Summary of Consolidated Financial Results for the Year Ended May 20, 2019 [Japanese GAAP] *

July 03, 2019

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 Annual General Meeting of Shareholders: August 02, 2019
Scheduled date of commencing dividend payments: August 05, 2019
Scheduled date of filing annual securities report: July 26, 2019
Availability of supplementary briefing material on annual financial results: Yes
Schedule of annual financial results briefing session: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended May 20, 2019 (May 21, 2018 to May 20, 2019)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
May 20, 2019	387,470	7.5	4,520	7.8	4,418	12.1	434	(90.7)
May 20, 2018	360,445	7.3	4,192	(52.7)	3,940	(55.6)	4,693	362.5

(Note) Comprehensive income: Fiscal year ended May 20, 2019: ¥ 477 million [(89.9) %]
Fiscal year ended May 20, 2018: ¥ 4,735 million [339.9%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
May 20, 2019	8.52	8.51	0.9	2.6	1.2
May 20, 2018	92.15	92.03	9.9	2.4	1.2

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended May 20, 2019: ¥ - million
Fiscal year ended May 20, 2018: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
May 20, 2019	169,112	48,631	28.6	948.44
May 20, 2018	173,713	49,344	28.3	964.46

(Reference) Equity: As of May 20, 2019: ¥ 48,392 million
As of May 20, 2018: ¥ 49,161 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
May 20, 2019	6,215	(5,962)	(4,950)	57,469
May 20, 2018	10,150	(1,588)	6,553	62,177

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
May 20, 2018	-	18.00	-	18.00	36.00	1,834	39.1	3.9
May 20, 2019	-	18.00	-	18.00	36.00	1,836	422.7	3.8
Fiscal year ending May 20, 2020 (Forecast)	-	19.00	-	19.00	38.00		35.9	

(Note) Breakdown of the year-end dividend for the fiscal year ended May 20, 2019 :
Commemorative dividend - yen
Special dividend - yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 20, 2020 (May 21, 2019 to May 20, 2020)

(% 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	404,000	4.3	8,800	94.7	8,600	94.6	5,400	-	105.83

* Notes:

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

New - (Company name:)
Exclusion: - (Company name:)

(2) 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

(3) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
May 20, 2019: 55,259,400 shares
May 20, 2018: 55,259,400 shares

2) Total number of treasury shares at the end of the period:
May 20, 2019: 4,235,634 shares
May 20, 2018: 4,286,859 shares

3) Average number of shares during the period:
Fiscal Year ended May 20, 2019: 51,009,431 shares
Fiscal Year ended May 20, 2018: 50,930,335 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended May 20, 2019 (May 21, 2018 to May 20, 2019)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net income	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
May 20, 2019	340,615	6.6	4,202	42.0	4,696	48.4	491	(86.9)
May 20, 2018	319,414	4.3	2,959	(65.5)	3,165	(64.6)	3,756	88.7

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
May 20, 2019	9.63	9.62
May 20, 2018	73.76	73.67

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
May 20, 2019	154,506	49,026	31.7	960.53
May 20, 2018	159,120	50,212	31.5	984.75

(Reference) Equity: As of May 20, 2019: ¥ 49,009 million
As of May 20, 2018: ¥ 50,195 million

* 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. Overview of Business Results, etc. (4) Future Outlook" on Page 6 of Attached Materials.

○Table of Contents of Attached Materials

1. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year Under Review

During the fiscal year under review (May 21, 2018 through May 20, 2019), Japan's economy has remained on a moderate recovery path, with continued improvement in corporate earnings and the employment environment. On the other hand, the outlook for the economy has become uncertain with increasingly unpredictable movements of stock prices, currency exchange rates, and others, due mainly to US-China trade friction and 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 charges 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 fiscal year under review increased 7.5% year-on-year. In the B-to-B business of the mainstay e-commerce business, sales grew steadily by 4.4% year-on-year. In the B-to-C business, sales increased 28.7% year-on-year, attributed to a recovery from the fire accident in the 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 contributed through the first quarter.

Gross profit-net increased due to the growth in net sales with gross profit margin remaining at a high level from the preceding fiscal year. Regarding sales, general and administrative expenses, delivery charges rose substantially because of step-by-step hikes by leading delivery companies since the second quarter of the preceding fiscal year. However, the ASKUL Group concentrated on absorbing an increase in costs by putting in managerial effort, such as revising the minimum order amount to qualify for no basic delivery fees for purchases in the LOHACO marketplace (hereinafter referred to as the "revision of the free shipping charge"), and implementing the following measures to reduce delivery costs. Those measures were (1) reduction in delivery costs and improvement in delivery efficiency using cardboard boxes of appropriate sizes when packaging purchased items according to the quantity purchased, (2) reduction in delivery costs by bringing parcels to major delivery companies' locations, and (3) expanding the in-house delivery areas for the LOHACO service, as well as a dramatic improvement in the productivity of logistics centers, which had declined due to the fire accident at ASKUL Logi PARK Tokyo Metropolitan (hereinafter "ALP Tokyo Metropolitan") and the Group-wide KAIZEN activities. As a result, the ratio of selling, general and administrative expenses ratio to net sales declined.

As a consequence, the ASKUL Group posted net sales of 387,470 million yen, a 7.5% increase year-on-year, operating income of 4,520 million yen, a 7.8% increase year-on-year, and ordinary income of 4,418 million yen, a 12.1% increase year-on-year. Net income attributable to owners of parent came to 434 million yen, a 90.7% decrease year-on-year, mainly due to recording an impairment loss of 3,123 million yen on fixed assets.

The impairment loss was recorded mainly on fixed assets of ASKUL Value Center Hidaka (hereinafter "AVC Hidaka"). AVC Hidaka is a logistics center established after the fire at ALP Tokyo Metropolitan and has been contributing significantly to the recovery of logistics productivity. However, taking into account the subsequent "delivery crisis" and the resultant changes to the business environment, such as rise in delivery charges, as well as other risks, the Company recorded the impairment loss on the fixed assets of AVC Hidaka. The significant decrease in profits was also attributed to the recording of gains of 6,846 million yen from reversal of provision for loss on fire in the preceding fiscal year.

Operating results by segment are outlined below.

<E-commerce business>

In the B-to-B business, the mainstay business of the Group, e-commerce strategies toward further growth have been steadily implemented. Specifically, the Group implemented measures to have its website ranked high when customers with no purchasing history with the Group search for products on search engines (search engine optimization, or SEO), and to strengthen web advertising, thereby succeeding in increasing the use of the Group's services by new customers. In addition, the Group took measures such as advancing its website's search function with the application of big data and artificial intelligence (AI) and adding an image search function to allow users to search for products they want even if they do not know the product name. As a result, both the number of items purchased by customers who have used the Group's services and the average purchase per customer increased.

Regarding services, the Group expanded the lineups of products available for the regular delivery service, which started with delivery of copying paper in February 2018. In addition, the automated copying paper delivery service using

IoT in February 2019 was launched. In this manner, the Group has enhanced services that save the trouble of customers through the application of new technologies. In the “ASKUL Catalogue 2018 Autumn—Winter,” issued in August 2018, the Group proposed new products suitable for diversified workstyles and office environments. With “ASKUL Catalogue 2019 Spring—Summer,” which was themed on “Let’s start with what we can do toward a plastic-less society” and issued in February 2019, environmentally responsive initiatives on the lines of corporate social responsibility were rolled out by increasing the lineups of available products such as paper straws that replace plastic use. 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 (see note) and products used at health and nursing care facilities also expanded. In addition, sales of long-tail products, a focus area, grew steadily, with an increase in the number of product lines to more than 6.10 million. Consequently, the B-to-B business posted net sales of 315,814 million yen, an increase of 13,212 million yen, or 4.4% year-on-year.

In the B-to-C business, expanding the use of the LOHACO service by new customers was successful through the launch of a LOHACO store on Yahoo! Shopping site on May 21, 2018, and a promotion measure strengthened through collaboration with Yahoo Japan Corporation. In October 2018, the business held “Fitting Our Lifestyles—LOHACO Exhibition 2018,” in which 48 leading manufacturers exhibited lineups of original-design products available exclusively through e-commerce, in an effort to improve customers’ awareness of the LOHACO brand, as well as expanding the range of original products through co-creation with manufacturers. Given the large impact hikes in delivery charges have on profits, the Group decided in December 2018 to shift management resources in the LOHACO service to further expand the lineup of unique-value products, strengthen the strategic categories such as cosmetics and health foods, and boost advertising fee income, in an effort to achieve growth with profit improvement going forward, and began taking initiatives aimed at significantly improving profitability in the next fiscal year. As a result of the implementation of measures to reduce delivery costs and the revision of order amounts to qualify for a free shipping charge having encouraged customers to shop around, net sales per box per order have increased, leading to a reduction in the ratio of delivery charges to net sales, a management issue, and improvement in profitability. Consequently, net sales of the LOHACO service amounted to 51,395 million yen, an increase of 9,649 million yen, or up 23.1% year-on-year. There was also a positive effect from the consolidation with Charm Co., Ltd., which became a subsidiary of the Group in the preceding fiscal year. Net sales of the B-to-C business as a whole amounted to 65,278 million yen, an increase of 14,564 million yen, or up 28.7% year-on-year.

As a result, net sales of the e-commerce business, combining the two businesses above, stood at 381,093 million yen, an increase of 7.9% year-on-year. Gross profit-net amount came to 90,499 million yen, an 8.0% 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 original products with high profitability.

Selling, general and administrative expenses stood at 85,474 million yen, an increase of 6.8% year-on-year. The major factors behind the increase were a considerable rise in delivery charges, an increase in fixed costs associated with the launch of ASKUL Value Center Kansai (hereinafter “AVC Kansai”), and a net increase in costs due to the conversion of Charm Co., Ltd. into a subsidiary of the Group, which took place at the end of the first quarter of the preceding fiscal year. However, the ratio of Selling, general and administrative expenses to net sales, a management indicator, improved from the preceding fiscal year, due mainly to a dramatic improvement in labor productivity at logistics centers and growth in net sales.

Consequently, the e-commerce business posted 5,025 million yen in operating income, a 32.3% increase year-on-year, for the fiscal year 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, both sales and profit in the Logistics Business declined as net sales for the preceding fiscal year included real estate brokerage fees earned from large transactions including sales of ALP Tokyo Metropolitan and ASKUL Logi PARK Fukuoka by Eco Properties Corporation. Meanwhile, the profitability of ecohai Co., Ltd. has been on an upward trend from the second half of the year, and real estate-related projects of ECO Properties Corporation are steadily underway toward the next fiscal year.

Consequently, the Logistics Business posted net sales of 5,558 million yen, a decrease of 21.1% year-on-year, and operating loss of 517 million yen (operating income of 997 million yen for the preceding fiscal year) for the fiscal year 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, LOHACO Water, 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 and contributing to sales growth. The Company's profit declined as a result of recording one-time expenses due to completion of construction of its own warehouse to reduce logistics costs. However, the Company's profitability is steadily improving with the progress of cost reduction following the start-up of warehouse operations.

Consequently, net sales of the Others segment stood at 1,269 million yen, a 25.2% increase year-on-year, and operating income amounted to 22 million yen, a 3.1% decrease year-on-year, for the fiscal year under review.

Note: MRO is an abbreviation of 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) Overview of Financial Condition for the Fiscal Year Under Review

(Assets)

Total assets stood at 169,112 million yen at the end of the fiscal year under review, a decrease of 4,601 million yen from the end of the preceding fiscal year. The primary factors behind the increase were increases of 1,641 million yen in software and 1,578 million yen in merchandise and finished goods. The major factors behind the decrease were a decline of 4,718 million yen in cash and deposits, mainly attributable to a decrease in electronically recorded obligations-operating, and a decline of 2,582 million yen in machinery, equipment and vehicles, mainly attributable to recording an impairment loss.

(Liabilities)

Total liabilities stood at 120,480 million yen at the end of the fiscal year under review, a decrease of 3,888 million yen from the end of the preceding fiscal year. The major factor behind the increase was an increase of 2,206 million yen in notes and accounts payable-trade. The major factors behind the decline were decreases of 4,313 million yen in electronically recorded obligations-operating, 1,214 million yen in accounts payable-other, and 1,694 million yen in long-term loans payable. The decline in electronically recorded obligations-operating was mainly due to the fact that 5,888 million yen in electronically recorded obligations-operating to be settled at the fiscal year-end had remained at the end of the preceding fiscal year because the date at the fiscal year-end fell on a holiday for financial institutions.

(Net assets)

Net assets stood at 48,631 million yen at the end of the fiscal year under review, a decline of 712 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 factor behind the decrease was a fall of 1,407 million yen in retained earnings because of dividend payments of 1,835 million yen despite the recognition of income attributable to owners of parent of 434 million yen.

Consequently, the capital adequacy ratio was 28.6% (28.3% at the end of the preceding fiscal year).

Since the beginning of the fiscal year under review, the Company has applied "Partial Amendments to Accounting Standard to Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018). In the explanation of the financial position, comparisons and analyses of figures between the fiscal year under review and the preceding fiscal year were conducted by using figures after retroactively applying the accounting standard, etc.

(3) Overview of Cash Flows for the Fiscal Year Under Review

Consolidated cash and cash equivalents (hereinafter "Funds") at the end of the fiscal year under review were 57,469 million yen, a decrease of 4,707 million yen from the end of the preceding fiscal year. The main factor behind this is that 5,888 million yen in electronically recorded obligations-operating that had remained at the end of the preceding fiscal year because the date at the fiscal year-end fell on a holiday for financial institutions were settled at the fiscal year-end of the fiscal year under review. The status of cash flows from operating, investing, and financing activities for the fiscal year under review and the underlying factors are explained below.

(Cash flows from operating activities)

Net Funds provided by operating activities were 6,215 million yen, a decrease of 3,935 million yen from the preceding fiscal year. The main factors contributing to the increase in Funds were income before income taxes of 1,173 million yen, impairment loss of 3,123 million yen, and depreciation of noncurrent assets, depreciation of software and amortization of goodwill totaling 6,432 million yen, offset by factors causing a decrease in Funds, including an increase of 1,128 million yen in notes and accounts receivable-trade, a decrease of 1,730 million yen in inventories, and a decline of 2,177 million yen in notes and accounts payable-trade.

(Cash flows from investing activities)

Net Funds used in investing activities were 5,962 million yen, a decrease of 4,374 million yen from the preceding fiscal year. The main factors causing a decrease in Funds were 1,689 million yen paid for the purchase of property, plants and equipment, and 3,754 million yen allocated for the purchase of software.

(Cash flows from financing activities)

Net Funds used in financing activities were 4,950 million yen (6,553 million yen was obtained in the preceding fiscal year). The items leading to a decrease in Funds were repayments of long-term loans payable of 1,795 million yen, repayments of lease obligations of 1,647 million yen, and cash dividends paid of 1,835 million yen.

The table below shows the trends of key cash flow indicators.

	Fiscal Year Ended May 2015	Fiscal Year Ended May 2016	Fiscal Year Ended May 2017	Fiscal Year Ended May 2018	Fiscal Year Ended May 2019
Capital adequacy ratio (%)	45.8	36.6	29.6	28.3	28.6
Capital adequacy ratio at market value (%)	134.3	152.8	110.2	93.0	89.1
Cash flow to interest-bearing liabilities ratio (years)	0.6	1.1	1.4	3.4	5.2
Interest coverage ratio (times)	136.7	139.6	145.4	64.4	23.9

Notes: Capital adequacy ratio at market value = Market capitalization/Total assets

Cash flow to interest-bearing liabilities ratio = Interest-bearing liabilities/Cash flows

Interest coverage ratio = Cash Flows/Interest payments

* Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of issued and outstanding shares (net of treasury stock) at the end of the period.
* The amount of cash flows from operating activities is used as the amount of cash flows.
* Interest-bearing liabilities refer to all the liabilities bearing interest and reported on the consolidated balance sheet.
* The amount of interest payments used to calculate the interest coverage ratio is the amount of interest expenses presented in the consolidated statement of income.

(4) Future Outlook

The Group will focus on the following three themes.

(i) Product development by applying data analytics and technologies, expansion of long-tail products, and evolution of websites

In the B-to-B business, the Group will work to enhance the development of original products that are differentiated from competitors' products in order to increase the ratio of returning customers and strengthening earning power in the growing e-commerce market. In addition, the Group will expand lineups of long-tail products to solve the inconvenience of customers not being able to find the products they want, with the aim to both promote the acquisition of new customers and encourage existing customers to shop around. Regarding shopping websites, the Group is planning to expand product lineups and evolve shopping websites into ones where customers can find the products they want quickly through the use of big data, artificial intelligence (AI) and other technologies. The Group will further improve growth potential and earning power by continuing to evolve services to more convenient ones through expanding the lineups of differentiated original products and long-tail products offered exclusively on the B-to-B market, utilizing overwhelmingly large amounts of B-to-B big data the Group has compared to competitors, implementing search engine optimization (SEO) measures with the application of state of the art technologies, evolving product search functions, and combining high quality basic logistics services that have been refined through sincerely listening to customer feedback.

(ii) Aim to achieve new growth through transition to unique-value e-commerce

In the LOHACO service, the Group will focus on transition to unique-value e-commerce to achieve new growth with improvement in profitability. Specifically, the Group will work to expand the profit base and reform the business portfolio through measures including further expansion of unique-value product lineups, strengthening strategic categories such as cosmetics and health foods, and boosting advertising fee income. In the medium to long term, the Group will work on profitability improvement by increasing differentiation from competitors through the enhancement of "Happy On Time" delivery service in line with the growth of LOHACO service, and implementing logistics measures such as creating the lowest-cost delivery platform optimized for e-commerce and reducing logistics and delivery costs through the sharing of logistics resources.

(iii) Improving efficiency through higher density of the in-house delivery network and sharing of highly automated logistics and delivery resources (OPA)

In order to address issues related to product delivery, such as implementation of total volume controls and hikes in delivery charges by leading delivery companies arising from a shortage of delivery drivers and other factors, the Group worked to expand the in-house delivery network by reinforcing the delivery infrastructures of Group companies in the fiscal year under review. Regarding initiatives for the next fiscal year, the Group will promote the acquisition of delivery service operations contracted out by companies outside the Group and increase the total volume of parcels handled, thereby increasing the delivery density of the in-house delivery network to reduce delivery costs. With the aim of supporting efficient delivery utilizing the in-house delivery network, the Group will continuously conduct studies, including methods of working out the most appropriate delivery routes with the application of big data and AI, and state of the art technologies, to establish the Group's in-house delivery system at an early date. In addition, the Group will also work to further improve logistics productivity by introducing robotics, etc., to its logistics centers and provide the Open Platform by ASKUL (a business to provide logistics and marketing platforms, which are strengths of the Group, to other companies; hereinafter "OPA"), in order to achieve reductions in logistics/delivery costs through the sharing of logistics resources. The Group has already started collaborating with some manufacturers and distribution companies through the use of OPA at AVC Kansai. In addition, the Group will promote the sharing of inventories and bundled delivery, etc., of products with manufacturers and tenant companies that have stores in the LOHACO marketplace in preparation for the launch of operations of the OPA location in Kanto scheduled for September 2020, with the aim of accelerating the expansion of OPA. Through the provision of OPA, the Group will deliver broader product lineups and greater convenience to customers and realize efficient, lean, and socially optimal e-commerce.

As stated above, the Group expects to achieve a steady increase in net sales and growth of operating income for the fiscal year ending May 2020. Present forecasts for operating performance for the fiscal year ending May 2020 are net sales of 404.0 billion yen, a 4.3% increase year-on-year, operating income of 8.8 billion yen, a 94.7% increase year-on-year, ordinary income of 8.6 billion yen, a 94.6% increase year-on-year, and profit attributable to owners of parent of 5.4 billion yen (434 million yen for the preceding fiscal year).

Forecasts for fiscal 2020 by business segment are as follows.

<E-commerce business>

The B-to-B business forecasts net sales of 328.9 billion yen, a 4.2% increase year-on-year, with the prospect that the business will continue to see solid growth by expanding the acquisition of new customers and boosting purchases through broader product offerings and evolution of websites.

The B-to-C business forecasts net sales of 68.4 billion yen, a 4.9% increase year-on-year, through further expansion of unique-value product lineups, strengthening of strategic categories including cosmetics and health foods, and boosting advertising fee income.

As a result, the e-commerce business forecasts net sales of 397.4 billion yen, a 4.3% increase year-on-year, and operating income of 8.8 billion yen, a 75.1% increase year-on-year.

<Logistics business, other, adjustments, etc.>

For the fiscal year ending May 2020, the logistics business, other, adjustments, etc., are projected to record net sales of 6.6 billion yen, a 3.5% increase year-on-year, and operating income of 0 billion yen, compared to an operating loss of 504 million yen in the preceding fiscal year.

2. Basic Thinking on the Selection of Accounting Standards

The ASKUL Group has adopted the Generally Accepted Accounting Principles for Japan (JGAAP) as accounting standards to secure comparability with domestic competitors in the industry.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Million yen)

	As of May 20,2018	As of May 20,2019
Assets		
Current assets		
Cash and deposits	62,187	57,469
Notes and accounts receivable - trade	41,309	42,189
Securities	336	-
Merchandise and finished goods	14,188	15,766
Raw materials and supplies	238	342
Costs on uncompleted construction contracts	24	72
Accounts receivable - other	8,032	8,733
Other	2,308	1,230
Allowance for doubtful accounts	(23)	(12)
Total current assets	128,601	125,792
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,417	7,778
Accumulated depreciation	(2,284)	(2,719)
Buildings and structures, net	5,133	5,058
Machinery, equipment and vehicles	8,048	5,720
Accumulated depreciation	(3,331)	(3,587)
Machinery, equipment and vehicles, net	4,716	2,133
Land	65	136
Leased assets	17,734	18,714
Accumulated depreciation	(2,915)	(4,591)
Leased assets, net	14,819	14,122
Other	4,123	3,728
Accumulated depreciation	(2,793)	(2,805)
Other, net	1,330	922
Construction in progress	67	50
Total property, plant and equipment	26,133	22,424
Intangible assets		
Software	5,080	6,722
Software in progress	1,834	1,221
Goodwill	2,699	1,889
Other	22	13
Total intangible assets	9,636	9,847
Investments and other assets		
Investment securities	214	606
Long-term prepaid expenses	120	195
Guarantee deposits	6,178	6,257
Deferred tax assets	2,815	3,967
Other	80	111
Allowance for doubtful accounts	(68)	(91)
Total investments and other assets	9,342	11,047
Total non-current assets	45,111	43,319
Total assets	173,713	169,112

(Million yen)

	As of May 20,2018	As of May 20,2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	44,066	46,272
Electronically recorded obligations - operating	24,402	20,088
Short-term loans payable	1,080	380
Current portion of long-term loans payable	1,786	2,184
Lease obligations	1,759	1,829
Accounts payable - other	10,555	9,340
Income taxes payable	387	1,100
Accrued consumption taxes	331	1,074
Provision for bonuses	207	207
Provision for sales promotion expenses	570	546
Provision for sales returns	39	26
Other	1,751	1,538
Total current liabilities	86,938	84,590
Non-current liabilities		
Long-term loans payable	16,340	14,646
Lease obligations	13,736	13,060
Retirement benefit liability	3,085	3,477
Asset retirement obligations	2,219	2,346
Other	2,049	2,358
Total non-current liabilities	37,430	35,889
Total liabilities	124,369	120,480
Net assets		
Shareholders' equity		
Capital stock	21,189	21,189
Capital surplus	23,605	24,061
Retained earnings	21,380	19,972
Treasury shares	(16,991)	(16,788)
Total shareholders' equity	49,183	48,435
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(1)	(1)
Foreign currency translation adjustment	25	28
Remeasurements of defined benefit plans	(46)	(69)
Total accumulated other comprehensive income	(22)	(42)
Share acquisition rights	19	18
Non-controlling interests	163	220
Total net assets	49,344	48,631
Total liabilities and net assets	173,713	169,112

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended May 20,2018	For the fiscal year ended May 20,2019
Net sales	360,445	387,470
Cost of sales	274,918	295,877
Gross profit	85,526	91,593
Reversal of provision for sales returns	28	39
Provision for sales returns	39	26
Gross profit - net	85,515	91,606
Selling, general and administrative expenses	81,323	87,085
Operating profit	4,192	4,520
Non-operating income		
Interest income	26	28
Rental income	29	183
Electricity sales income	19	-
Other	109	112
Total non-operating income	184	324
Non-operating expenses		
Interest expenses	157	260
Depreciation of inactive non-current assets	236	-
Rent expenses	-	137
Loss on transfer of receivables	14	14
Electrical sales expense	5	-
Commission expenses	3	2
Other	17	11
Total non-operating expenses	436	426
Ordinary profit	3,940	4,418
Extraordinary income		
Insurance income	43	6
Gain on sales of non-current assets	4,555	0
Gain on reversal of provision for loss on fire	6,846	-
Gain on donation of non-current assets	-	30
Other	52	-
Total extraordinary income	11,497	36
Extraordinary losses		
Impairment loss	1,196	3,123
Loss on sales of non-current assets	3,682	-
Loss on retirement of non-current assets	253	82
Loss on valuation of investment securities	1,526	-
Other	369	74
Total extraordinary losses	7,028	3,281
Profit before income taxes	8,409	1,173
Income taxes - current	1,698	1,820
Income taxes - deferred	2,009	(1,142)
Total income taxes	3,707	677
Profit	4,702	496
Profit attributable to non-controlling interests	8	62
Profit attributable to owners of parent	4,693	434

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended May 20,2018	For the fiscal year ended May 20,2019
Profit	4,702	496
Other comprehensive income		
Deferred gains or losses on hedges	1	0
Foreign currency translation adjustment	3	3
Remeasurements of defined benefit plans, net of tax	27	(23)
Total other comprehensive income	32	(19)
Comprehensive income	4,735	477
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,725	414
Comprehensive income attributable to non-controlling interests	9	62

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended May 20, 2018

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	21,189	23,669	18,555	(17,299)	46,114
Changes of items during period					
Dividends of surplus			(1,832)		(1,832)
Profit attributable to owners of parent			4,693		4,693
Disposal of treasury shares		(63)	(36)	308	208
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(63)	2,824	308	3,068
Balance at end of current period	21,189	23,605	21,380	(16,991)	49,183

	Accumulated other comprehensive income			
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of current period	(2)	22	(74)	(54)
Changes of items during period				
Dividends of surplus				
Profit attributable to owners of parent				
Disposal of treasury shares				
Net changes of items other than shareholders' equity	0	3	27	32
Total changes of items during period	0	3	27	32
Balance at end of current period	(1)	25	(46)	(22)

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	17	154	46,231
Changes of items during period			
Dividends of surplus			(1,832)
Profit attributable to owners of parent			4,693
Disposal of treasury shares			208
Net changes of items other than shareholders' equity	2	9	43
Total changes of items during period	2	9	3,112
Balance at end of current period	19	163	49,344

For the fiscal year ended May 20, 2019

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	21,189	23,605	21,380	(16,991)	49,183
Changes of items during period					
Dividends of surplus			(1,835)		(1,835)
Profit attributable to owners of parent			434		434
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(43)		203	159
Change of scope of consolidation			(6)		(6)
Change in ownership interest of parent due to transactions with non-controlling interests		500			500
Net changes of items other than shareholders' equity					
Total changes of items during period	-	456	(1,407)	203	(748)
Balance at end of current period	21,189	24,061	19,972	(16,788)	48,435

	Accumulated other comprehensive income			
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of current period	(1)	25	(46)	(22)
Changes of items during period				
Dividends of surplus				
Profit attributable to owners of parent				
Purchase of treasury shares				
Disposal of treasury shares				
Change of scope of consolidation				
Change in ownership interest of parent due to transactions with non-controlling interests				
Net changes of items other than shareholders' equity	0	2	(23)	(19)
Total changes of items during period	0	2	(23)	(19)
Balance at end of current period	(1)	28	(69)	(42)

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	19	163	49,344
Changes of items during period			
Dividends of surplus			(1,835)
Profit attributable to owners of parent			434
Purchase of treasury shares			(0)
Disposal of treasury shares			159
Change of scope of consolidation			(6)
Change in ownership interest of parent due to transactions with non-controlling interests			500
Net changes of items other than shareholders' equity	(0)	56	36
Total changes of items during period	(0)	56	(712)
Balance at end of current period	18	220	48,631

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended May 20,2018	For the fiscal year ended May 20,2019
Cash flows from operating activities		
Profit before income taxes	8,409	1,173
Depreciation	3,301	3,723
Amortization of software	1,810	1,899
Amortization of long-term prepaid expenses	166	300
Impairment loss	1,196	3,123
Amortization of goodwill	840	810
Gain on reversal of provision for loss on fire	(6,846)	-
Increase (decrease) in allowance for doubtful accounts	(174)	12
Increase (decrease) in provision for bonuses	52	(0)
Increase (decrease) in provision for sales promotion expenses	24	(24)
Increase (decrease) in provision for sales returns	11	(13)
Increase (decrease) in retirement benefit liability	291	356
Interest income	(26)	(28)
Interest expenses	157	260
Insurance income	(43)	(6)
Loss (gain) on valuation of investment securities	1,526	-
Loss on retirement of non-current assets	249	82
Loss (gain) on sales of non-current assets	(872)	(0)
Decrease (increase) in notes and accounts receivable - trade	(848)	(1,128)
Decrease (increase) in inventories	(1,725)	(1,730)
Decrease (increase) in accounts receivable - other	(2,593)	(701)
Increase (decrease) in notes and accounts payable - trade	6,196	(2,177)
Increase (decrease) in accounts payable - other	2,564	(647)
Increase (decrease) in accrued consumption taxes	(1,731)	743
Other, net	2,505	1,122
Subtotal	14,441	7,151
Interest and dividend income received	26	28
Interest expenses paid	(157)	(260)
Proceeds from insurance income	43	6
Payment for fire accident	(1,113)	-
Income taxes paid	(3,090)	(1,084)
Income taxes refund	-	374
Net cash provided by (used in) operating activities	10,150	6,215

(Million yen)

	For the fiscal year ended May 20,2018	For the fiscal year ended May 20,2019
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,989)	(1,689)
Proceeds from sales of property, plant and equipment	20,606	8
Purchase of software	(2,849)	(3,754)
Purchase of long-term prepaid expenses	(111)	(338)
Payments for guarantee deposits	(2,122)	(154)
Proceeds from collection of guarantee deposits	327	6
Payments of loans receivable	(42)	(3)
Collection of loans receivable	5	39
Proceeds from redemption of securities	504	336
Proceeds from sales of investment securities	129	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(545)	-
Purchase of investment securities	(91)	(391)
Payments for asset retirement obligations	(63)	(0)
Payments for acquisition of businesses	(370)	-
Other, net	25	(18)
Net cash provided by (used in) investing activities	(1,588)	(5,962)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(467)	(700)
Proceeds from long-term loans payable	1,700	500
Repayments of long-term loans payable	(2,783)	(1,795)
Repayments of lease obligations	(966)	(1,647)
Proceeds from sale and leaseback transactions	10,692	-
Proceeds from issuance of share acquisition rights	3	-
Proceeds from disposal of treasury shares	209	34
Proceeds from share issuance to non-controlling shareholders	-	500
Cash dividends paid	(1,832)	(1,835)
Dividends paid to non-controlling interests	-	(5)
Net cash provided by (used in) financing activities	6,553	(4,950)
Effect of exchange rate change on cash and cash equivalents	1	(0)
Net increase (decrease) in cash and cash equivalents	15,117	(4,698)
Cash and cash equivalents at beginning of period	47,059	62,177
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(9)
Cash and cash equivalents at end of period	62,177	57,469

(5) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Segment Information, etc.)

(Segment Information)

1. Overview of reportable segments

ASKUL's reportable segments are defined as components of the Group regarding which separate financial information is available that is evaluated regularly by the board of directors in deciding how to allocate management resources and in assessing performance.

The Group formulates comprehensive strategies for domestic and overseas markets to carry out its business operations.

The e-commerce business derives revenue from the sale of OA&PC supplies, office supplies, office amenities, office furniture, food, alcoholic beverages, medical supplies, cosmetics, and other products. The logistics business provides logistics and small-cargo delivery services for enterprises and asset management for real estate.

2. Basis of measurement of net sales, income or loss, assets, liabilities, and other items by reportable segment

Methods of accounting for reportable segments are generally the same as those adopted to prepare consolidated financial statements. Inter-segment revenue and transfers are based on prevailing market prices.

3. Net sales, income or loss, assets, liabilities, and other items by reportable segment

Fiscal Year Ended May 2018 (May 21, 2017 through May 20, 2018)

(Unit: Million yen)

	Reporting Segment			Other (Note 1)	Total	Adjustments (Note 2)	Amount reported on the consolidated financial statements (Note 3)
	E-commerce business	Logistics business	Subtotal				
Net sales							
Sales to external customers	353,316	6,422	359,739	706	360,445	-	360,445
Inter-segment sales or transfers	-	618	618	307	925	(925)	-
Total	353,316	7,040	360,357	1,013	361,370	(925)	360,445
Segment income	3,797	997	4,795	22	4,818	(626)	4,192
Segment assets	170,727	1,928	172,655	1,057	173,713	-	173,713
Other items							
Depreciation	5,041	42	5,084	47	5,132	(20)	5,111
Amortization of goodwill	740	95	836	3	840	-	840
Increase in property, plants and equipment and intangible assets	20,534	360	20,895	11	20,906	-	20,906

Notes:
1. "Other" represents business segments that do not fall under the Reportable Segment and includes the manufacturing business.
2. The adjustment of minus 626 million yen of segment income represents the elimination of inter-segment transactions of minus 626 million yen.
3. Segment income is adjusted with operating income reported on the consolidated statements of income.

Fiscal Year Ended May 2019 (May 21, 2018 through May 20, 2019)

(Unit: Million yen)

	Reporting Segment			Other (Note 1)	Total	Adjustments (Note 2)	Amount reported on the consolidated financial statements (Note 3)
	E-commerce business	Logistics business	Subtotal				
Net sales							
Sales to external customers	381,093	5,558	386,651	819	387,470	-	387,470
Inter-segment sales or transfers	-	-	-	450	450	(450)	-
Total	381,093	5,558	386,651	1,269	387,920	(450)	387,470
Segment income	5,025	(517)	4,507	22	4,529	(9)	4,520
Segment assets	165,411	1,828	167,240	1,871	169,112	-	169,112
Other items							
Depreciation	5,557	36	5,594	62	5,656	(34)	5,622
Amortization of goodwill	732	74	806	3	810	-	810
Increase in property, plants and equipment and intangible assets	5,196	29	5,225	821	6,047	-	6,047

Notes: 1. “Other” represents business segments that do not fall under the Reportable Segment and includes the manufacturing business.
2. The adjustment of minus 9 million yen of the segment income represents the elimination of intra-segment transactions of minus 9 million yen.
3. Segment income is adjusted with operating income reported on the consolidated statements of income.

[Related Information]

Fiscal Year Ended May 2018 (May 21, 2017 through May 20, 2018)

1. Information by product or service

This information is not presented because similar information is disclosed in the segment information section above.

2. Information by geographical area

(1) Net sales

Net sales to external customers located in Japan accounted for more than 90% of the net sales reported on the consolidated statement of income. Accordingly, this information is not presented.

(2) Property, plants and equipment

Property, plants and equipment located in Japan accounted for more than 90% of the property, plants and equipment reported on the consolidated balance sheet. Accordingly, this information is not presented.

3. Information by primary customer

No external customer accounted for 10% or more of the net sales reported on the consolidated statement of income. Accordingly, this information is not presented.

Fiscal Year Ended May 2019 (May 21, 2018 through May 20, 2019)

1. Information by product or service

This information is not presented because similar information is disclosed in the segment information section above.

2. Information by geographical area

(1) Net sales

Net sales to external customers located in Japan accounted for more than 90% of the net sales reported on the consolidated statement of income. Accordingly, this information is not presented.

(2) Property, plants and equipment

Property, plants and equipment located in Japan accounted for more than 90% of the property, plants and equipment reported on the consolidated balance sheet. Accordingly, this information is not presented.

3. Information by primary customer

No external customer accounted for 10% or more of the net sales reported on the consolidated statement of income. Accordingly, this information is not presented.

[Impairment loss on noncurrent assets by reportable segment]

Fiscal year ended May 2018 (May 21, 2017 through May 20, 2018)

(Unit: Million yen)

	Reportable segment			Other (note)	Total
	E-commerce business	Logistics business	Subtotal		
Impairment loss	-	1,196	1,196	-	1,196

Note: The amount stated in “Other” pertains to the manufacturing business.

Fiscal year ended May 2019 (May 21, 2018 through May 20, 2019)

(Unit: Million yen)

	Reportable segment			Other (note)	Total
	E-commerce business	Logistics business	Subtotal		
Impairment loss	3,097	26	3,123	-	3,123

Note: The amount stated in “Other” pertains to the manufacturing business.

[Amortized amount and unamortized balance of goodwill by reportable segment]

Fiscal year ended May 2018 (May 21, 2017 through May 20, 2018)

(Unit: Million yen)

	Reportable segment			Other (note)	Total
	E-commerce business	Logistics business	Subtotal		
Amount amortized during the fiscal year	740	95	836	3	840
Unamortized balance at the end of the fiscal year	2,152	339	2,491	208	2,699

Note: The amount stated in “Other” pertains to the manufacturing business.

Fiscal year ended May 2019 (May 21, 2018 through May 20, 2019)

(Unit: Million yen)

	Reportable segment			Other (note)	Total
	E-commerce business	Logistics business	Subtotal		
Amount amortized during the fiscal year	732	74	806	3	810
Unamortized balance at the end of the fiscal year	1,444	265	1,709	179	1,889

Note: The amount stated in “Other” pertains to the manufacturing business.

[Gain on bargain purchase by reportable segment]

Fiscal year ended May 2018 (May 21, 2017 through May 20, 2018)

Not applicable.

Fiscal year ended May 2019 (May 21, 2018 through May 20, 2019)

Not applicable.

(Per Share Information)

	Fiscal Year Ended May 2018 (May 21, 2017 through May 20, 2018)	Fiscal Year Ended May 2019 (May 21, 2018 through May 20, 2019)
Net assets per share (yen)	964.46	948.44
Profit per share (yen)	92.15	8.52
Diluted profit per share (yen)	92.03	8.51

Note: Profit per share and diluted profit per share were calculated based on the figures below.

	Fiscal Year Ended May 2018 (May 21, 2017 through May 20, 2018)	Fiscal Year Ended May 2019 (May 21, 2018 through May 20, 2019)
Profit per share		
Profit attributable to owners of parent (million yen)	4,693	434
Profit not attributable to common shareholders (million yen)	-	-
Profit attributable to owners of parent related to common stock (million yen)	4,693	434
Average number of shares (thousand shares)	50,930	51,009
Diluted profit per share		
Adjustments to profit attributable to owners of parent (million yen)	-	-
Increase in number of shares of common stock (thousand shares)	66	23
(Of which share acquisition rights [thousand shares])	(66)	(23)
Outline of dilutive shares not included in calculation of diluted profit per share due to absence of dilutive effects	—	—

(Significant Subsequent Events)

Not applicable.

4. Supplementary Information

Details of Selling, General and Administrative Expenses (Consolidated)

Item	Fiscal Year Ended May 2018 (May 21, 2017 through May 20,2018)		Fiscal Year Ended May 2019 (May 21, 2018 through May 20, 2019)		
	Amount (million yen)	Ratio to sales (%)	Amount (million yen)	Ratio to sales (%)	Year-on-Year Change (%)
Personnel expenses	18,890	5.2	20,242	5.2	107.2
Shipment expenses *1	20,220	5.6	23,912	6.2	118.3
Provision for sales promotion expenses	530	0.1	537	0.1	101.3
Subcontract expenses	3,355	0.9	3,548	0.9	105.8
Business consignment expenses *2	12,290	3.4	10,939	2.8	89.0
Rents	9,113	2.5	9,595	2.5	105.3
Provision of allowance for doubtful accounts	(10)	(0.0)	24	0.0	—
Depreciation *3	2,949	0.8	3,590	0.9	121.7
Amortization of software	1,774	0.5	1,882	0.5	106.1
Other expenses	12,209	3.6	12,812	3.4	104.9
Total	81,323	22.6	87,085	22.5	107.1

*1 Shipment expenses for the fiscal year under review increased from the preceding fiscal year. This was mainly due to increases in net sales and hikes in delivery charges.

2 Business consignment expenses for the fiscal year under review declined from the preceding fiscal year. This was mainly due to a decrease in logistics operations consignment expenses resulting from an improvement in productivity in logistics centers.

3 Depreciation for the fiscal year under review increased from the preceding fiscal year. The primary factor for the increase was the launch of operations at AVC Kansai.