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Summary of Consolidated Financial Results
for the Year Ended May 20, 2018
[Japanese GAAP] *

July 04, 2018

Company name: ASKUL Corporation

Stock exchange listing: Tokyo

Code number: 2678

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

Representative: Shoichiro Iwata

Contact: Tsuguhiro Tamai

Phone: 03-4330-5130

President and chief executive officer

Executive officer and chief financial officer

Scheduled date of Annual General Meeting of Shareholders: August 02, 2018

Scheduled date of commencing dividend payments: August 03, 2018

Scheduled date of filing annual securities report: July 27, 2018

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, 2018 (May 21, 2017 to May 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	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
May 20, 2018	360,445	7.3	4,192	(52.7)	3,940	(55.6)	4,693	362.5
May 20, 2017	335,914	6.6	8,865	4.1	8,866	3.4	1,014	(80.7)

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

Fiscal year ended May 20, 2017: ¥ 1,076 million [(77.9)%]

	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, 2018	92.15	92.03	9.9	2.4	1.2
May 20, 2017	19.75	19.71	2.1	6.0	2.6

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

Fiscal year ended May 20, 2017: ¥ - 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, 2018	173,713	49,344	28.3	964.46
May 20, 2017	155,678	46,231	29.6	905.01

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

As of May 20, 2017: ¥ 46,060 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, 2018	10,150	(1,588)	6,553	62,177
May 20, 2017	16,227	(5,217)	7,241	47,059

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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, 2017	-	18.00	-	18.00	36.00	1,841	182.3	3.8
May 20, 2018	-	18.00	-	18.00	36.00	1,834	39.1	3.9
Fiscal year ending May 20, 2019 (Forecast)	-	18.00	-	18.00	36.00		52.4	

(Note) Breakdown of the year-end dividend for the fiscal year ended May 20, 2018 :

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

* 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: Yes
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: Yes
- 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, 2018: 55,259,400shares
May 20, 2017: 55,259,400shares

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

May 20, 2018: 4,286,859shares
May 20, 2017: 4,364,559shares

3) Average number of shares during the period:

Fiscal Year ended May 20, 2018: 50,930,335shares
Fiscal Year ended May 20, 2017: 51,380,982shares

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(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended May 20, 2018 (May 21, 2017 to May 20, 2018)

(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, 2018	319,414	4.3	2,959	(65.5)	3,165	(64.6)	3,756	88.7
May 20, 2017	306,099	6.1	8,582	8.1	8,954	10.5	1,990	(63.3)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
May 20, 2018	73.76	73.67
May 20, 2017	38.74	38.66

(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, 2018	159,120	50,212	31.5	984.75
May 20, 2017	148,043	48,078	32.4	944.37

(Reference) Equity: As of May 20, 2018: ¥ 50,195 million
As of May 20, 2017: ¥ 48,063 million

* 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.

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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, 2017 through May 20, 2018), Japan's economy remained at a standstill on the road to economic recovery, with uncertainty prevailing over stock prices and exchange rates and stagnant consumer spending, while the employment environment, etc. continued to improve.

Under these circumstances, competition in the e-commerce market, in which the Group operates, has been intensifying with growing tie-ups between retailers and leading mail-order providers, although the market is expected to continue growing. In addition, the market is in an unpredictable state, due to an upward trend of delivery costs arising from a shortage of delivery drivers and other factors.

The ASKUL Group positioned the fiscal year ended May 2018 as a year to solidify the base for its complete restoration from a fire accident that occurred at ASKUL Logi PARK Tokyo Metropolitan ("ALP Tokyo Metropolitan") on February 16, 2017 and made concerted efforts across the Group toward that end.

The LOHACO service, which was scaled down due to the effects of the fire, has recovered largely to the level prior to the fire, as a result of the start of full-scale operations at ASKUL Value Center Hidaka (hereinafter "AVC Hidaka") in September 2017. In addition, ASKUL Value Center Kansai (hereinafter "AVC Kansai"), which launched operations in September 2017, started full-scale operation in February 2018. Since then, AVC Kansai has served as a core operating base for accommodating the increase in delivery volumes at the Company in Western Japan. In addition, the Company has worked to establish a system for reducing delivery costs by sharing logistics with the opening up of its platform for logistics and marketing to other companies. Our new logistics centers, including AVC Hidaka and AVC Kansai, have largely been operating smoothly according to schedule. Meanwhile, we have some problems to solve regarding warehouse operations. We will work to solve those problems at an early stage and aim to further improve the productivity of our logistics centers over the next fiscal year.

As part of efforts to achieve full-scale restoration, the Group transferred ALP Tokyo Metropolitan, the logistics center severely damaged by the fire, to specific-purpose companies in which Tokyu Land Corporation holds equity interests on November 20, 2017. With the experience of the fire, which reminded the Group of its initial corporate philosophy of "Management not holding onto assets," the Group also sold ASKUL Logi PARK Fukuoka (hereinafter "ALP Fukuoka"). ALP Tokyo Metropolitan will be entirely dismantled and renovated to become a safe and secure logistics center having the most advanced disaster-prevention facilities within around 18 months, while ALP Fukuoka has been operating stably under a lease made after the transfer.

The Group achieved the full-year consolidated financial results forecast for the fiscal year under review, which incorporated the impacts of the fire, etc.

Net sales increased 7.3% year-on-year, due to solid operating performance in the B-to-B business, the core of the e-commerce business, with 3.7% sales growth year-on-year. In the B-to-C business, the mainstay LOHACO business was subject to restrictions on merchandise lines carried and delivery capacity, and cut back on sales promotions and other activities in the first half of the fiscal year under review, due to the impacts of the fire. Following the start of full-scale operations at AVC Hidaka, however, net sales of the business recovered in the second half of the year and recorded an increase for the fiscal year under review. Charm Co., Ltd., a commerce retailer specializing in pets and gardening items, which became a Group subsidiary in July 2017, contributed significantly to sales growth. As a result, the B-to-C business as a whole achieved a 30.0% increase in sales.

Gross profit-net increased, which is attributable to higher gross profit margins in both the B-to-B and B-to-C businesses, due mainly to the expansion of our original products (Note 1). Meanwhile, logistics variable expenses of selling, general and administrative expenses rose temporarily. This was because labor productivity at AVC Hidaka and other new logistics centers had not yet risen to the same level as ALP Tokyo Metropolitan, due to these new logistics centers still being in the process of introducing logistics equipment, etc. in order to adapt to highly automated operations. In addition, large expenses including rents that arose before the start of full-scale operations at AVC Kansai pushed up the ratio of fixed costs to net sales. Thus, higher operating expenses resulted in a decline in operating income.

As a consequence, the ASKUL Group posted 360,445 million yen, a 7.3% increase year-on-year, in net sales. Looking at performance at all profit levels, the Group achieved the targeted numbers of the full-year plan, supported by an improved gross profit margin in the B-to-B and B-to-C businesses of the e-commerce business, smooth start-up of operations at AVC Hidaka and AVC Kansai logistics centers, and solid results from KAIZEN activities. Specifically, the Group recorded operating income of 4,192 million yen, a 52.7% decrease year-on-year, ordinary income of 3,940 million yen, a 55.6% decline year-on-year, and profit attributable to owners of parent of 4,693 million yen, a 362.5% increase year-on-year, after booking gains/losses on sale of land, building and others of ALP Tokyo Metropolitan and ALP Fukuoka.

Operating results by segment (including inter-segment transactions) are outlined below.

<E-commerce business>

In the B-to-B business, the purchasing methods of specialized trading companies and wholesaling companies have changed dramatically to purchasing through e-commerce, due to the entry of companies whose mainstay business is the B-to-C business and the rise of companies that have a competitive advantage in certain lines of business or categories of merchandise. Considering that the expansion of the B-to-B e-commerce market, in which we have

strengths, will lead to increased opportunities for selling products to new types of customer, we are implementing various measures to tap into those new customers.

During the fiscal year under review, the Group implemented measures to have our website ranked high when customers with no purchasing history with us search for products on search engines, and to change the customer registration system to let customers purchase products from our website easily. Consequently, the number of new customers increased dramatically. In addition, the Group applied technologies to build an information linkage system with business partners, which led to the accelerated expansion of the product lineup and enabled it to respond to customer needs on a timely basis. As a result of synergies generated through such innovative measures, net sales in the B-to-B business grew 10,664 million yen, or 3.7%, from the preceding fiscal year to 302,602 million yen.

The B-to-C business (total of the LOHACO service and Charm, the Group's subsidiary) posted net sales of 50,714 million yen, an increase of 11,697 million yen, or a 30.0% year-on-year. Sales of the LOHACO service, the mainstay of the B-to-C business, have been recovering, supported by the launch of full-scale operations at AVC Hidaka. During the fourth quarter of the fiscal year under review, the Group offered competitive pricing for regular products compared to competitors with the aim of accelerating the growth of the LOHACO service, and implemented measures, such as providing additional T points for purchases made in LOHACO by Yahoo! Premium members with the cooperation of Yahoo Japan Corporation. These measures have led to the acquisition of many new customers. In addition, the Group is gradually expanding product lineups and increasing the release of the Group's unique products (Products Fitting Our Lifestyles, etc.) through collaborations with manufacturers. In addition, the conversion of Charm into a wholly-owned subsidiary contributed significantly to sales growth.

In addition, the Group's efforts for improving profitability in the next fiscal year and thereafter are making steady progress, with fee income increasing as a result of a sharp increase in distribution volume in the market place and advertising revenue from the LOHACO site.

Regarding services, the Group's unique delivery service, "Happy On Time," has added new service functions including delivery to customer's designated delivery locations and collecting cardboard box packaging, and was favorably received by customers.

As a result, net sales of the e-commerce business, combining the above two businesses, stood at 353,316 million yen, a 6.8% increase year-on-year. Gross profit-net amounted to 83,816 million yen, up 9.6% year-on-year, mainly due to a rise in sales of office amenities, MRO supplies (Note 2), and others.

Selling, general and administrative expenses stood at 80,019 million yen, a 19.3% increase year-on-year. The main factors behind the rise were increased business consignment expenses, mainly due to 24-hour operations undertaken at some logistics centers to compensate for reduced delivery capacity, and higher fixed costs including rents, as well as up-front investments to establish research facilities aimed at further improving the productivity of robots working in the Group's logistics centers. The ratio of selling, general and administrative expenses to net sales stood at 22.6%, up 2.3 percentage points year-on-year, due to increases in fixed costs and other expenses.

Consequently, the e-commerce business posted 3,797 million yen in operating income, a 59.5% decline year-on-year for the period under review.

<Logistics Business>

The Group's subsidiary ecohai Co., Ltd. achieved sales growth. Although the company posted an operating loss, its profitability has been on an upward trend. The company will continue to focus on reforming the delivery business by dedicating efforts to improving earnings.

During the fiscal year under review, ecohai established eco Properties Corporation as a consolidated subsidiary. The subsidiary principally operates asset management for real estate, engaging, as an intermediary, in real estate transactions on the sale of ALP Tokyo Metropolitan and ALP Fukuoka, as well as providing consultation services for properties. Its operating performance contributed significantly to sales growth and a positive operating income for the fiscal year under review.

As a result, the logistics business posted net sales of 7,040 million yen, up 59.9% year-on-year, and operating income of 997 million yen for the fiscal year under review (operating loss of 469 million yen for the preceding fiscal year).

<Others>

Tsumagoimeisui Corporation, a subsidiary of the Group, achieved sales growth. The company's net sales have risen steadily, which is attributable to the extension of production lines during the preceding fiscal year and growing sales volume. In addition, the company secured profitability by boosting production volume with expanded distribution networks and improved productivity with a higher operating ratio.

The subsidiary posted net sales of 1,013 million yen, up 30.9% year-on-year, and operating income of 22 million yen for the fiscal year under review (operating loss of 43 million yen for the preceding fiscal year).

(Note 1) Original products include the Group's private brand (PB) products and products produced by brand manufacturers sold exclusively by the Group.

(Note 2) MRO is the acronym 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) Overview of Financial Condition for the Fiscal Year Under Review

As stated above, the Group had sold land, buildings, and other facilities of ALP Tokyo Metropolitan and ALP Fukuoka as of the end of the fiscal year under review, and the financial impacts from these sales on the Group's financial condition are as follows.

Among assets, cash and deposits increased 20,600 million yen, property, plant and equipment declined 19,726 million yen, and deferred tax assets decreased 2,112 million yen. Among liabilities, provision for loss on fire declined 6,846 million yen.

The financial positions of other items are as follows.

(Assets)

Total assets stood at 173,713 million yen at the end of the fiscal year under review, an increase of 18,035 million yen from the end of the preceding fiscal year. The main factors behind the increase in assets, despite disbursements for capital expenditures associated with AVC Kansai and AVC Hidaka, etc., were an increase of 15,127 million yen in cash and deposits, which arose mainly from proceeds on the aforementioned sale of ALP Tokyo Metropolitan and proceeds from sales and leaseback transactions associated with equipment installed at AVC Kansai, an increase of 2,135 million yen in notes and accounts receivable-trade, an increase of 2,911 million yen in merchandise and finished goods, and an increase of 2,666 million yen in accounts receivable-other, due mainly to an increase in sales in the LOHACO service. The main factor causing a decline in assets was a fall of 5,424 million yen in property, plant and equipment, which was mainly due to a reduction in buildings and structures, land, etc., including those for ALP Tokyo Metropolitan, offsetting an increase in capital expenditures associated with the acquisition of leased assets, etc. for AVC Kansai.

(Liabilities)

Total liabilities stood at 124,369 million yen at the end of the fiscal year under review, an increase of 14,922 million yen from the end of the preceding fiscal year. The primary factors behind the increase in liabilities were an increase of 3,736 million yen in notes and accounts payable-trade, an increase of 3,256 million yen in electronically recorded obligation-operating, an increase of 3,361 million yen in accounts payable-other, and an increase of 10,233 million yen in lease obligations. The major factors behind a decline in liabilities were a decrease of 7,960 million yen in the provision for loss on fire in conjunction with the sale, etc. of ALP Tokyo Metropolitan.

(Net assets)

Net assets stood at 49,344 million yen at the end of the fiscal year under review, an increase of 3,112 million yen from the end of the preceding fiscal year. The primary factor behind the rise was an increase of 2,824 million yen in retained earnings, which resulted mainly from profit attributable to owners of parent of 4,693 million yen and the payment of dividends of 1,832 million yen.

Consequently, the capital adequacy ratio came to 28.3% (29.6% at the end of the preceding fiscal year).

(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 62,177 million yen, an increase of 15,117 million yen from the end of the preceding fiscal year.

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 10,150 million yen, a decrease of 6,076 million yen from the preceding fiscal year. The main factors contributing to the decrease in Funds were a 6,846 million yen reversal of the provision for loss on fire, an increase of 848 million yen in notes and accounts receivable-trade, an increase of 1,725 million yen in inventories, an increase of 2,593 million yen in accounts receivable-other, payment for fire accident of 1,113 million yen, and income taxes paid amounting to 3,090 million yen, offset by factors causing an increase in Funds, including income before income taxes of 8,409 million yen, impairment loss of 1,196 million yen, depreciation and amortization of noncurrent assets, depreciation of software, and amortization of goodwill totaling 5,951 million yen, a 6,196 million yen increase in notes and accounts payable-trade, and a 2,564 million yen increase in accounts payable-other.

(Cash flows from investing activities)

Net Funds used in investing activities were 1,588 million yen, a decrease of 3,629 million yen from the preceding fiscal year. The main factors causing a decrease in Funds were 16,989 million yen paid for the purchase of property, plant and equipment associated with AVC Kansai, etc., 2,849 million yen allocated for the purchase of software, and 2,122 million yen allocated for guarantee deposits, offset by an increase in funds from proceeds of 20,606 million yen due to sales of property, plant and equipment associated with ALP Tokyo Metropolitan, etc.

(Cash flows from financing activities)

Net Funds obtained in financing activities were 6,553 million yen, a decrease of 688 million yen from the preceding fiscal year. The items leading to an increase in Funds were proceeds from sales and leasebacks of 10,692 million yen associated with equipment installed at AVC Kansai and proceeds from long-term loans payable of 1,700 million yen. The items resulting in a decrease in Funds included repayments of long-term loans payable of 2,783 million yen, repayments of lease obligations of 966 million yen, and cash dividends paid of 1,832 million yen.

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

	Fiscal Year Ended May 2014	Fiscal Year Ended May 2015	Fiscal Year Ended May 2016	Fiscal Year Ended May 2017	Fiscal Year Ended May 2018
Capital adequacy ratio (%)	48.0	45.8	36.6	29.6	28.3
Capital adequacy ratio at market value (%)	104.7	134.3	152.8	110.2	93.0
Cash flow to interest-bearing liabilities ratio (years)	0.6	0.6	1.1	1.4	3.4
Interest coverage ratio (times)	128.2	136.7	139.6	145.4	64.4

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 payment

* Market capitalization is calculated by multiplying the closing share price at end of period by the number of issued and outstanding shares (net of treasury stock) at end of 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 payment used to compute 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, we will work to achieve both differentiation from competitors and strengthened earning power in the growing e-commerce market through the development of our original products by listening to customers and applying big data analytics. Regarding the strategy for long-tail products, we are planning to expand product lineups and evolve our shopping websites into ones in which customers can find the products they want quickly through the use of artificial intelligence (AI) and other technologies. We will improve our growth potential and earning power by clarifying our competitive advantages over competitors through offering product lines selected on the basis of big data, combined with shopping websites developed using cutting-edge technologies and high-quality logistics services.

- (ii) Improvement of profitability through economies of scale achieved by increasing the number of products offered and overhauling the system infrastructure

LOHACO's services have been recovering steadily following the launch of full-fledged operations at AVC Hidaka, and we will gradually extend its product lineups and increase releases of the Group's unique products (Products Fitting Our Lifestyles, etc.) through collaborations with manufacturers. In addition, we will evolve our shopping websites to meet customer needs by overhauling the system infrastructure, such as by strengthening personalized online experiences (1-to-1 website), increasing the speed of the website, simplifying the website user flow, and continuously improving search accuracy. Aiming to attain a total distribution volume in the B-to-C business of 100 billion yen, one of the target indicators of the Medium-Term Corporate Strategy, we will promptly expand our scale of operations in the B-to-C business and improve its profitability.

- (iii) Operating efficiency improved by accelerating the shift of delivery infrastructure to an in-house delivery system and sharing highly automated logistics and delivery (OPA)

Under rising delivery costs due to a shortage of delivery drivers, etc. and implementation of total volume controls, etc. by domestic logistics operators, the Group will work on expanding its delivery networks by increasing the number of delivery drivers and leveraging Group companies. With the application of artificial intelligence (AI), state of the art technologies, and big data, the Group will also obtain the most appropriate delivery routes and support efficient delivery for delivery drivers, realizing cost controls and strengthening the Group's unique and sustainable in-house delivery system.

The Group will also work to further improve logistics productivity by introducing robotics, etc. and provide the Open Platform by ASKUL (the business to provide logistics and marketing platform, which are our strengths, to other companies; hereinafter "OPA"), in order to achieve reductions of 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. In addition, we will promote the sharing of inventories and bundled delivery, etc. of products with manufacturers and store tenants (Note) at AVC Kansai, in a bid to actively provide our logistics platform to manufacturers and tenant companies and facilitate its use, with the aim of accelerating the expansion of OPA.

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Through the provision of OPA, the Group will deliver a broader product lineups and greater convenience to customers and realize efficient, lean, and social optimal e-commerce.

(Note) Store tenants are tenant companies that have stores in the LOHACO marketplace.

Although we will continue to incur strategic expenses to achieve sales expansion and differentiation of logistics capacity, as stated on the previous page, the Group expects to achieve a steady increase in net sales and growth of operating income for the fiscal year ending May 2019. Present forecasts for operating performance for the fiscal year ending May 2019 are net sales of 390.0 billion yen, an 8.2% increase year-on-year, operating income of 6.0 billion yen, a 43.1% increase year-on-year; ordinary income of 5.8 billion yen, a 47.2% increase year-on-year; and profit attributable to owners of parent of 3.5 billion yen, a 25.4% decline year-on-year.

Forecasts for fiscal 2019 by business segment are as follows.

<E-commerce business>

The B-to-B business forecasts net sales of 316.0 billion yen, a 4.4% increase year-on-year, with the prospect that the business will continue to see solid growth by boosting purchase items of customers through broader product offerings and the effects of sales promotions, and expanding the number of products targeting strategic fields, including factories, construction sites, laboratories, and medical and nursing care facilities.

The B-to-C business forecasts net sales of 67.3 billion yen, a 32.9% increase year-on-year, through cooperation with Yahoo Japan Corporation, which has an excellent ability to draw customers, gradual expansion of the number of product lines, and extension of the range of the Group's unique products (Products Fitting Our Lifestyles, etc.) offered through collaboration with manufacturers.

As a result, the e-commerce business forecasts net sales of 383.4 billion yen, an 8.5% increase year-on-year, and operating income of 6.3 billion yen, a 65.9% increase year-on-year.

<Logistics business, other, adjustments, etc.>

For the fiscal year ending May 2019, the logistics business, other, adjustments, etc. are projected to record net sales of 6.6 billion yen, a 7.4% decline year-on-year, and operating loss of 300 million yen, compared to an operating income of 394 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 same industry.

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3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of May 20,2017	As of May 20,2018
Assets		
Current assets		
Cash and deposits	47,059	62,187
Notes and accounts receivable - trade	39,173	41,309
Securities	-	336
Merchandise and finished goods	11,276	14,188
Raw materials and supplies	191	238
Costs on uncompleted construction contracts	96	24
Accounts receivable - other	5,365	8,032
Consumption taxes receivable	33	1,130
Deferred tax assets	1,055	964
Other	1,105	1,177
Allowance for doubtful accounts	(186)	(23)
Total current assets	105,172	129,566
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,039	7,417
Accumulated depreciation	(4,293)	(2,284)
Buildings and structures, net	15,745	5,133
Machinery, equipment and vehicles	5,182	8,048
Accumulated depreciation	(2,569)	(3,331)
Machinery, equipment and vehicles, net	2,613	4,716
Land	6,543	65
Leased assets	7,101	17,734
Accumulated depreciation	(2,038)	(2,915)
Leased assets, net	5,063	14,819
Other	3,443	4,123
Accumulated depreciation	(2,599)	(2,793)
Other, net	843	1,330
Construction in progress	747	67
Total property, plant and equipment	31,557	26,133
Intangible assets		
Software	4,430	5,080
Software in progress	901	1,834
Goodwill	2,812	2,699
Other	11	22
Total intangible assets	8,156	9,636
Investments and other assets		
Investment securities	2,499	214
Long-term prepaid expenses	173	120
Guarantee deposits	4,324	6,178
Deferred tax assets	3,790	1,850
Other	79	80
Allowance for doubtful accounts	(77)	(68)
Total investments and other assets	10,792	8,377
Total non-current assets	50,506	44,147
Total assets	155,678	173,713

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(Million yen)

	As of May 20,2017	As of May 20,2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	40,330	44,066
Electronically recorded obligations - operating	21,146	24,402
Short-term loans payable	200	1,080
Current portion of long-term loans payable	1,762	1,786
Lease obligations	671	1,759
Accounts payable - other	7,193	10,555
Income taxes payable	1,709	387
Accrued consumption taxes	956	331
Provision for bonuses	145	207
Provision for sales promotion expenses	484	570
Provision for sales returns	28	39
Provision for loss on fire	797	-
Asset retirement obligations	46	-
Other	1,024	1,751
Total current liabilities	76,497	86,938
Non-current liabilities		
Long-term loans payable	16,201	16,340
Lease obligations	4,591	13,736
Provision for loss on fire	7,162	-
Net defined benefit liability	2,832	3,085
Asset retirement obligations	1,470	2,219
Other	690	2,049
Total non-current liabilities	32,949	37,430
Total liabilities	109,446	124,369
Net assets		
Shareholders' equity		
Capital stock	21,189	21,189
Capital surplus	23,669	23,605
Retained earnings	18,555	21,380
Treasury shares	(17,299)	(16,991)
Total shareholders' equity	46,114	49,183
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(2)	(1)
Foreign currency translation adjustment	22	25
Remeasurements of defined benefit plans	(74)	(46)
Total accumulated other comprehensive income	(54)	(22)
Share acquisition rights	17	19
Non-controlling interests	154	163
Total net assets	46,231	49,344
Total liabilities and net assets	155,678	173,713

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(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended May 20,2017	For the fiscal year ended May 20,2018
Net sales	335,914	360,445
Cost of sales	259,160	274,918
Gross profit	76,754	85,526
Reversal of provision for sales returns	29	28
Provision for sales returns	28	39
Gross profit - net	76,755	85,515
Selling, general and administrative expenses	67,890	81,323
Operating profit	8,865	4,192
Non-operating income		
Interest income	28	26
Rental income	-	29
Electricity sales income	47	19
Gain on disposal of inventories	10	22
Subsidy income	13	14
Subsidy income	50	0
Other	34	72
Total non-operating income	186	184
Non-operating expenses		
Interest expenses	111	157
Depreciation of inactive non-current assets	-	236
Loss on transfer of receivables	13	14
Electrical sales expense	25	5
Commission fee	9	3
Other	24	17
Total non-operating expenses	184	436
Ordinary profit	8,866	3,940
Extraordinary income		
Insurance income	4,929	43
Gain on sales of non-current assets	-	4,555
Gain on reversal of provision for loss on fire	-	6,846
Gain on reversal of share acquisition rights	11	-
Other	5	52
Total extraordinary income	4,946	11,497
Extraordinary losses		
Impairment loss	-	1,196
Loss on fire	11,250	-
Loss on sales of non-current assets	-	3,682
Loss on retirement of non-current assets	55	253
Loss on valuation of investment securities	10	1,526
Other	326	369
Total extraordinary losses	11,643	7,028
Profit before income taxes	2,169	8,409
Income taxes - current	3,060	1,698
Income taxes - deferred	(1,940)	2,009
Total income taxes	1,120	3,707
Profit	1,049	4,702
Profit attributable to non-controlling interests	34	8
Profit attributable to owners of parent	1,014	4,693

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Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended May 20,2017	For the fiscal year ended May 20,2018
Profit	1,049	4,702
Other comprehensive income		
Valuation difference on available-for-sale securities	0	-
Deferred gains or losses on hedges	16	1
Foreign currency translation adjustment	(5)	3
Remeasurements of defined benefit plans, net of tax	14	27
Total other comprehensive income	26	32
Comprehensive income	1,076	4,735
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,042	4,725
Comprehensive income attributable to non-controlling interests	34	9

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(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended May 20, 2017

(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	19,399	(13,079)	51,179
Changes of items during period					
Dividends of surplus			(1,859)		(1,859)
Profit attributable to owners of parent			1,014		1,014
Purchase of treasury shares				(4,220)	(4,220)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	(844)	(4,220)	(5,064)
Balance at end of current period	21,189	23,669	18,555	(17,299)	46,114

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	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	(0)	(19)	27	(89)	(81)
Changes of items during period					
Dividends of surplus					
Profit attributable to owners of parent					
Purchase of treasury shares					
Net changes of items other than shareholders' equity	0	16	(5)	14	27
Total changes of items during period	0	16	(5)	14	27
Balance at end of current period	-	(2)	22	(74)	(54)

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	25	119	51,242
Changes of items during period			
Dividends of surplus			(1,859)
Profit attributable to owners of parent			1,014
Purchase of treasury shares			(4,220)
Net changes of items other than shareholders' equity	(7)	34	53
Total changes of items during period	(7)	34	(5,011)
Balance at end of current period	17	154	46,231

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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

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(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended May 20,2017	For the fiscal year ended May 20,2018
Cash flows from operating activities		
Profit before income taxes	2,169	8,409
Depreciation	2,587	3,301
Amortization of software	1,708	1,810
Amortization of long-term prepaid expenses	107	166
Impairment loss	-	1,196
Amortization of goodwill	766	840
Loss on fire	11,250	-
Gain on reversal of provision for loss on fire	-	(6,846)
Gain on reversal of share acquisition rights	(11)	-
Increase (decrease) in allowance for doubtful accounts	(41)	(174)
Increase (decrease) in provision for bonuses	(264)	52
Increase (decrease) in provision for directors' bonuses	(90)	-
Increase (decrease) in provision for sales promotion expenses	40	24
Increase (decrease) in provision for sales returns	(1)	11
Increase (decrease) in net defined benefit liability	549	291
Interest income	(28)	(26)
Interest expenses	111	157
Insurance income	(4,929)	(43)
Loss (gain) on valuation of investment securities	10	1,526
Loss on retirement of non-current assets	60	249
Loss (gain) on sales of non-current assets	-	(872)
Decrease (increase) in notes and accounts receivable - trade	(2,228)	(848)
Decrease (increase) in inventories	(1,747)	(1,725)
Decrease (increase) in accounts receivable - other	259	(2,593)
Increase (decrease) in notes and accounts payable - trade	3,714	6,196
Increase (decrease) in accounts payable - other	327	2,564
Increase (decrease) in accrued consumption taxes	1,334	(1,731)
Other, net	(359)	2,505
Subtotal	15,294	14,441
Interest and dividend income received	28	26
Interest expenses paid	(111)	(157)
Proceeds from insurance income	4,929	43
Payment for fire accident	(260)	(1,113)
Income taxes paid	(3,654)	(3,090)
Net cash provided by (used in) operating activities	16,227	10,150

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(Million yen)

	For the fiscal year ended May 20,2017	For the fiscal year ended May 20,2018
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,957)	(16,989)
Proceeds from sales of property, plant and equipment	-	20,606
Purchase of software	(2,747)	(2,849)
Purchase of long-term prepaid expenses	(148)	(111)
Payments for guarantee deposits	(679)	(2,122)
Proceeds from collection of guarantee deposits	112	327
Payments of loans receivable	(15)	(42)
Collection of loans receivable	51	5
Proceeds from redemption of securities	420	504
Proceeds from sales of investment securities	-	129
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(545)
Purchase of investment securities	(50)	(91)
Payments for asset retirement obligations	(108)	(63)
Payments for transfer of business	(94)	-
Purchase of goodwill	-	(370)
Other, net	0	25
Net cash provided by (used in) investing activities	(5,217)	(1,588)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(415)	(467)
Proceeds from long-term loans payable	12,900	1,700
Repayments of long-term loans payable	(1,687)	(2,783)
Repayments of lease obligations	(766)	(966)
Proceeds from sales and leasebacks	3,287	10,692
Proceeds from issuance of share acquisition rights	3	3
Proceeds from disposal of treasury shares	-	209
Purchase of treasury shares	(4,220)	-
Cash dividends paid	(1,859)	(1,832)
Net cash provided by (used in) financing activities	7,241	6,553
Effect of exchange rate change on cash and cash equivalents	(18)	1
Net increase (decrease) in cash and cash equivalents	18,233	15,117
Cash and cash equivalents at beginning of period	28,826	47,059
Cash and cash equivalents at end of period	47,059	62,177

(5) Notes to Consolidated Financial Statements

(Notes regarding the Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

(Application of Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions)

"Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions" (Practical Issues Task Force No.36, January 12, 2018; hereinafter, "PITF No.36"), etc. has become available for application from the date of its publication. Accordingly, the Group has adopted PITF No.36 on or after the date of publication and decided to apply accounting methods conforming to the Accounting Standards for Stock Options (Corporate Accounting Standard No. 8, December 27, 2005) for transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions.

In applying PITF No.36, the Group followed the transitional treatments provided in Paragraph 10 (3) of PITF No.36. Accordingly, transactions in which stock acquisition rights, which involve considerations, with vesting conditions, were granted to employees, etc. prior to the date of application of PITF No.36 have continued to be accounted for using the previously adopted accounting treatment.

(Changes in Accounting Estimates)

(Changes in the method of calculating provision for loss on fire)

The Group had recognized the provision for loss on fire as an expense for restoring damage from fire at ALP Tokyo Metropolitan, but the Group subsequently sold related land, buildings and other facilities. As a result, there is no longer a need to recognize a provision for restoration efforts, and we have thus changed the accounting estimates. Consequently, the Group recognized an increase of 6,846 million yen in profit before income taxes for the fiscal year under review.

(Changes in Service Life Estimates)

The Group reviewed the functions of some logistics centers and prospectively shortened the service lives of machinery and equipment, etc. with reduced lengths of use. Consequently, depreciation for the fiscal year under review increased 168 million yen, while operating income, ordinary income, profit attributable to owners of parent decreased 168 million yen, respectively, compared to those calculated under the previous method.

(Changes in estimates of asset retirement obligations)

During the fiscal year under review, the Group changed estimates of asset retirement obligations, which are recognized for complying with the obligation to restore a site to its original condition in accordance with the real estate leasing agreements for its logistics centers, based on new information obtained on site restoration costs required to be paid at the time of withdrawal. Consequently, a decrease of 14 million yen in asset retirement obligations resulting from the change in accounting estimates has been deducted from the balance of asset retirement obligations before the change in estimates.

The impact of this change on the consolidated financial statements for the fiscal year under review is insignificant.

(Additional Information)

(Application of Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions)

Transactions in which stock acquisition rights, which involve considerations, with vesting conditions, were granted to employees and others prior to the date of application of "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions" (Practical Issues Task Force No.36, January 12, 2018; hereinafter, "PITF No.36") have continued to be accounted for using the previously adopted accounting treatment, in accordance with Paragraph 10 (3) of PITF No.36.

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1. Outline of Stock Acquisition Rights (Stock Options), Which Involve Considerations, with Vesting Conditions

(1) Details of stock acquisition rights (stock options), which involve considerations, with vesting conditions

	Resolution of the Board of Directors meeting held on December 13, 2013 Stock acquisition rights with consideration	Resolution of the Board of Directors meeting held on November 5, 2014 Stock acquisition rights with consideration
Number of persons granted with stock acquisition rights (stock options) by classification	Directors 9 Audit & Supervisory Board 4 Members Employees 176 Directors of subsidiaries 6 Auditors of subsidiaries 2 Employees of subsidiaries 36	Directors 5 Audit & Supervisory Board 3 Members Employees 106 Directors of subsidiaries 4 Employees of subsidiaries 24
Number of stock options by type of stock (Note 1)	Common stock 540,000 shares	Common stock 442,500 shares
Date on which stock options were granted	December 20, 2013	December 19, 2014
Vesting conditions	(Note 2)	(Note 3)
Work period covered	—	—
Exercise period	From August 1, 2014 To December 19, 2020	From August 1, 2015 To December 19, 2020

	Resolution of the Board of Directors meeting held on October 19, 2015 Stock acquisition rights with consideration	Resolution of the Board of Directors meeting held on December 6, 2016 Stock acquisition rights with consideration
Number of persons granted with stock acquisition rights (stock options) by classification	Directors 4 Audit & Supervisory Board 2 Members Employees 93 Directors of subsidiaries 9 Employees of subsidiaries 93	Directors 6 Audit & Supervisory Board 2 Members Employees 140 Directors of subsidiaries 7 Auditors of subsidiaries 1 Employees of subsidiaries 46
Number of stock options by type of stock (Note 1)	Common stock 510,000 shares	Common stock 510,000 shares
Date on which stock options were granted	January 6, 2016	February 15, 2017
Vesting conditions	(Note 4)	(Note 5)
Work period covered	—	—
Exercise period	From August 1, 2016 To January 5, 2022	From September 3, 2018 To February 14, 2024

	Resolution of the Board of Directors meeting held on February 7, 2018 Stock acquisition rights with consideration
Number of persons granted with stock acquisition rights (stock options) by classification	Directors 6 Audit & Supervisory Board 3 Members Employees 191 Directors of subsidiaries 9 Auditors of subsidiaries 2 Employees of subsidiaries 107
Number of stock options by type of stock (Note 1)	Common stock 510,000 shares
Date on which stock options were granted	March 28, 2018
Vesting conditions	(Note 6)
Work period covered	—

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Exercise period	From September 2, 2019 To March 27, 2025
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Notes: 1. The number of stock options was converted and stated as the number of shares.

2. Vesting conditions and conditions for exercise are as follows.

- (i) If the Company's EBITDA (the amount obtained by adding depreciation, amortization of goodwill, and amortization of software stated in the consolidated statement of cash flows of the Company's annual securities report, to operating income of the consolidated statement of income in the said report, and the same shall apply hereinafter; in case the consolidated financial statements have not been prepared, the "consolidated statement of cash flows" and the "consolidated statement of income" above shall be read as the "non-consolidated statement of cash flows" and the "non-consolidated statement of income," respectively.) exceeds each of the amounts stated below in (a) through (d) in either of the fiscal periods from the fiscal year ending May 2014 to the fiscal year ending May 2017, a holder of the stock options may exercise a given percentage (hereinafter the "exercisable percentage") of the total number of stock options that were allocated to each stock option holder from the first day of the month following the filing date of the annual securities report for the fiscal period that attained the said levels of EBITDA for the first time until the last day of the exercise period. Any fraction less than one unit of exercisable stock option shall be rounded down to the nearest whole number.
 - (a) EBITDA exceeds 13.0 billion yen
Exercisable percentage: 40%
 - (b) EBITDA exceeds 14.5 billion yen
Exercisable percentage: 20%
 - (c) EBITDA exceeds 16.0 billion yen
Exercisable percentage: 20%
 - (d) EBITDA exceeds 27.5 billion yen
Exercisable percentage: 20%
 - (ii) In determining EBITDA as provided in (i) above, in case there are material changes in the concepts underlying any indicators used as reference standards, due to amendments to the applicable accounting standard, etc., the Company shall separately establish an appropriate indicator or figure as a reference value to the extent deemed reasonable, through a resolution at the Board of Directors' meeting.
 - (iii) In the event of the death of a holder of stock options, the stock option holder's stock options may be exercised by his/her heirs. In that case, promptly after the commencement of inheritance, all heirs shall jointly notify the Company, in writing in the format prescribed by the Company, of the successors of the stock options (hereinafter the "Successors") and their representative (hereinafter the "Representative"). When the Successors wish to exercise the stock options, the Representative shall, on behalf of the Successors, do so after submitting a certified copy of removal from the family register, an inheritance division agreement, a letter of consent signed by all the heirs, and other documents prescribed by the Company.
 - (iv) In the event that the exercise of stock options causes the number of outstanding shares of the Company to exceed its total number of authorized shares at that point in time, the said stock options may not be exercised.
 - (v) Stock options constituting less than one unit may not be exercised.
3. Vesting conditions and conditions for exercise are as follows.
- (i) If the Company's EBITDA (the amount obtained by adding depreciation, amortization of goodwill, and amortization of software stated in the consolidated statement of cash flows of the Company's annual securities report, to operating income of the consolidated statement of income in the said report, and the same shall apply hereinafter; in case the consolidated financial statements have not been prepared, the "consolidated statement of cash flows" and the "consolidated statement of income" above shall be read as the "non-consolidated statement of cash flows" and the "non-consolidated statement of income," respectively.) exceeds each of the amounts stated below in (a) through (d) in either of the fiscal periods from the fiscal year ending May 2015 to the fiscal year ending May 2017, a holder of stock options may exercise a given percentage (hereinafter the "exercisable percentage") of the total number of stock options that were allocated to each stock option holder from the first day of the month following the filing date of the annual securities report for the fiscal period that attained the said levels of EBITDA for the first time until the last day of the exercise period. Any fraction less than one unit of exercisable stock option shall be rounded down to the nearest whole number.
 - (a) EBITDA exceeds 13.0 billion yen
Exercisable percentage: 40%
 - (b) EBITDA exceeds 14.5 billion yen

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- Exercisable percentage: 20%
 - (c) EBITDA exceeds 16.0 billion yen
 - Exercisable percentage: 20%
 - (d) EBITDA exceeds 27.5 billion yen
 - Exercisable percentage: 20%
 - (ii) In determining EBITDA as provided in (i) above, in case there are material changes in the concepts underlying any indicators used as reference standards, due to amendments to the applicable accounting standard, etc., the Company shall separately establish an appropriate indicator or figure as a reference value to the extent deemed reasonable, through a resolution at the Board of Directors' meeting.
 - (iii) In the event of the death of a holder of stock options, the stock option holder's stock options may be exercised by his/her heirs. In that case, promptly after the commencement of inheritance, all the heirs shall jointly notify the Company, in writing in the format prescribed by the Company, of the successors of the stock options (hereinafter the "Successors") and their representative (hereinafter the "Representative"). When the Successors wish to exercise the stock options, the Representative shall, on behalf of the Successors, do so after submitting a certified copy of removal from the family register, an inheritance division agreement, a letter of consent signed by all the heirs, and other documents prescribed by the Company.
 - (iv) In the event that the exercise of stock options causes the number of outstanding shares of the Company to exceed its total number of authorized shares at that point in time, said stock options may not be exercised.
 - (v) Stock options constituting less than one unit may not be exercised.
4. Vesting conditions and conditions for exercise are as follows.
- (i) If the Company's EBITDA (the amount obtained by adding depreciation, amortization of goodwill, and amortization of software stated in the consolidated statement of cash flows of the Company's annual securities report, to operating income of the consolidated statement of income in the said report, and the same shall apply hereinafter; in case the consolidated financial statements have not been prepared, the "consolidated statement of cash flows" and the "consolidated statement of income" above shall be read as the "non-consolidated statement of cash flows" and the "non-consolidated statement of income," respectively.) exceeds each of the amounts stated below in (a) through (c) in either of the fiscal periods from the fiscal year ending May 2016 to the fiscal year ending May 2020, a holder of stock options may exercise a given percentage (hereinafter the "exercisable percentage") of the total number of stock options that were allocated to each stock option holder from the first day of the month following the filing date of the annual securities report for the fiscal period that attained the said levels of EBITDA for the first time until the last day of the exercise period. Any fraction less than one unit of exercisable stock option shall be rounded down to the nearest whole number.
 - (a) EBITDA exceeds 14.5 billion yen
 - Exercisable percentage: 60%
 - (b) EBITDA exceeds 16.0 billion yen
 - Exercisable percentage: 20%
 - (c) EBITDA exceeds 27.5 billion yen
 - Exercisable percentage: 20%
 - (ii) In determining EBITDA as provided in (i) above, in case there are material changes in the concepts underlying any indicators used as reference standards, due to amendments to the applicable accounting standard, etc., the Company shall separately establish an appropriate indicator or figure as a reference value to the extent deemed reasonable, through a resolution at the Board of Directors' meeting.
 - (iii) In the event of the death of a holder of stock options, the stock option holder's stock options may be exercised by his/her heirs. In that case, promptly after the commencement of inheritance, all the heirs shall jointly notify the Company, in writing in the format prescribed by the Company, of the successors of the stock options (hereinafter the "Successors") and their representative (hereinafter the "Representative"). When the Successors wish to exercise the stock options, the Representative shall, on behalf of the Successors, do so after submitting a certified copy of removal from the family register, an inheritance division agreement, a letter of consent signed by all the heirs, and other documents prescribed by the Company.
 - (iv) In the event that the exercise of stock options causes the number of outstanding shares of the Company to exceed its total number of authorized shares at that point in time, said stock options may not be exercised.
 - (v) Stock options constituting less than one unit may not be exercised.
5. Vesting conditions and conditions for exercise are as follows.
- (i) If the Company has achieved the conditions stated in (a) and (b) below at the same time in either of the fiscal years from the fiscal year ending May 2018 to the fiscal year ending May 2021, a stock option holder

may exercise his/her stock options during a period commencing on the first business day of the month after next following the filing date of the annual securities report of the fiscal year for which the Company has met the said conditions for the first time, and ending on the last day of the exercise period.

- (a) EBITDA exceeds 14.5 billion yen
 - (b) Net sales of the B-to-C business exceeds 100 billion yen.
 - (ii) In determining the value of EBITDA in (i) above, the amount calculated below shall be used as a reference value. It is the amount obtained by adding depreciation, amortization of goodwill, and amortization of software stated in the consolidated statement of cash flows of the Company's annual securities report, to operating income of the consolidated statement of income in the said report. In case the consolidated financial statements have not been prepared, the "consolidated statement of cash flows" and the "consolidated statement of income" above shall be read as the "non-consolidated statement of cash flows" and the "non-consolidated statement of income," respectively. In addition, in determining net sales pertaining to the B-to-C business, the net sales amount stated in the e-commerce business segment in the "Status of Business, Overview of Business performance, etc., Business Performance" in the Company's annual securities report shall be used as a reference value. In case there are material changes in concepts underlying any indicators used as reference standards, due to amendments to the applicable accounting standard, changes to reporting segments, and other reasons, the Company shall separately establish an appropriate indicator or figure as a reference value to the extent deemed reasonable, through a resolution at the Board of Directors' meeting.
 - (iii) In the event of the death of a holder of stock options, the stock option holder's stock options may be exercised by his/her heirs. In that case, promptly after the commencement of inheritance, all the heirs shall jointly notify the Company, in writing in the format prescribed by the Company, of the successors of the stock options (hereinafter the "Successors") and their representative (hereinafter the "Representative"). When the Successors wish to exercise the stock options, the Representative shall, on behalf of the Successors, do so after submitting a certified copy of removal from the family register, an inheritance division agreement, a letter of consent signed by all the heirs, and other documents prescribed by the Company.
 - (iv) In the event that the exercise of stock options causes the number of outstanding shares of the Company to exceed its total number of authorized shares at that point in time, said stock options may not be exercised.
 - (v) Stock options constituting less than one unit may not be exercised.
6. Vesting conditions and conditions for exercise are as follows.
- (i) If the Company has achieved the conditions stated in (a) and (b) below at the same time in either of the fiscal years from the fiscal year ending May 2019 to the fiscal year ending May 2021, a stock option holder may exercise his/her stock options during a period commencing on the first business day of the month after next following the filing date of the annual securities report of the fiscal year for which the Company has met the said conditions for the first time, and ending on the last day of the exercise period.
 - (a) EBITDA exceeds 14.5 billion yen
 - (b) Total distribution amount in the B-to-C business exceeds 100 billion yen.
 - (ii) In determining the value of EBITDA in (i) above, the amount calculated below shall be used as a reference value. It is the amount obtained by adding depreciation, amortization of goodwill, and amortization of software stated in the consolidated statement of cash flows of the Company's annual securities report, to operating income of the consolidated statement of income in the said report. In case the consolidated financial statements have not been prepared, the "consolidated statement of cash flows" and the "consolidated statement of income" above shall be read as the "non-consolidated statement of cash flows" and the "non-consolidated statement of income," respectively. In addition, in determining the total distribution amount pertaining to the B-to-C business, the total distribution amount stated in the "Monthly Operating Results" which the Company releases every month shall be used as a reference value. In case there are material changes in concepts underlying any indicators used as reference standards, due to amendments to the applicable accounting standard, changes to reporting segments, and other reasons, the Company shall separately establish an appropriate indicator or figure as a reference value to the extent deemed reasonable, through a resolution at the Board of Directors' meeting.
 - (iii) In the event of the death of a holder of stock options, the stock option holder's stock options may be exercised by his/her heirs. In that case, promptly after the commencement of inheritance, all the heirs shall jointly notify the Company, in writing in the format prescribed by the Company, of the successors of the stock options (hereinafter the "Successors") and their representative (hereinafter the "Representative"). When the Successors wish to exercise the stock options, the Representative shall, on behalf of the Successors, do so after submitting a certified copy of removal from the family register, an inheritance division agreement, a

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letter of consent signed by all the heirs, and other documents prescribed by the Company.

- (iv) In the event that the exercise of stock options causes the number of outstanding shares of the Company to exceed its total number of authorized shares at that point in time, said stock options may not be exercised.
- (v) Stock options constituting less than one unit may not be exercised.

(2) The Size of Stock Acquisition Rights (Stock Options), which Involve Considerations, with Vesting Conditions and the Changes therein

The subject stock options are those that existed during the fiscal year under review and the number of stock options was converted and stated as the number of shares.

(i) Number of stock options

	Resolution of the Board of Directors meeting held on December 13, 2013 Stock acquisition rights with consideration	Resolution of the Board of Directors meeting held on November 5, 2014 Stock acquisition rights with consideration	Resolution of the Board of Directors meeting held on October 19, 2015 Stock acquisition rights with consideration	Resolution of the Board of Directors meeting held on December 6, 2016 Stock acquisition rights with consideration
Before vesting (shares)				
At the end of the preceding fiscal year	—	—	510,000	465,900
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	510,000	465,900
After vesting (shares)				
At the end of the preceding fiscal year	216,000	177,000	—	—
Vested	—	—	—	—
Exercised	33,000	44,700	—	—
Lapsed	—	—	—	—
Exercisable	183,000	132,300	—	—

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	Resolution of the Board of Directors meeting held on February 7, 2018 Stock acquisition rights with consideration
Before vesting (shares)	
At the end of the preceding fiscal year	—
Granted	510,000
Forfeited	6,400
Vested	—
Outstanding	503,600
After vesting (shares)	
At the end of the preceding fiscal year	—
Vested	—
Exercised	—
Lapsed	—
Exercisable	—

(ii) Unit Price Information

	Resolution of the Board of Directors meeting held on December 13, 2013 Stock acquisition rights with consideration	Resolution of the Board of Directors meeting held on November 5, 2014 Stock acquisition rights with consideration	Resolution of the Board of Directors meeting held on October 19, 2015 Stock acquisition rights with consideration	Resolution of the Board of Directors meeting held on December 6, 2016 Stock acquisition rights with consideration
Exercise price (yen)	2,983	2,425	4,460	3,930
Average stock price at the time of exercise (yen)	3,592	3,433	—	—

	Resolution of the Board of Directors meeting held on February 7, 2018 Stock acquisition rights with consideration
Exercise price (yen)	3,470
Average stock price at the time of exercise (yen)	—

2. Outline of the Accounting Method Adopted

When share acquisition rights (stock options) are issued, the amount to be paid in for the issuance are accounted for as share acquisition rights under net assets. When new shares are issued upon the exercise of share acquisition rights, the amount to be paid in upon the issuance of the said share acquisition rights and the amount to be paid in upon the exercise of share acquisition rights are transferred to capital stock and capital surplus.

In addition, if the exercise period of share acquisition rights has expired, the corresponding amount is recognized as gains for the fiscal year in which the expiration has become final.

(Segment Information, etc.)

[Segment Information]

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1. Overview of reportable segments

ASKUL's reportable segments are defined as components of the Group about 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 2017 (May 21, 2016 through May 20, 2017)

(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	330,954	4,401	335,356	558	335,914	—	335,914
Inter-segment sales or transfers	—	—	—	215	215	(215)	—
Total	330,954	4,401	335,356	774	336,130	(215)	335,914
Segment income (loss)	9,367	(469)	8,897	(43)	8,854	11	8,865
Segment assets	152,153	2,434	154,588	1,090	155,678	—	155,678
Other items							
Depreciation	4,225	41	4,266	48	4,314	(18)	4,296
Amortization of goodwill	633	128	762	3	766	—	766
Increase in property, plant and equipment and intangible assets	4,622	15	4,637	308	4,946	—	4,946

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

2. The adjustment of 11 million yen of segment income represents the elimination of inter-segment transactions of 11 million yen.

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

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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 consolidate d 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, plant 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 621 million yen of the segment income represents the elimination of intra-segment transactions of minus 621 million yen.

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

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[Related Information]

Fiscal Year Ended May 2017 (May 21, 2016 through May 20, 2017)

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, plant and equipment

Property, plant and equipment located in Japan accounted for more than 90% of the property, plant 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 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, plant and equipment

Property, plant and equipment located in Japan accounted for more than 90% of the property, plant 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.

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[Impairment loss on noncurrent assets by reportable segment]

Fiscal year ended May 2017 (May 21, 2016 through May 20, 2017)

Not applicable.

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.

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

Fiscal year ended May 2017 (May 21, 2016 through May 20, 2017)

(Unit: million yen)

	Reportable segment			Other (note)	Total
	E-commerce business	Logistics business	Subtotal		
Amount amortized during the fiscal year	633	128	762	3	766
Unamortized balance at the end of the fiscal year	1,483	1,091	2,575	237	2,812

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

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	Total		
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.

[Gain on bargain purchase by reportable segment]

Fiscal year ended May 2017 (May 21, 2016 through May 20, 2017)

Not applicable.

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

Not applicable.

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(Per Share Information)

	Fiscal Year Ended May 2017 (May 21, 2016 through May 20, 2017)	Fiscal Year Ended May 2018 (May 21, 2017 through May 20, 2018)
Net assets per share (yen)	905.01	964.46
Profit per share (yen)	19.75	92.15
Diluted profit per share (yen)	19.71	92.03

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

	Fiscal Year Ended May 2017 (May 21, 2016 through May 20, 2017)	Fiscal Year Ended May 2018 (May 21, 2017 through May 20, 2018)
Profit per share		
Profit attributable to owners of parent (million yen)	1,014	4,693
Profit not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent related to common stock (million yen)	1,014	4,693
Average number of shares (thousand shares)	51,380	50,930
Diluted profit per share		
Adjustments to profit attributable to owners of parent (million yen)	—	—
Increase in number of shares of common stock (thousand shares)	103	66
(Of which share acquisition rights [thousand shares])	(103)	(66)
Outline of dilutive shares not included in calculation of diluted profit per share due to absence of dilutive effects	—	—

(Significant Subsequent Events)

Not applicable.

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4. Supplementary Information

Details of Selling, General and Administrative Expenses (Consolidated)

Item	Fiscal Year Ended May 2017 (May 21, 2016 through May 20, 2017)		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 (%)
Personnel expenses *1	16,040	4.8	18,890	5.2	117.8
Shipment expenses *2	17,005	5.1	20,220	5.6	118.9
Provision for sales promotion expenses	484	0.1	530	0.1	109.5
Subcontract expenses	3,015	0.9	3,355	0.9	111.3
Business consignment expenses *2	9,821	2.9	12,290	3.4	125.1
Rents *3	6,258	1.9	9,113	2.5	145.6
Provision of allowance for doubtful accounts	15	0.0	(10)	(0.0)	—
Depreciation *4	2,469	0.7	2,949	0.8	119.4
Amortization of software	1,668	0.5	1,774	0.5	106.4
Other expenses	11,110	3.3	12,209	3.6	109.9
Total	67,890	20.2	81,323	22.6	119.8

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

2 Shipment expenses and business consignment expenses for the fiscal year under review rose from the preceding fiscal year. This was mainly due to an increase in logistics expenses during the period of restoration from the fire accident.

3 Rents for the fiscal year under review increased from the preceding fiscal year. The primary factor for the increase was the construction of new logistics centers, such as AVC Hidaka and AVC Kansai.

4 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 Hidaka and AVC Kansai.