an increase of 7,733 million yen, or up 5.2% year-on-year.

In the B-to-C business, net sales of the LOHACO service declined following the fire accident in February 2017 but recovered to the level before the fire at the end of the preceding fiscal year, and sales continued on a solid growth path during the period under review. In addition, the Group further bolstered the sales promotion measure through collaboration with Yahoo Japan Corporation and other measures, while launching a LOHACO store on Yahoo! Shopping site on May 21, 2018. As a result, the Group has steadily acquired new customers with a boost in net sales. In October 2018, the business held “Fitting Our Lifestyles — LOHACO Exhibition 2018”, in which 48 leading manufacturers exhibited lineups of unique-design products available exclusively through e-commerce, in an effort to improve customers’ awareness of the LOHACO brand. In addition, we have steadily extended the range of regular products available and the line of original products through co-creation with manufacturers. Consequently, net sales of the LOHACO service amounted to 25,721 million yen, an increase of 7,842 million yen, or up 43.9% year-on-year. There was also a positive effect from the consolidation with Charm Co., Ltd., which became a subsidiary of the Group during the preceding fiscal year. Net sales of the B-to-C business as a whole amounted to 32,637 million yen, an increase of 11,723 million yen, or up 56.1% year on year. In the LOHACO service for the second half, in a bid to achieve a huge profitability improvement, the business will focus on executing the following measures: (1) further expansion of a range of original products available by co-creation with manufacturers, (2) a rise in the average purchase price per customer in a bulk order by revising the threshold of an order amount with no basic delivery fee, from "1,900 yen (tax inclusive) or above" to "3,240 yen (tax inclusive) or above", and (3) improvement in the in-house delivery ratio by expanding areas covered by the Group's unique delivery service, "Happy On Time" and so forth.

As a result, net sales of the e-commerce business, combining the two businesses above, stood at 188,225 million yen, an 11.5% increase year-on-year. Gross profit-net amounted to 44,732 million yen, a 10.5% increase year-on-year, mainly attributed to a rise in sales of office amenities, MRO supplies, and others, as well as other factors including the expansion of the range of the our original products with high profitability.

Selling, general and administrative expenses stood at 43,491 million yen, a 14.4% increase year-on-year. The major factors behind the increase, despite significantly improved labor productivity at logistics centers and other factors, were a large increase in delivery costs due to a price hike. In addition, there were effects from the increase in fixed costs associated with the launch of AVC Kansai, and a net increase in costs due to the conversion of Charm Co., Ltd. into a subsidiary of the Group that took place at the end of the first quarter of the preceding fiscal year.

As stated above, due to the negative impact from increased delivery costs, the E-Commerce Business posted operating income of 1,241 million yen, a 49.8% decrease year-on-year in the period under review.

<Logistics Business>

Although ASKUL LOGIST Corporation achieved sales growth due to an expansion of logistics operations contracted out by companies outside the Group, net sales in the Logistics Business declined. This was because real estate brokerage fees of 618 million yen earned from sales of ASKUL Logi PARK Metropolitan and ASKUL Logi PARK Fukuoka by Eco Properties Corporation were included in the consolidated net sales of the six-month period of the prior fiscal year.

Consequently, the Logistics Business posted net sales of 2,778 million yen, a 13.3% decline year-on-year, and operating loss of 241 million yen (operating income of 446 million yen in the prior fiscal year) in the period under review.

<Others>

Tsumagoimeisui Corporation enhanced manufacturing equipment, etc. to boost production capacity. As a result, sales of bottled water centered on the LOHACO site have steadily increased. In addition, LOHACOWater, a new bottled water product released on July 18, 2018, which is label-less to eliminate the need for sorting waste and comes in a 410mL on-the-go-size bottle, is becoming popular, contributing to sales growth. The Company is working to expand sales as well as reduce costs by taking measures, such as building our own warehouse to reduce logistics costs following the growth in production volume, in an effort to strengthen earning power.

Net sales of the Others segment stood at 687 million yen, a 47.5% increase year-on-year, and operating income amounted to 48 million yen, a 278.2% increase year-on-year, for the period under review.

Note: MRO is the abbreviation for Maintenance, Repair, and Operations. The term "MRO supplies" denotes indirect materials including consumables and repair supplies for use at factories, construction sites, and other workplaces.

(2) Explanation of Financial Position

(Assets)

Total assets stood at 171,394 million yen at the end of the period under review, a decrease of 2,318 million yen from the end of the preceding fiscal year. The primary factors behind the increase were an increase of 3,549 million yen in notes and accounts receivable-trade and an increase of 1,313 million yen in merchandise and finished goods. The main factors behind the decrease were a decline of 5,866 million yen in cash and deposits, due mainly to a decrease in electronically recorded obligations-operating, and a decline of 1,473 million yen in other current assets, attributed mainly to a decrease in consumption taxes receivable.

(Liabilities)

Total liabilities stood at 121,965 million yen at the end of the period under review, a decrease of 2,403 million yen from the end of the preceding fiscal year. The primary factor behind the increase was an increase of 4,877 million yen in notes and accounts payable-trade. The major factors behind the decline were decreases of 6,094 million yen in electronically recorded obligations-operating, 788 million yen in long-term loans payable, and 717 million yen in long-term lease obligations, mainly because electronically recorded obligations-operating with a settlement date at the end of the fiscal year were included in the outstanding balance at the end of the preceding fiscal year due to the preceding fiscal year-end falling on a holiday for financial institutions.

(Net assets)

Net assets stood at 49,428 million yen at the end of the period under review, an increase of 84 million yen from the end of the preceding fiscal year. The primary factors behind the rise were an increase of 456 million yen in capital surplus due mainly to change in interests of the parent on transactions with non-controlling shareholders, and a decrease of 203 million yen in treasury shares due to their disposal. The major factors behind a decrease were a decrease of 601 million yen in retained earnings because of dividend payments of 917 million yen although the recognition of income attributable to owners of the parent of 315 million yen.

Consequently, the capital adequacy ratio was 28.7% (28.3% at the end of the preceding fiscal year).

From the beginning of the period under review, the Company has applied "Partial Amendments to Accounting Standard to Tax Effect Accounting" (ASBJ Statement Nov. 28, February 16, 2018). In the explanation of the financial position, comparisons and analyses of figures between the period under review and the preceding fiscal year were conducted by using figures after retroactively applying the accounting standard, etc.

(Cash flows)

Consolidated Cash and cash equivalents (hereinafter, the "Funds") at the end of the period under review were 56,320 million yen, a decrease of 5,856 million yen from the end of the preceding fiscal year. The cash flows from each of operating, investing, and financing activities for the period under review and the underlying factors were as explained below.

(Cash flows from operating activities)

Net funds disbursed for operating activities were 423 million yen, an 86.2% decrease year-on-year. The primary factors leading to an increase in funds were profit before income taxes of 930 million yen, depreciation and amortization of software and amortization of goodwill totaling 3,217 million yen, and a decrease of 1,122 million yen in consumption taxes receivable. The major factors contributing to a decrease in funds were an increase of 3,768 million yen in notes and accounts receivable-trade, an increase of 1,397 million yen in inventory assets, and a decrease of 1,216 million yen in notes and accounts payable-trade.

(Cash flows from investing activities)

Net funds disbursed for operating activities were 3,322 million yen (compared to 6,549 million yen provided in the same period of the preceding fiscal year). The primary factors contributing to a decrease in funds were a disbursement of 1,200 million yen resulting from the purchase of property, plant and equipment, and a disbursement of 2,371 million yen due to the purchase of software.

(Cash flows from financing activities)

Net funds disbursed for financing activities were 2,110 million yen, a 19.9% decrease year-on-year. The factor leading to an increase in funds was income of 500 million yen received from non-controlling shareholders. Meanwhile, the primary factors contributing to a decrease in funds were a disbursement of 911 million yen for the repayment of loans payable, a disbursement of 816 million yen for the repayment of lease obligations, and a disbursement of 917 million yen for the dividend payments.

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

The biggest management challenge ASKUL foresees now is improving the ratio of net sales to delivery expenses, which has risen due to the impacts of the "parcel delivery crisis," such as increased delivery expenses incurred by leading delivery companies, to an appropriate level. The Company forecasts an increase in the average purchase price per customer resulting from the revision to the threshold of a customer's order amount with no basic delivery fee, and has been moving forward steadily to reform logistics through the measures below. Accordingly, the consolidated forecasts announced on July 4, 2018 remain unchanged.

Short-term measures:
(1) Reduce delivery costs and improve delivery efficiency using cardboard boxes of appropriate sizes when packaging purchased items according to the quantity purchased.
(2) Reduce delivery costs by bringing parcels to distribution centers of leading delivery companies ourselves.
(3) Reduce dependence on leading delivery companies in the B-to-C business by shifting to in-house delivery operations for deliveries between distribution centers (trunk lines) and using local partner delivery companies.

Medium-term measures: Accelerate the shift to in-house delivery operations in the B-to-C business by expanding areas covered by the Group’s unique delivery service, “Happy On Time,” and other measures.

Long-term measures: Expand “Open Platform by ASKUL”, a new service for providing the Group’s logistics platform to other companies, to reduce distribution costs by sharing logistics and delivery, and other measures.

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2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of May 20,2018	As of November 20,2018
Assets		
Current assets		
Cash and deposits	62,187	56,320
Notes and accounts receivable - trade	41,309	44,858
Merchandise and finished goods	14,188	15,501
Raw materials and supplies	238	311
Costs on uncompleted construction contracts	24	34
Accounts receivable - other	8,032	7,866
Other	2,644	1,170
Allowance for doubtful accounts	(23)	(24)
Total current assets	128,601	126,039
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,417	7,745
Accumulated depreciation	(2,284)	(2,464)
Buildings and structures, net	5,133	5,280
Land	65	95
Leased assets	17,734	17,782
Accumulated depreciation	(2,915)	(3,692)
Leased assets, net	14,819	14,090
Other	12,171	11,504
Accumulated depreciation	(6,125)	(5,796)
Other, net	6,046	5,708
Construction in progress	67	854
Total property, plant and equipment	26,133	26,029
Intangible assets		
Software	5,080	5,226
Software in progress	1,834	2,440
Goodwill	2,699	2,275
Other	22	18
Total intangible assets	9,636	9,960
Investments and other assets		
Investment securities	214	264
Deferred tax assets	2,815	2,733
Other	6,380	6,453
Allowance for doubtful accounts	(68)	(85)
Total investments and other assets	9,342	9,366
Total non-current assets	45,111	45,355
Total assets	173,713	171,394

(Million yen)

	As of May 20,2018	As of November 20,2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	44,066	48,944
Electronically recorded obligations - operating	24,402	18,308
Short-term loans payable	1,080	1,080
Current portion of long-term loans payable	1,786	1,663
Accounts payable - other	10,555	10,043
Income taxes payable	387	705
Accrued consumption taxes	331	525
Provision	816	777
Other	3,511	3,334
Total current liabilities	86,938	85,383
Non-current liabilities		
Long-term loans payable	16,340	15,551
Lease obligations	13,736	13,018
Net defined benefit liability	3,085	3,249
Asset retirement obligations	2,219	2,326
Other	2,049	2,435
Total non-current liabilities	37,430	36,582
Total liabilities	124,369	121,965
Net assets		
Shareholders' equity		
Capital stock	21,189	21,189
Capital surplus	23,605	24,061
Retained earnings	21,380	20,778
Treasury shares	(16,991)	(16,788)
Total shareholders' equity	49,183	49,241
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(1)	(1)
Foreign currency translation adjustment	25	23
Remeasurements of defined benefit plans	(46)	(37)
Total accumulated other comprehensive income	(22)	(14)
Share acquisition rights	19	19
Non-controlling interests	163	183
Total net assets	49,344	49,428
Total liabilities and net assets	173,713	171,394

(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 20,2017	For the six months ended November 20,2018
Net sales	171,693	191,437
Cost of sales	130,955	146,174
Gross profit	40,738	45,262
Reversal of provision for sales returns	28	39
Provision for sales returns	28	34
Gross profit - net	40,738	45,267
Selling, general and administrative expenses	38,428	44,238
Operating profit	2,309	1,029
Non-operating income		
Interest income	13	13
Electricity sales income	18	-
Rental income	3	53
Other	60	55
Total non-operating income	95	122
Non-operating expenses		
Interest expenses	50	128
Depreciation of inactive non-current assets	228	-
Rent expenses	-	48
Other	21	16
Total non-operating expenses	300	193
Ordinary profit	2,104	958
Extraordinary income		
Gain on sales of non-current assets	4,554	-
Gain on reversal of provision for loss on fire	6,846	-
Gain on donation of non-current assets	-	30
Other	13	2
Total extraordinary income	11,414	33
Extraordinary losses		
Loss on valuation of investment securities	1,526	-
Impairment loss	1,187	-
Loss on sales of non-current assets	3,682	-
Loss on retirement of non-current assets	219	60
Other	311	1
Total extraordinary losses	6,926	61
Profit before income taxes	6,591	930
Income taxes - current	657	517
Income taxes - deferred	2,556	76
Total income taxes	3,214	594
Profit	3,376	335
Profit (loss) attributable to non-controlling interests	(16)	19
Profit attributable to owners of parent	3,393	315

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

(Million yen)

	For the six months ended November 20,2017	For the six months ended November 20,2018
Profit	3,376	335
Other comprehensive income		
Deferred gains or losses on hedges	2	0
Foreign currency translation adjustment	2	(2)
Remeasurements of defined benefit plans, net of tax	13	9
Total other comprehensive income	18	7
Comprehensive income	3,395	342
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,411	323
Comprehensive income attributable to non-controlling interests	(16)	19

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended November 20,2017	For the six months ended November 20,2018
Cash flows from operating activities		
Profit before income taxes	6,591	930
Depreciation	1,336	1,875
Amortization of software	900	916
Amortization of long-term prepaid expenses	84	69
Impairment loss	1,187	-
Amortization of goodwill	422	424
Increase (decrease) in allowance for doubtful accounts	140	18
Increase (decrease) in provision for loss on fire	(7,959)	-
Increase (decrease) in provision	107	(39)
Increase (decrease) in net defined benefit liability	131	177
Interest and dividend income	(13)	(13)
Interest expenses	50	128
Loss (gain) on valuation of investment securities	1,526	-
Loss on retirement of non-current assets	218	31
Gain on sales of noncurrent assets	(4,554)	-
Loss on sales of noncurrent assets	3,682	-
Decrease (increase) in notes and accounts receivable - trade	(1,120)	(3,768)
Decrease (increase) in inventories	(1,404)	(1,397)
Decrease (increase) in accounts receivable - other	(1,739)	165
Decrease (increase) in consumption taxes refund receivable	-	1,122
Increase (decrease) in notes and accounts payable - trade	(1,581)	(1,216)
Increase (decrease) in accounts payable - other	1,101	(129)
Increase (decrease) in accrued consumption taxes	(827)	193
Other, net	177	(29)
Subtotal	(1,539)	(538)
Interest and dividend income received	13	13
Interest expenses paid	(51)	(129)
Income taxes paid	(1,502)	(144)
Income taxes refund	-	374
Net cash provided by (used in) operating activities	(3,079)	(423)
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,861)	(1,200)
Proceeds from sales of property, plant and equipment	20,600	-
Purchase of software	(1,601)	(2,371)
Purchase of long-term prepaid expenses	(43)	(41)
Payments for guarantee deposits	(2,049)	(40)
Proceeds from collection of guarantee deposits	115	0
Payments of loans receivable	(36)	(1)
Collection of loans receivable	1	36
Proceeds from redemption of securities	-	336
Purchase of investment securities	-	(50)
Proceeds from sales of investment securities	13	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(545)	-
Other, net	(43)	10
Net cash provided by (used in) investing activities	6,549	(3,322)

(Million yen)

	For the six months ended November 20,2017	For the six months ended November 20,2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(289)	-
Repayments of long-term loans payable	(1,195)	(911)
Repayments of lease obligations	(316)	(816)
Proceeds from issuance of share acquisition rights	0	-
Proceeds from disposal of treasury shares	84	34
Proceeds from share issuance to non-controlling shareholders	-	500
Cash dividends paid	(916)	(917)
Net cash provided by (used in) financing activities	(2,633)	(2,110)
Effect of exchange rate change on cash and cash equivalents	1	0
Net increase (decrease) in cash and cash equivalents	837	(5,856)
Cash and cash equivalents at beginning of period	47,059	62,177
Cash and cash equivalents at end of period	47,897	56,320

(4) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Material changes in shareholders' equity)

Not applicable.

(Additional Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and others)

Not applicable.

From the beginning of the period under review, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) and others. Accordingly, deferred tax assets are classified as investments and other assets and deferred tax liabilities as non-current liabilities.

(Changes in Accounting Estimates)

While making the provision for loss on fire as expenses for restoring ALP Tokyo Metropolitan damaged by the fire, the Group subsequently decided to sell land, buildings and other facilities thereof, which resulted in here being no need to make a provision for the restoration, with the change in accounting estimates. As a result, the Group recognized an increase of 6,846 million yen in income before income tax in the fiscal period under review.

(Segment Information, etc.)

[Segment information]

I First Half of Fiscal Year Ended May 2018 (May 21, 2017 through November 20, 2017)

1. Information on net sales and income (loss) by segment

(Unit: million yen)

	Reporting Segment			Other (Note 1)	Total	Adjustments (Note 2)	Amount reported on Consolidated Statements of Income (Note 3)
	E-commerce business	Logistics business	Subtotal				
Net sales							
Sales to external customers	168,767	2,588	171,355	337	171,693	—	171,693
Intra-segment sales or transfers	—	618	618	128	746	(746)	—
Total	168,767	3,206	171,974	466	172,440	(746)	171,693
Segment income	2,472	446	2,919	12	2,932	(622)	2,309

Notes

1. "Others" represents business segments that do not fall under the Reporting Segment and includes the manufacturing business.
2. The adjustment of minus 622 million yen to segment income represents the elimination of intersegment transactions.
3. Segment income has been adjusted with operating income reported in the Consolidated Statements of Income.

2. Information on impairment loss on non-current assets, goodwill, or other matters by reporting segment

(Significant impairment losses of non-current assets)

The Logistics Business segment has written off goodwill which had resulted from the acquisition of the Group's subsidiary ecohai Co., Ltd., and posted an impairment loss to the account of valuation loss of affiliated companies to report extraordinary losses in the non-consolidated financial statements. The Group posted impairment losses of 1,187 million yen including the loss of non-current assets booked in the non-consolidated financial statements of ecohai Co., Ltd. in the period under review.

II First Half of Fiscal Year Ending May 2019 (May 21, 2018 through November 20, 2018)

Information on net sales and income/loss by reporting segment

(Unit: million yen)

	Reporting Segment			Other (Note 1)	Total	Adjustments (Note 2)	Amount reported on Consolidated Statements of Income (Note 3)
	E-commerce business	Logistics business	Subtotal				
Net sales							
Sales to external customers	188,225	2,778	191,003	433	191,437	—	191,437
Intra-segment sales or transfers	—	—	—	254	254	(254)	—
Total	188,225	2,778	191,003	687	191,691	(254)	191,437
Segment income (loss)	1,241	(241)	999	48	1,047	(18)	1,029

Notes

1. "Others" represents business segments that do not fall under the Reporting Segment and includes the manufacturing business.
2. The adjustment of minus 18 million yen to segment income represents the elimination of intersegment transactions.
3. Segment income has been adjusted with operating income reported in the Consolidated Statements of Income.

3. Supplementary Information

Details of Selling, General and Administrative Expenses (Consolidated)

Item	First Half of Fiscal Year Ended May 2018 (May 21, 2017 through November 20, 2017)		First Half of Fiscal Year Ended May 2019 (May 21, 2018 through November 20, 2018)			(Reference) Fiscal Year Ended May 2018 (May 21, 2017 through May 20, 2018)	
	Amount (million yen)	Ratio to Sales (%)	Amount (million yen)	Ratio to Sales (%)	Year-on-Year Change (%)	Amount (million yen)	Ratio to Sales (%)
Personal expenses *1	8,875	5.2	9,987	5.2	112.5	18,890	5.2
Shipment expenses *2	9,710	5.7	12,414	6.5	127.8	20,220	5.6
Provision for sales promotion expenses	280	0.2	266	0.1	94.9	530	0.1
Subcontract expenses	1,594	0.9	1,801	0.9	112.9	3,355	0.9
Business consignment expenses *2	6,185	3.6	5,630	2.9	91.0	12,290	3.4
Rents *3	4,232	2.5	4,807	2.5	113.6	9,113	2.5
Provision of allowance for doubtful accounts	(10)	(0.0)	21	0.0	—	(10)	(0.0)
Depreciation*4	1,050	0.6	1,811	0.9	172.5	2,949	0.8
Amortization of software	886	0.5	910	0.5	102.8	1,774	0.5
Other expenses*5	5,621	3.3	6,586	3.6	117.2	12,209	3.6
Total	38,428	22.4	44,238	23.1	115.1	81,323	22.6

Notes:

*1. Personnel expenses for the period under review rose from the same period of the preceding fiscal year. This was mainly due to the conversion of Charm Co., Ltd. into a consolidated subsidiary of the Group and an increase in the number of personnel.

*2. Delivery expenses for the period under review increased from the same period of the preceding fiscal year. This was mainly due to increases in net sales and delivery costs.

*3. Rents for the period under review increased from the same period of the preceding fiscal year. The primary factor for the increase was the establishment of AVC Kansai.

*4. Depreciation for the period under review increased from the same period of the preceding fiscal year. The primary factor for the increase was the launch of operations at ASKUL Value Center Hidaka and AVC Kansai.

*5. Other expenses for the period under review increased from the same period of the preceding fiscal year. The primary factor for the increase was an increase in sales promotion expenses following a sales increase in the LOHACO service, and a rise in commissions charged for card settlements.