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Summary of Consolidated Financial Results for the Year Ended May 20, 2020 [Japanese GAAP]

July 10, 2020

Company name: ASKUL Corporation

Stock exchange listing: Tokyo

Code number: 2678

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

Representative: Akira Yoshioka

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 13, 2020

Scheduled date of commencing dividend payments: August 14, 2020

Scheduled date of filing annual securities report: August 7, 2020

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, 2020 (May 21, 2019 to May 20, 2020)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended May 20, 2020	400,376	3.3	8,821	95.1	8,656	95.9	5,652	-
May 20, 2019	387,470	7.5	4,520	7.8	4,418	12.1	434	(90.7)

(Note) Comprehensive income: Fiscal year ended May 20, 2020: ¥ 5,720 million [- %]

Fiscal year ended May 20, 2019: ¥ 477 million [(89.9) %]

	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
	Yen	Yen	%	%	%
Fiscal year ended May 20, 2020	110.78	110.29	11.2	5.0	2.2
May 20, 2019	8.52	8.51	0.9	2.6	1.2

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended May 20, 2020: ¥ - million

Fiscal year ended May 20, 2019: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of May 20, 2020	174,114	52,825	30.1	1,027.37
May 20, 2019	169,112	48,631	28.6	948.44

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

As of May 20, 2019: ¥ 48,392 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
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended May 20, 2020	16,609	(6,055)	(4,761)	63,260
May 20, 2019	6,215	(5,962)	(4,950)	57,469

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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, 2019	-	18.00	-	18.00	36.00	1,836	422.7	3.8
May 20, 2020	-	19.00	-	19.00	38.00	1,939	34.3	3.8
Fiscal year ending May 20, 2021 (Forecast)	-	19.00	-	19.00	38.00		43.1	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 20, 2021 (May 21, 2020 to May 20, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	403,000	0.7	7,200	(18.4)	7,000	(19.1)	4,500	(20.4)	88.17

* Notes:

(1) Changes in significant subsidiaries during the period under review

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(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: 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, 2020: 55,259,400 shares

May 20, 2019: 55,259,400 shares

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

May 20, 2020: 4,221,622 shares

May 20, 2019: 4,235,634 shares

3) Average number of shares during the period:

Fiscal Year ended May 20, 2020: 51,029,445 shares

Fiscal Year ended May 20, 2019: 51,009,431 shares

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(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended May 20, 2020 (May 21, 2019 to May 20, 2020)

(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, 2020	349,105	2.5	7,181	70.9	7,480	59.3	4,919	901.8
May 20, 2019	340,615	6.6	4,202	42.0	4,696	48.4	491	(86.9)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
May 20, 2020	96.40	96.36
May 20, 2019	9.63	9.62

(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, 2020	158,479	52,101	32.9	1,020.55
May 20, 2019	154,506	49,026	31.7	960.53

(Reference) Equity: As of May 20, 2020: ¥ 52,086 million
As of May 20, 2019: ¥ 49,009 million

* This Summary of Consolidated Financial Results is not subject to audit.

* 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 8 of Attached Materials.

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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, 2019 to May 20, 2020), Japan's economy had remained on a moderate recovery path with continued improvement mainly in the employment environment. However, the outlook for the economy has become uncertain due to continued trade frictions between the United States and China and political instability overseas, as well as the spread of the novel coronavirus since January 2020.

In the e-commerce market, in which the Group operates, demand is on an upward trend mainly in the B-to-C business amid new lifestyles being sought due to the novel coronavirus pandemic. However, delivery charges remain high due to a shortage of delivery drivers and ongoing competition concerning services in the industry, which has had a considerable influence in the business of e-commerce companies.

Under these circumstances, in the B-to-B business of the mainstay e-commerce business, sales declined year-on-year in the fourth quarter of the fiscal year under review mainly because corporate activities stagnated in the face of the spread of the novel coronavirus, but both sales and profit increased on a full year basis primarily due to the expanded number of users.

The B-to-C business worked to improve the profit of LOHACO as its top priority. The revision of the minimum order amounts to qualify for no basic delivery fees for purchases in the LOHACO marketplace (hereinafter "free shipping charge") in January 2019, and the launch of the one-box eco service (note 1), etc., in July 2019, have led to an increase in the number of items purchased by customers and a notable decrease in the ratio of delivery charges to net sales. As a result, progress was made in improvement of the business performance as planned.

As a consequence, the ASKUL Group posted net sales of 400,376 million yen, a 3.3% increase year-on-year, operating profit of 8,821 million yen, a 95.1% increase year-on-year owing to the improvement of profit in the LOHACO business, and ordinary profit of 8,656 million yen, a 95.9% increase year-on-year. Profit attributable to owners of parent came to 5,652 million yen (Profit attributable to owners of parent of 434 million yen was posted for 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 purchase history with the Group search for goods 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 goods they want even if they do not know their names. Other measures were also pushed forward with to increase the number of items purchased and the average purchase per customer by customers who have used the Group's services.

In terms of product categories, sales of living supplies, including daily consumable products and disposable paper, which are used frequently in stores, etc., beverages consumed in offices, products used in medical and nursing care facilities, a focus area, as well as MRO supplies (Note 2) that include long-tail products expanded steadily. In terms of services, we have steadily expanded the range of products covered by our regular delivery service, starting with sanitary and nursing care products in August 2019, as well as packaging materials and beverages.

At the request of the Ministry of Economy, Trade and Industry (METI) and the Ministry of Health, Labour and Welfare (MHLW) as a response to the coronavirus pandemic, in order to fulfill the Group's responsibility as a company that supports our customers' lifelines, the Group provided services such as priority delivery of hand sanitizers to medical institutions, nursing care facilities, etc. Based on these experiences and achievements, the Group will continue to fulfill its mission and responsibilities as an infrastructure company.

As a result, full-year net sales in the B-to-B business increased 13,257 million yen to 329,072 million yen, a 4.2%

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increase year-on-year, as sales trended steadily up to the third quarter of the fiscal year under review although there were declines in sales in April and May due to stagnation in corporate activities resulting from the spread of the novel coronavirus during the fourth quarter of the fiscal year under review.

The B-to-C business made efforts to improve the profit of LOHACO as its top priority. As for profit improvement, the effects of structural reforms, such as the revision of the free shipping charge implemented in January 2019 and the one-box eco service launched in July 2019, are steadily showing up. Consequently, gross profit rose, and the ratio of delivery charges to net sales improved.

At the same time, in October 2019, LOHACO opened a new store in the PayPay Mall, which was launched by Yahoo Japan Corporation, with the aim of attracting new customers toward renewed growth in the following fiscal years, and sales through the PayPay Mall have been growing steadily. In parallel, the Group also worked to strengthen its lineup of unique value products that only LOHACO can offer.

Demand for e-commerce is growing more as self-restraint on outings is ongoing to prevent the spread of the novel coronavirus. As more orders are coming to LOHACO, the Group will establish a shipping system and focus on expanding sales in the following fiscal years.

As a result, sales in the LOHACO business stood at 48,620 million yen, a decrease of 2,774 million yen, or down 5.4% year-on-year. Net sales of the B-to-C business as a whole also decreased 1,944 million or 3.0% year-on-year to 63,334 million yen. As for profit, it improved as planned due to the success of various profit improvement measures and an increase in advertising and other fee income.

As a result, net sales of the E-commerce business, combining the two businesses above, stood at 392,406 million yen, an increase of 3.0% year-on-year. Gross profit-net came to 94,645 million yen, a 4.6% increase year-on-year, mainly due 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 and improvement in gross profit margin of the LOHACO business.

Selling, general and administrative expenses came to 85,457 million yen and the ratio of selling, general and administrative expenses to net sales declined 0.6 points year-on-year due to a fall in the ratio of delivery charges to net sales, as mentioned above, and a decrease in depreciation resulting from impairment of non-current assets of ASKUL Value Center Hidaka recorded in the preceding fiscal year. Consequently, operating income was 9,188 million yen, an 82.8% increase year-on-year.

<Logistics business>

Although there was an increase in sales from the asset management business for logistics facilities of Eco Properties Corporation, the Logistics business posted an operating loss as it assumed expenses, such as rent of a distribution center relating to the preparation period for contracted business of logistics operations.

Consequently, the Logistics business posted net sales of 7,197 million yen, a 29.5% increase year-on-year, and operating loss of 400 million yen for the fiscal year under review (operating loss of 517 million yen for the preceding fiscal year).

<Other>

Net sales of Tsumagoimeisui Corporation were roughly at the same level as in the preceding fiscal year.

Consequently, net sales of Other segment stood at 1,322 million yen, a 4.2% increase year-on-year, and operating income amounted to 59 million yen, a 168.3% increase year-on-year.

- Notes: 1. A service in which the number of items per purchase unit is reduced and lower prices are offered for applicable beverage products, such as bottled water and tea, with free shipping charges applicable to orders of beverages up to a total of 18 kg per case unit. Promoting purchases that use up the weight limit per case unit by bundling various beverage products will lead to a decrease in the ratio of delivery charges to net sales, while reducing the burden of delivering packages at the same time.
2. MRO is an acronym for Maintenance, Repair and Operations, and the term "MRO supplies" denotes indirect

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materials, including consumables and repair supplies for use in factories, construction sites, and other workplaces.

(2) Overview of Financial Condition for the Fiscal Year Under Review

(Assets)

Total assets stood at 174,114 million yen at the end of the fiscal year under review, an increase of 5,002 million yen from the end of the preceding fiscal year. The primary factors behind the increase were increases of 5,791 million yen in cash and deposits, 1,606 million yen in accounts receivable-other, 816 million yen in merchandise and finished goods and 562 million yen in software. The main factors for the decrease were a 3,488 million yen decrease in notes and accounts receivable-trade and a 1,119 million yen decline in leased assets due to further depreciation.

(Liabilities)

Total liabilities stood at 121,289 million yen at the end of the fiscal year under review, an increase of 808 million yen from the end of the preceding fiscal year. The primary factors behind the increase were increases of 1,644 million yen in electronically recorded obligations-operating, 940 million yen in accounts payable-other and 872 million yen in income taxes payable. The main factors behind the decrease were decreases of 1,181 million yen in long-term lease obligations, 966 million yen in long-term borrowings, and 723 million yen in notes and accounts payable-trade.

(Net assets)

Net assets stood at 52,825 million yen at the end of the fiscal year under review, an increase of 4,193 million yen from the end of the preceding fiscal year. The primary factor behind the rise was an increase of 3,796 million yen in retained earnings mainly due to recording of profit attributable to owners of parent of 5,652 million yen despite dividend payments of 1,887 million yen.

Consequently, the capital adequacy ratio was 30.1% (28.6% 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 63,260 million yen, an increase of 5,791 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 16,609 million yen, an increase of 10,394 million yen from the preceding fiscal year. The main factors contributing to the increase in the Funds were profit before income taxes of 8,460 million yen and the total of 5,900 million yen for depreciation and amortization of software and goodwill, and a decrease of 3,579 million yen in trade receivables.

(Cash flows from investing activities)

Net Funds used in investing activities were 6,055 million yen, a decrease of 93 million yen from the preceding fiscal year. The main factors causing a decrease in Funds were 3,260 million yen paid for the purchase of software and 1,827 million yen spent to purchase property, plant and equipment.

(Cash flows from financing activities)

Net Funds used in financing activities were 4,761 million yen, an increase of 188 million yen from the preceding fiscal year. The items leading to a decrease in Funds were repayments of long-term borrowings of 2,215 million yen, cash dividends paid of 1,887 million yen and repayments of lease obligations of 1,704 million yen.

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

	Fiscal Year Ended May 2016	Fiscal Year Ended May 2017	Fiscal Year Ended May 2018	Fiscal Year Ended May 2019	Fiscal Year Ended May 2020
Capital adequacy ratio (%)	36.6	29.6	28.3	28.6	30.1
Capital adequacy ratio at market value (%)	152.8	110.2	93.0	89.1	97.0
Cash flow to interest-bearing liabilities ratio (years)	1.1	1.4	3.4	5.2	1.8
Interest coverage ratio (times)	139.6	145.4	64.4	23.9	66.6

(Note) 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) The evolution of websites that are supported by all working people, development of goods and expansion of long-tail products by tapping and making maximum use of data and technology (B-to-B business)

B-to-B business, in the ever-growing e-commerce market, will continue to evolve shopping websites into ones where customers can find the products they want quickly by pushing forward with DX (digital transformation) through making the maximum use of big data and taking full control of AI and other technologies. The Group, taking advantage of having one of Japan's largest B-to-B big data on customers bases, will focus on proposing optimum products to each customer (1-to-1 marketing) by perfecting products search functions and products recommendation functions. By focusing on cultivating new customers through SEO (a measure of having the company's website ranked high when customers search for products through search engines) and effective Internet advertising, which are unique to e-commerce, and by expanding its business in conjunction with measures to increase repeat purchases and shopping around, the Group will create a growth cycle of accumulating big data and accelerating 1-to-1 marketing. Regarding products, by expanding differentiated original products and long-tail products offered exclusively on the B-to-B market, services will evolve into ones that are differentiated from competitors and more convenient to customers, whereby the Group will work on further growth and enhancement of earning power.

- (ii) Promotion of structural reforms and realization of secondary growth (B-to-C business)

The B-to-C business will focus on fundamental structural reforms in order to realize new secondary growth accompanied by improved profit. For its websites, the Group plans to utilize the business system infrastructure of Yahoo Japan Corporation. By doing so, the Group aims to significantly reduce fixed costs, such as business system costs and operating costs. Both the LOHACO Main Store and PayPay Mall Store will provide value to meet customer needs. As for deliveries, the Group will strive to rebuild new delivery services to meet customer needs, such as active use of front porch delivery (a service to deliver packages to a pre-designated place without face-to-face contact) and the utilization of existing delivery networks of the B-to-B business.

- (iii) Aim to realize "ethical e-commerce"

Work styles in offices and the lifestyles of general consumers are changing significantly due to the spread of the novel coronavirus in addition to a review of social systems in the wake of major changes in the social structure such as climate change, the issue of realizing a plastic-free world, a declining population, an aging society with declining birthrates, and a further rise in health consciousness.

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The Group will continue to create new value in response to these environmental changes. Considering that the attitude of corporations toward the realization of a more sustainable society will be challenged in the future, the Group aims for "ethical e-commerce," which provides services that embrace environmental conservation and solutions to social issues. The Group will further promote ethical initiatives and accelerate its efforts to promote resource recycling, such as responsible procurement, expansion of environmentally-friendly products, response to climate change through participation in RE100 (Notes 1 and 3) and EV100 (Notes 2 and 3) and afforestation as a method to compensate for raw materials for copy paper.

Notes: 1. RE100 is an international business initiative participated in by companies that publicly aim to operate their business with 100% renewable energy. When ASKUL joined the RE100, it declared that it would achieve the following two goals.

- Interim goal: Increase the use of renewable energy at headquarters and distribution centers to 100% by 2025.

- Goal: Raise the group-wide renewable energy utilization ratio, including subsidiaries, to 100% by 2030.

2. EV100 is an international business initiative participated in by companies that publicly aim to replace all of their business-purpose vehicles with electric vehicles. An initiative that is intended to replace 100% of its delivery vehicles, owned and leased, used by ASKUL LOGIST, a group company that operates distribution centers and handles deliveries, with EVs by 2030.

3. Both RE100 and EV100 are business initiatives organized by The Climate Group, a UK non-profit organization.

Although the Group will steadily implement the measures described above, it is difficult to predict the impact of the novel coronavirus pandemic on the year ending May 2021. Under such circumstances, the Group made its performance forecasts in the B-to-B business based on the following assumptions. (i) The assumptions do not include a second declaration of a state of emergency, and although the sales growth rate will gradually recover from now, the annual growth rate will not recover to the previous level. (ii) Gross profit margin is expected to decline partly due to deterioration in the macroeconomic environment. (iii) Whether or not there is an impact from the novel coronavirus, rises in labor costs and delivery costs, which were originally assumed, are factored in. On the other hand, the B-to-C business will implement current plans and carry out structural reforms steadily to turn profitable in the year ending May 2023. As a result, the present forecasts for operating performance for the fiscal year ending May 2021 are net sales of 403.0 billion yen, a 0.7% increase year-on-year, operating profit of 7.2 billion yen, a 18.4% decrease year-on-year, ordinary profit of 7.0 billion yen, a 19.1% decrease year-on-year, and profit attributable to owners of parent of 4.5 billion yen (a 20.4% decrease year-on-year).

Forecasts for the next fiscal year by business segment are as follows.

<E-commerce business>

The B-to-B business forecasts net sales of 332.2 billion yen (up 1.0% year-on-year) due to a temporary slowdown in the growth of sales due to the spread of the novel coronavirus.

The B-to-C business forecasts net sales of 64.3 billion yen (up 1.5% year-on-year).

As a result, the E-commerce business forecasts net sales of 396.5 billion yen, a 1.0% increase year-on-year, and operating income of 8.1 billion yen, a 11.8% decrease year-on-year.

<Logistics business, Other, adjustments, etc.>

The Logistics business, Other, adjustments, etc., are projected to record net sales of 6.5 billion yen, a 18.4% decrease year-on-year, and operating loss of 900 million yen (an operating loss of 366 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.

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3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of May 20, 2019	As of May 20, 2020
Assets		
Current assets		
Cash and deposits	57,469	63,260
Notes and accounts receivable - trade	42,189	38,701
Merchandise and finished goods	15,766	16,582
Raw materials and supplies	342	257
Costs on construction contracts in progress	72	63
Accounts receivable - other	8,733	10,340
Other	1,230	1,277
Allowance for doubtful accounts	(12)	(24)
Total current assets	125,792	130,458
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,778	8,329
Accumulated depreciation	(2,719)	(3,162)
Buildings and structures, net	5,058	5,166
Machinery, equipment and vehicles	5,720	6,277
Accumulated depreciation	(3,587)	(4,021)
Machinery, equipment and vehicles, net	2,133	2,255
Land	136	137
Leased assets	18,714	19,408
Accumulated depreciation	(4,591)	(6,405)
Leased assets, net	14,122	13,003
Other	3,728	3,788
Accumulated depreciation	(2,805)	(2,939)
Other, net	922	848
Construction in progress	50	461
Total property, plant and equipment	22,424	21,873
Intangible assets		
Software	6,722	7,285
Software in progress	1,221	1,116
Goodwill	1,889	2,165
Other	13	6
Total intangible assets	9,847	10,574
Investments and other assets		
Investment securities	606	808
Long-term prepaid expenses	195	156
Guarantee deposits	6,257	6,344
Deferred tax assets	3,967	3,873
Other	111	147
Allowance for doubtful accounts	(91)	(121)
Total investments and other assets	11,047	11,208
Total non-current assets	43,319	43,655
Total assets	169,112	174,114

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(Million yen)

	As of May 20, 2019	As of May 20, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	46,272	45,549
Electronically recorded obligations - operating	20,088	21,733
Short-term borrowings	380	430
Current portion of long-term borrowings	2,184	1,767
Lease obligations	1,829	1,946
Accounts payable - other	9,340	10,281
Income taxes payable	1,100	1,972
Accrued consumption taxes	1,074	1,140
Provision for bonuses	207	204
Provision for sales promotion expenses	546	549
Provision for sales returns	26	26
Other	1,538	1,771
Total current liabilities	84,590	87,374
Non-current liabilities		
Long-term borrowings	14,646	13,679
Lease obligations	13,060	11,879
Retirement benefit liability	3,477	3,716
Asset retirement obligations	2,346	2,438
Other	2,358	2,200
Total non-current liabilities	35,889	33,914
Total liabilities	120,480	121,289
Net assets		
Shareholders' equity		
Share capital	21,189	21,189
Capital surplus	24,061	24,220
Retained earnings	19,972	23,769
Treasury shares	(16,788)	(16,718)
Total shareholders' equity	48,435	52,461
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(1)	-
Foreign currency translation adjustment	28	-
Remeasurements of defined benefit plans	(69)	(26)
Total accumulated other comprehensive income	(42)	(26)
Share acquisition rights	18	7
Non-controlling interests	220	382
Total net assets	48,631	52,825
Total liabilities and net assets	169,112	174,114

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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, 2019	For the fiscal year ended May 20, 2020
Net sales	387,470	400,376
Cost of sales	295,877	304,692
Gross profit	91,593	95,683
Reversal of provision for sales returns	39	26
Provision for sales returns	26	26
Gross profit - net	91,606	95,683
Selling, general and administrative expenses	87,085	86,862
Operating profit	4,520	8,821
Non-operating income		
Interest income	28	28
Rental income	183	260
Other	112	152
Total non-operating income	324	440
Non-operating expenses		
Interest expenses	260	249
Rental expenses	137	262
Loss on transfer of receivables	14	11
Commission expenses	2	3
Other	11	79
Total non-operating expenses	426	606
Ordinary profit	4,418	8,656
Extraordinary income		
Insurance income	6	-
Gain on sales of non-current assets	0	-
Gain on donation of non-current assets	30	-
Gain on reversal of share acquisition rights	-	2
Total extraordinary income	36	2
Extraordinary losses		
Impairment loss	3,123	44
Loss on retirement of non-current assets	82	122
Loss on retirement of treasury subscription rights to shares	55	29
Other	19	2
Total extraordinary losses	3,281	197
Profit before income taxes	1,173	8,460
Income taxes - current	1,820	2,676
Income taxes - deferred	(1,142)	74
Total income taxes	677	2,750
Profit	496	5,709
Profit attributable to non-controlling interests	62	56
Profit attributable to owners of parent	434	5,652

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Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended May 20, 2019	For the fiscal year ended May 20, 2020
Profit	496	5,709
Other comprehensive income		
Deferred gains or losses on hedges	0	1
Foreign currency translation adjustment	3	(33)
Remeasurements of defined benefit plans, net of tax	(23)	43
Total other comprehensive income	(19)	11
Comprehensive income	477	5,720
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	414	5,668
Comprehensive income attributable to non-controlling interests	62	52

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(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended May 20, 2019

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	21,189	23,605	21,380	(16,991)	49,183
Changes 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 in scope of consolidation			(6)		(6)
Change in ownership interest of parent due to transactions with non-controlling interests		500			500
Net changes in items other than shareholders' equity					
Total changes during period	-	456	(1,407)	203	(748)
Balance at end of 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 period	(1)	25	(46)	(22)
Changes during period				
Dividends of surplus				
Profit attributable to owners of parent				
Purchase of treasury shares				
Disposal of treasury shares				
Change in scope of consolidation				
Change in ownership interest of parent due to transactions with non-controlling interests				
Net changes in items other than shareholders' equity	0	2	(23)	(19)
Total changes during period	0	2	(23)	(19)

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	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 end of period	(1)	28	(69)	(42)

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	19	163	49,344
Changes 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 in scope of consolidation			(6)
Change in ownership interest of parent due to transactions with non-controlling interests			500
Net changes in items other than shareholders' equity	(0)	56	36
Total changes during period	(0)	56	(712)
Balance at end of period	18	220	48,631

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For the fiscal year ended May 20, 2020

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	21,189	24,061	19,972	(16,788)	48,435
Changes during period					
Dividends of surplus			(1,887)		(1,887)
Profit attributable to owners of parent			5,652		5,652
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(24)		70	45
Change in scope of consolidation			31		31
Change in ownership interest of parent due to transactions with non-controlling interests		184			184
Net changes in items other than shareholders' equity					
Total changes during period	-	159	3,796	70	4,025
Balance at end of period	21,189	24,220	23,769	(16,718)	52,461

	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 period	(1)	28	(69)	(42)
Changes during period				
Dividends of surplus				
Profit attributable to owners of parent				
Purchase of treasury shares				
Disposal of treasury shares				
Change in scope of consolidation				
Change in ownership interest of parent due to transactions with non-controlling interests				
Net changes in items other than shareholders' equity	1	(28)	43	15
Total changes during period	1	(28)	43	15
Balance at end of period	-	-	(26)	(26)

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	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	18	220	48,631
Changes during period			
Dividends of surplus			(1,887)
Profit attributable to owners of parent			5,652
Purchase of treasury shares			(0)
Disposal of treasury shares			45
Change in scope of consolidation			31
Change in ownership interest of parent due to transactions with non-controlling interests			184
Net changes in items other than shareholders' equity	(10)	162	167
Total changes during period	(10)	162	4,193
Balance at end of period	7	382	52,825

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(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended May 20, 2019	For the fiscal year ended May 20, 2020
Cash flows from operating activities		
Profit before income taxes	1,173	8,460
Depreciation	3,723	3,139
Amortization of software	1,899	2,401
Amortization of long-term prepaid expenses	300	118
Impairment loss	3,123	44
Amortization of goodwill	810	359
Loss on retirement of treasury subscription rights to shares	55	29
Gain on reversal of share acquisition rights	-	(2)
Increase (decrease) in allowance for doubtful accounts	12	41
Increase (decrease) in provision for bonuses	(0)	(2)
Increase (decrease) in provision for sales promotion expenses	(24)	3
Increase (decrease) in provision for sales returns	(13)	-
Increase (decrease) in retirement benefit liability	356	301
Interest income	(28)	(28)
Interest expenses	260	249
Insurance income	(6)	-
Loss on retirement of non-current assets	82	122
Loss (gain) on sales of non-current assets	(0)	-
Decrease (increase) in trade receivables	(1,128)	3,579
Decrease (increase) in inventories	(1,730)	(721)
Decrease (increase) in accounts receivable - other	(701)	(1,606)
Increase (decrease) in trade payables	(2,177)	812
Increase (decrease) in accounts payable - other	(702)	1,306
Increase (decrease) in accrued consumption taxes	743	52
Other, net	1,122	(92)
Subtotal	7,151	18,568
Interest and dividends received	28	28
Interest paid	(260)	(249)
Proceeds from insurance income	6	-
Income taxes paid	(1,084)	(1,737)
Income taxes refund	374	-
Net cash provided by (used in) operating activities	6,215	16,609

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(Million yen)

	For the fiscal year ended May 20,2019	For the fiscal year ended May 20,2020
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,689)	(1,827)
Proceeds from sales of property, plant and equipment	8	-
Purchase of software	(3,754)	(3,260)
Purchase of long-term prepaid expenses	(338)	(158)
Payments of guarantee deposits	(154)	(108)
Proceeds from refund of guarantee deposits	6	18
Loan advances	(3)	(32)
Collection of loans receivable	39	3
Proceeds from redemption of securities	336	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(538)
Purchase of investment securities	(391)	(215)
Payments for asset retirement obligations	(0)	(7)
Other, net	(18)	71
Net cash provided by (used in) investing activities	(5,962)	(6,055)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(700)	-
Proceeds from long-term borrowings	500	800
Repayments of long-term borrowings	(1,795)	(2,215)
Repayments of lease obligations	(1,647)	(1,704)
Proceeds from disposal of treasury shares	34	45
Proceeds from share issuance to non-controlling shareholders	500	300
Dividends paid	(1,835)	(1,887)
Dividends paid to non-controlling interests	(5)	(6)
Purchase of treasury share acquisition rights	-	(92)
Net cash provided by (used in) financing activities	(4,950)	(4,761)
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Net increase (decrease) in cash and cash equivalents	(4,698)	5,792
Cash and cash equivalents at beginning of period	62,177	57,469
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(9)	(0)
Cash and cash equivalents at end of period	57,469	63,260

(5) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumptions)

Not applicable.

(Changes in Presentation)

(Consolidated Statements of Income)

"Loss on retirement of treasury subscription rights to shares," which was included in "Other" of "Extraordinary losses" in the preceding fiscal year, has been set down independently from the current fiscal year because it exceeded 10/100 of the total amount of extraordinary losses. Certain reclassifications of the consolidated financial statements for the preceding fiscal year have been made to reflect this change in presentation.

As a result, 74 million yen previously presented as "Other" in "Extraordinary losses" in the consolidated statements of income for the preceding fiscal year was reclassified into 55 million yen for "Loss on retirement of treasury subscription rights to shares" and 19 million yen for "Other."

(Consolidated Statements of Cash Flows)

"Loss on retirement of treasury subscription rights to shares," which was included in "Increase (decrease) in accounts payable - other" of "Cash flows from operating activities" in the preceding fiscal year, has been set down independently from the current fiscal year to improve the clarity of presentation. Certain reclassifications of the consolidated financial statements for the preceding fiscal year have been made to reflect this change in presentation.

As a result, (647) million yen, presented in "Increase (decrease) in accounts payable - other" in the "Cash flows from operating activities" of the consolidated statements of cash flows for the preceding fiscal year was reclassified into 55 million yen in "Loss on retirement of treasury subscription rights to shares" and (702) million yen in "Increase (decrease) in accounts payable - other."

(Changes in Accounting Estimates)

(Changes in useful lives)

During the fiscal year under review, the functions of some logistics centers were reviewed, and the useful lives of machinery and equipment, etc., whose useful lives became shorter, have been reduced, and such changes are applicable into the future.

The impact of such changes on operating income, ordinary profit, and profit before income taxes for the fiscal year under review is insignificant.

(Supplementary Information)

(Application of tax effect accounting related to the transition from the consolidated taxation system to the group tax sharing system)

Certain consolidated subsidiaries did not apply the provisions of Paragraph 44 of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28 of February 16, 2018) to items for which the non-consolidated tax payment system was reviewed in accordance with the transition to the group tax sharing system and the transition to the group tax sharing system established in the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020), based on the treatment in Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39 of March 31, 2020). The deferred tax assets and liabilities are instead calculated according to the provisions of the pre-revision tax law.

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

The Group makes accounting estimates for impairment of non-current assets and the recoverability of deferred tax assets on the assumption that the effects of the spread of the novel coronavirus will continue until the end of the following fiscal year. A prolongation or a worsening of the novel coronavirus pandemic that is beyond the scope of the foregoing, such as the re-issuance of a state of emergency, could have a material impact on the Group's

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financial position, results of business operations, and cash flows from the following fiscal year onward.

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(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 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
Intra-segment sales or transfers	—	—	—	450	450	(450)	—
Total	381,093	5,558	386,651	1,269	387,920	(450)	387,470
Segment income (loss)	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, plant 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 Reporting Segment and includes the manufacturing business.

2. The adjustment of minus 9 million yen to segment income represents the elimination of inter-segment transactions of minus 9 million yen.

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

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Fiscal Year Ended May 2020 (May 21, 2019 through May 20, 2020)

(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	392,406	7,197	399,603	773	400,376	—	400,376
Intra-segment sales or transfers	—	—	—	549	549	(549)	—
Total	392,406	7,197	399,603	1,322	400,926	(549)	400,376
Segment income (loss)	9,188	(400)	8,788	59	8,847	(26)	8,821
Segment assets	167,253	4,808	172,062	2,051	174,114	—	174,114
Other items							
Depreciation	5,393	129	5,522	62	5,585	(44)	5,540
Amortization of goodwill	282	74	356	3	359	—	359
Increase in property, plant and equipment and intangible assets	3,821	2,037	5,859	368	6,228	—	6,228

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

2. The adjustment of minus 26 million yen of segment income represents the elimination of inter-segment transactions of minus 26 million yen.

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

[Related Information]

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, 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 2020 (May 21, 2019 through May 20, 2020)

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.

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(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.

[Impairment loss on non-current assets by reportable segment]

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

(Unit: Million yen)

	Reporting 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.

Fiscal Year Ended May 2020 (May 21, 2019 through May 20, 2020)

(Unit: Million yen)

	Reporting Segment			Other (Note)	Total
	E-commerce business	Logistics business	Subtotal		
Impairment loss	33	10	44	—	44

(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 2019 (May 21, 2018 through May 20, 2019)

(Unit: Million yen)

	Reporting 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.

Fiscal Year Ended May 2020 (May 21, 2019 through May 20, 2020)

(Unit: Million yen)

	Reporting Segment			Other (Note)	Total
	E-commerce business	Logistics business	Subtotal		
Amount amortized during the fiscal year	282	74	356	3	359
Unamortized balance at the end of the fiscal year	1,187	827	2,014	150	2,165

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

[Gain on bargain purchase by reportable segment]

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

Not applicable.

Fiscal Year Ended May 2020 (May 21, 2019 through May 20, 2020)

Not applicable.

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(Per Share Information)

	Fiscal Year Ended May 2019 (May 21, 2018, through May 20, 2019)	Fiscal Year Ended May 2020 (May 21, 2019, through May 20, 2020)
Net assets per share	948.44 yen	1,027.37 yen
Basic earnings per share	8.52 yen	110.78 yen
Diluted earnings per share	8.51 yen	110.29 yen

(Note) Basic earnings per share and diluted earnings per share were calculated based on the figures below.

	Fiscal Year Ended May 2019 (May 21, 2018, through May 20, 2019)	Fiscal Year Ended May 2020 (May 21, 2019, through May 20, 2020)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	434	5,652
Profit not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent related to common stock (million yen)	434	5,652
Average number of shares (thousand shares)	51,009	51,029
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (million yen)	—	(22)
[Of which adjustment for dilutive shares of consolidated subsidiaries (million yen)]	[—]	[(22)]
Increase in number of shares of common stock (thousand shares)	23	21
[Of which share acquisition rights (thousand shares)]	[23]	[21]
Outline of dilutive shares not included in calculation of diluted earnings per share due to absence of dilutive effects	December 13, 2013 Share acquisition rights resolved by the Board of Directors Meeting Number of share acquisition rights: 1,772 (177,200 shares of common stock)	December 13, 2013 Share acquisition rights resolved by the Board of Directors Meeting Number of share acquisition rights: 1,732 (173,200 shares of common stock) October 19, 2015 Share acquisition rights resolved by the Board of Directors Meeting Number of share acquisition rights: 3,060 (306,000 shares of common stock)

(Significant Subsequent Events)

Not applicable.

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4. Other

(1) Changes in Officers

(i) Change in Representative Directors

Not applicable.

(ii) Change in other Officers

- Candidates for new Directors

Director Tsuguhiro Tamai (Current Chief Financial Officer (CFO), Executive Officer, and Executive Officer of Corporate Unit)

Director (Part-time) Tadahisa Imaizumi

- Candidates for new Audit & Supervisory Board Member

Audit & Supervisory Board Member (Outside and Part-time) Yoshitaka Asaeda

- Retiring Audit & Supervisory Board Member

Audit & Supervisory Board Member (Outside and Part-time) Takaharu Yasumoto

(iii) Planned date of assumption of office and retirement

August 13, 2020

(2) Details of Selling, General and Administrative Expenses (Consolidated)

Item	Fiscal Year Ended May 2019 (May 21, 2018, through May 20, 2019)		Fiscal Year Ended May 2020 (May 21, 2019, through May 20, 2020)		
	Amount (Million yen)	Ratio to Sales (%)	Amount (Million yen)	Ratio to Sales (%)	Year-on-Year Change (%)
Personnel expenses	20,242	5.2	20,721	5.2	102.4
Shipment expenses *1	23,912	6.2	23,062	5.8	96.4
Provision for sales promotion expenses	537	0.1	533	0.1	99.2
Subcontract expenses	3,548	0.9	3,566	0.9	100.5
Business consignment expenses	10,939	2.8	10,921	2.7	99.8
Rents	9,595	2.5	9,727	2.4	101.4
Provision of allowance for doubtful accounts	24	0.0	69	0.0	281.7
Depreciation *2	3,590	0.9	3,017	0.8	84.1
Amortization of software *3	1,882	0.5	2,373	0.6	126.1
Other expenses	12,812	3.4	12,869	3.2	100.4
Total	87,085	22.5	86,862	21.7	99.7

*1 Delivery expenses for the fiscal year under review decreased from the preceding fiscal year. This was mainly due to the decline in the ratio of delivery charges to net sales resulting from the effects of customers shopping around following the revision of the free shipping charge and the launch of the one-box eco service.

*2 Depreciation for the fiscal year under review decreased from the preceding fiscal year. This was mainly due to the recording of impairment loss on non-current assets of ASKUL Value Center Hidaka at the end of the preceding fiscal year.

*3 Amortization of software for the fiscal year under review increased from the preceding fiscal year. This was mainly due to the launch of a new product database.