# Summary of Consolidated Financial Results for the Nine Months Ended February 20, 2019 [Japanese GAAP]*

March 14, 2019

Company name: ASKUL Corporation
Stock exchange listing: Tokyo
Code number: 2678
URL: https://www.askul.co.jp/kaisya/ir/
Representative: Shoichiro Iwata President and chief executive officer
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Scheduled date of filing quarterly securities report: March 29, 2019
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on quarterly financial results: Yes
Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Nine Months Ended February 20, 2019 (May 21, 2018 to February 20, 2019)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| Nine months ended | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| February 20, 2019 | 288,508 | 9.3 | 2,431 | (38.2) | 2,322 | (37.5) | 1,115 | (76.0) |
| February 20, 2018 | 263,978 | 4.9 | 3,936 | (41.2) | 3,714 | (44.1) | 4,650 | - |

(Note) Comprehensive income: Nine months ended February 20, 2019: ¥ 1,171 million [ (75.0) %]
Nine months ended February 20, 2018: ¥ 4,686 million [ -%]

| | Basic earnings per share | Diluted earnings per share |
|---|---|---|
| Nine months ended | Yen | Yen |
| February 20, 2019 | 21.88 | 21.87 |
| February 20, 2018 | 91.32 | 91.21 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio |
|---|---|---|---|
| As of | Million yen | Million yen | % |
| February 20, 2019 | 168,484 | 49,338 | 29.1 |
| May 20, 2018 | 173,713 | 49,344 | 28.3 |

(Reference) Equity: As of February 20, 2019: ¥ 49,111 million
As of May 20, 2018: ¥ 49,161 million

2. Dividends

| | Annual dividends | | | | |
|---|---|---|---|---|---|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended May 20, 2018 | - | 18.00 | - | 18.00 | 36.00 |
| Fiscal year ending May 20, 2019 | - | 18.00 | - | | |
| Fiscal year ending May 20, 2019 (Forecast) | | | | 18.00 | 36.00 |

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

(Note) Breakdown of the 3rd quarter dividend for the fiscal year ending May 20, 2019 :

Commemorative dividend - yen

Special dividend - yen

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

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 390,000 | 8.2 | 6,000 | 43.1 | 5,800 | 47.2 | 3,500 | (25.4) | 68.66 |

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

* Notes:

(1) Changes in significant subsidiaries during the nine months ended February 20, 2019 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name: )

Exclusion: - (Company name: )

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

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

February 20, 2019: 55,259,400 shares

May 20, 2018: 55,259,400 shares

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

February 20, 2019: 4,235,634 shares

May 20, 2018: 4,286,859 shares

3) Average number of shares during the period:

Nine months ended February 20, 2019: 51,004,809 shares

Nine months ended February 20, 2018: 50,920,019 shares

* This excerpt from the Summary of Consolidated Financial Results is not subject to quarterly review.

* Notes for using forecasted information and others

Earnings forecasts and other forward-looking statements contained in this document are based on the information ASKUL has obtained to date and on certain assumptions it considers reasonable. As such, these forecasts and statements are not intended as a commitment by the Company to achieve them. Note also that actual results and other future events may differ materially from these forecasts and statements due to a variety of factors.

For the assumptions on which earnings forecasts are based and notes and information on the use of earnings forecasts, see "1. Qualitative Information on Financial results (3) Explanation of Consolidated Forecasts and Other Forward-looking

Information" on Page 5 of Attached Materials.

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## 1. Qualitative Information on Financial Results

### (1) Explanation of Operating Results

During the period under review (May 21, 2018 through February 20, 2019), while Japan's economy has remained on a moderate recovery path, with continued improvement in corporate earnings and the employment environment, the outlook for the economy has been uncertain with increasingly unpredictable movements of stock prices, currency exchange rates, and others, due mainly to unstable political circumstances overseas.

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

Under these circumstances, consolidated net sales for the period under review increased 9.3% year-on-year. In the B-to-B business of the mainstay e-commerce business, sales grew steadily by 5.0% year-on-year. In the B-to-C business, sales increased 39.9% year-on-year, attributed to a recovery from the fire accident in the LOHACO service and continued consolidation effects with Charm Co., Ltd. becoming a Group subsidiary at the end of the first quarter of the preceding fiscal year, which contributed through the first quarter.

Gross profit-net increased, due to the growth in net sales with gross profit margin remaining at a high level from the preceding fiscal year. Meanwhile, selling, general and administrative expenses increased, due to a substantial rise in delivery charges through a step-by-step hike by leading delivery companies since the second quarter of the preceding fiscal year. This contributed to a decline in operating income year-on-year. Other expenses also increased, due mainly to rising delivery costs along with growing revenue, an increase in fixed costs including rent expenses for ASKUL Value Center Kansai (hereinafter "AVC Kansai") established in the preceding fiscal year and depreciation, and a net increase in costs of Charm Co., Ltd., a converted subsidiary. The increments of the fixed costs and the expense from Charm Co., Ltd. were largely absorbed by growing net sales.

As a consequence, the ASKUL Group posted net sales of 288,508 million yen, a 9.3% increase year-on-year, operating income of 2,431 million yen, a 38.2% decrease year-on-year, and ordinary income of 2,322 million yen, a 37.5% decrease year-on-year. Net income attributable to owners of parent came to 1,115 million yen, a 76.0% decrease year-on-year, mainly due to gains of 6,846 million yen from reversal of provision for loss on fire in the preceding fiscal year and other factors. As described above, although operating income and ordinary income decreased, due to adverse impacts from a hike in delivery charges, each quarterly earnings in the second quarter and thereafter has been restored to the same level as at the same period of the preceding fiscal year, backed by a steady improvement in productivity in logistics centers to the level before the fire at the ASKUL Logi PARK Tokyo Metropolitan (hereinafter "ALP Tokyo Metropolitan"). Furthermore, aiming to achieve growth with higher profitability, the LOHACO business shifted management resources to expansion of unique-value products and growth of fee income from market place operation and other activities. Meanwhile, as countermeasures for logistics expenses, a management issue, the Group revised the free shipping charge and executed a measure to reduce delivery costs. The minimum order amount to qualify for a free shipping charge was revised from 1,900 yen or above (incl. tax) to 3,240 yen or above (incl. tax) on January 10, 2019. Following this, LOHACO Yahoo! Shopping Store changed the minimum order amount to qualify for a free shipping charge from 3,240 yen or above (incl. tax) to 3,780 yen or above (incl. tax) on February 4. These revisions have encouraged customers to shop around, resulting in an increase in net sales per box and an improvement in delivery expenses ratio to net sales, as planned. Furthermore, in the second quarter under review, the business fully implemented the planned measures to reduce delivery costs: they were (1) reduction in delivery costs and improvement in delivery efficiency using cardboard boxes of appropriate sizes when packaging purchased items according to the quantity purchased, and (2) reduction in delivery costs by bringing parcels to major delivery companies' locations. As a result, earnings are on a steady upward trend, and the Group continues to carry out the initiatives of the ongoing logistics reform as planned to achieve the fiscal-year goal. Details of the logistics

reform is described in “(3) Explanation of Consolidated Forecasts and Other Forward-Looking Information.”

Operating results of each business are as follows.
<E-commerce business>
In the B-to-B business, the mainstay business of the Group, we are steadily carrying out initiatives toward further growth. Specifically, the Group implemented measures to have its website ranked high when customers with no purchasing history with the Group search for products on search engines (search engine optimization, or SEO), and to strengthen web advertising, thereby successfully acquiring new customers. In addition, the Group conducted efficient and effective sales promotion activities using big data, upgraded search functions on the website, and took other measures. These measures encouraged customers who have used the Group’s services to shop around, with increases in both the number of items purchased and the average purchase per customer. The Group also issued “ASKUL Catalogue 2018 Autumn—Winter” in August 2018, and released proposals of its regular delivery service, new services suitable for diversified workstyles and office environments, and so forth. In terms of product category, living supplies including daily consumable goods and disposable papers, which are frequently used in stores, etc., and beverages consumed in offices, were the major driving forces behind sales growth, while sales of MRO supplies (see note) and products used at health and nursing care facilities also expanded. There was a contribution from sales growth of long-tail products, our focus area, and other factors. Consequently, the B-to-B business posted net sales of 234,409 million yen, an increase of 11,167 million yen, or up 5.0% year-on-year.

In the B-to-C business, net sales of the LOHACO service declined following the fire accident in February 2017 but recovered to the level before the fire at the end of the preceding fiscal year. The business sees operating performance on an upward trend with an improvement in profitability during the period under review. The number of new customers has steadily increased, mainly due to a launch of a LOHACO store on Yahoo!Shopping site on May 21, 2018, and a promotion measure strengthened through collaboration with Yahoo Japan Corporation. In addition, the revision of the minimum order amount for a free delivery charge as stated above, and other measures pushed up the average purchase price per customer. Consequently, net sales increased, and earnings improved at the same time. In October 2018, the business held “Fitting Our Lifestyles—LOHACO Exhibition 2018,” in which 48 leading manufacturers exhibited lineups of original-design products available exclusively through e-commerce, in an effort to improve customers’ awareness of the LOHACO brand. In addition, we have steadily extended unique-value products through co-creation with manufacturers. Consequently, net sales of the LOHACO service amounted to 38,895 million yen, an increase of 9,707 million yen, or up 33.3% year-on-year. There was also a positive effect from the consolidation with Charm Co., Ltd., which became a subsidiary of the Group in the preceding fiscal year. Net sales of the B-to-C business as a whole amounted to 49,334 million yen, an increase of 14,071 million yen, or up 39.9% year on year.
In the LOHACO service, the Group aims to achieve considerable growth in profitability through the following measures: (1) further expansion of unique-value product lineups, (2) growth in fee income from Marketplace and other areas, and (3) logistics measures to improve the in-house delivery ratio by expanding areas covered by the Group’s unique delivery service, “Happy On Time” and so forth. The in-house delivery ratio, which had stood at 10% at the beginning of the fiscal year under review, reached 23% as of the end of the third quarter under review, above the goal of 20%, which had been set at the beginning as a target to achieve at the end of the fiscal year under review. The Group now aims to achieve 35% at the end of the fiscal year under review.

As a result, net sales of the e-commerce business, combining the two businesses above, stood at 283,744 million yen, an increase of 9.8% year-on-year. Gross profit-net amount came to 67,397 million yen, a 9.1% increase year-on-year, mainly attributed to a rise in sales of office amenities, MRO supplies, and others, as well as other factors including the expansion of the range of the our original products with high profitability.

Selling, general and administrative expenses stood at 64,586 million yen, an increase of 10.9% year-on-year. The major factors behind the increase, despite a steady improvement in labor productivity at logistics centers, were a considerable rise in delivery costs due to a price hike. In addition, there were effects from the increase in fixed costs

associated with the launch of AVC Kansai, and a net increase in costs due to the conversion of Charm Co., Ltd. into a subsidiary of the Group that took place at the end of the first quarter of the preceding fiscal year.

As stated above, due to the negative impact from a hike in delivery charge, the E-Commerce Business posted operating income of 2,810 million yen, a decline of 20.2% year-on-year for the nine-month period under review. Operating income for the third quarter under review, however, significantly increased 49.6% from the same period of the preceding fiscal year.

<Logistics Business>
Although ASKUL LOGIST Corporation achieved sales growth, backed by the expanded logistics operations contracted out by companies outside the Group, net sales in the Logistics Business declined. This was because net sales for the period of the preceding fiscal year included real estate brokerage fees earned from large transactions including sales of ALP Tokyo Metropolitan and ASKUL Logi Park Fukuoka by Eco Properties Corporation.
Consequently, the Logistics Business posted net sales of 4,142 million yen, a decrease of 25.9% year-on-year, and operating loss of 401 million yen (operating income of 1,028 million yen in the same period of the preceding fiscal year) in the period under review.

<Others>
Tsumagoimeisui Corporation enhanced manufacturing equipment, etc. to boost production capacity. As a result, sales of bottled water centered on the LOHACO site have steadily increased. In addition, LOHACO Water, a new bottled-water product released on July 18, 2018, which is label-less to eliminate the need for sorting waste and comes in a 410mL on-the-go-size bottle, is becoming popular, contributing to sales growth. The Company also completed constructing its own warehouse to reduce logistics costs with increasing production volume, striving for a net sales growth and cost reduction to improve profitability.

Net sales of the Others segment stood at 972 million yen, a 36.8% increase year-on-year, and operating income amounted to 37 million yen, a 374.0% increase year-on-year, for the period under review.

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

## (2) Explanation of Financial Position

(Assets)
Total assets stood at 168,484 million yen at the end of the period under review, a decrease of 5,229 million yen from the end of the preceding fiscal year. The primary factors behind the increase were an increase of 1,961 million yen in merchandise and finished goods, and an increase of 1,130 million yen in notes and accounts receivable-trade. The major factors behind the decrease were a decline of 6,515 million yen in cash and deposits, mainly attributable to a decrease in electronically recorded obligations-operating, and a decline of 1,376 million yen in other current assets, due mainly to a decrease in consumption taxes receivable.

(Liabilities)
Total liabilities stood at 119,145 million yen at the end of the period under review, a decrease of 5,223 million yen from the end of the preceding fiscal year. The major factor behind the increase was an increase of 5,859 million yen in notes and accounts payable-trade. The major factors behind the decline were decreases of 7,162 million yen in electronically recorded obligations -operating, 1,245 million yen in accounts payable-other, 1,182 million yen in long-term loans payable, and 1,111 million yen in long-term lease obligations. The decline in electronically recorded obligations-operating was mainly due to the fact that the amount to be settled at the fiscal year-end had remained at the end of the preceding fiscal year because the date at the fiscal-year end fell on a holiday for financial institutions.

(Net assets)

Net assets stood at 49,338 million yen at the end of the period under review, a decline of 5 million yen from the end of the preceding fiscal year. The primary factor behind the rise were an increase of 456 million yen in capital surplus due mainly to change in interests of the parent on transactions with non-controlling shareholders, and a decrease of 203 million yen in treasury shares due to their disposal. The major factor behind the decrease was a fall of 720 million yen in retained earnings because of dividend payments of 1,835 million yen despite the recognition of income attributable to owners of parent of 1,115 million yen.

Consequently, the capital adequacy ratio was 29.1% (28.3% at the end of the preceding fiscal year).

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

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

The Group recognizes that a priority in current management tasks is to improve the ratio of delivery expenses to net sales to an appropriate level. The ratio had surged due to ”delivery crisis” because of a hike in delivery charge by leading delivery companies, and other factors. As stated above, the average purchase price per customer is rising as a result of the revision of the minimum order amount for free shipping charge, and the Group also implemented some of the short-term measures of the logistics reform: they were (1) reduction in delivery costs and improvement in delivery efficiency using cardboard boxes of appropriate sizes when packaging purchased items according to the quantity purchased, and (2) reduction in delivery costs by bringing parcels to distribution centers of leading delivery companies ourselves. Furthermore, the logistics reform has been steadily making progress with the measures below. Accordingly, the consolidated forecasts announced on July 4, 2018 remain unchanged.

Short-term measures: Reduce dependence on leading delivery companies in the B-to-C business by shifting to in-house delivery between distribution centers (trunk lines) and using local partner delivery companies.

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

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

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

| | As of May 20,2018 | As of February 20,2019 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 62,187 | 55,672 |
| Notes and accounts receivable - trade | 41,309 | 42,440 |
| Merchandise and finished goods | 14,188 | 16,149 |
| Raw materials and supplies | 238 | 304 |
| Costs on uncompleted construction contracts | 24 | 60 |
| Accounts receivable - other | 8,032 | 7,688 |
| Other | 2,644 | 1,267 |
| Allowance for doubtful accounts | (23) | (16) |
| Total current assets | 128,601 | 123,567 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 7,417 | 8,357 |
| Accumulated depreciation | (2,284) | (2,594) |
| Buildings and structures, net | 5,133 | 5,762 |
| Land | 65 | 143 |
| Leased assets | 17,734 | 17,823 |
| Accumulated depreciation | (2,915) | (4,142) |
| Leased assets, net | 14,819 | 13,680 |
| Other | 12,171 | 11,530 |
| Accumulated depreciation | (6,125) | (6,096) |
| Other, net | 6,046 | 5,433 |
| Construction in progress | 67 | 456 |
| Total property, plant and equipment | 26,133 | 25,477 |
| Intangible assets | | |
| Software | 5,080 | 5,286 |
| Software in progress | 1,834 | 2,626 |
| Goodwill | 2,699 | 2,063 |
| Other | 22 | 15 |
| Total intangible assets | 9,636 | 9,993 |
| Investments and other assets | | |
| Investment securities | 214 | 306 |
| Deferred tax assets | 2,815 | 2,752 |
| Other | 6,380 | 6,474 |
| Allowance for doubtful accounts | (68) | (87) |
| Total investments and other assets | 9,342 | 9,446 |
| Total non-current assets | 45,111 | 44,916 |
| Total assets | 173,713 | 168,484 |

(Million yen)

| | As of May 20,2018 | As of February 20,2019 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 44,066 | 49,926 |
| Electronically recorded obligations - operating | 24,402 | 17,239 |
| Short-term loans payable | 1,080 | 380 |
| Current portion of long-term loans payable | 1,786 | 1,603 |
| Accounts payable - other | 10,555 | 9,309 |
| Income taxes payable | 387 | 392 |
| Accrued consumption taxes | 331 | 709 |
| Provision | 816 | 683 |
| Other | 3,511 | 3,066 |
| Total current liabilities | 86,938 | 83,311 |
| Non-current liabilities | | |
| Long-term loans payable | 16,340 | 15,157 |
| Lease obligations | 13,736 | 12,624 |
| Net defined benefit liability | 3,085 | 3,320 |
| Asset retirement obligations | 2,219 | 2,347 |
| Other | 2,049 | 2,383 |
| Total non-current liabilities | 37,430 | 35,834 |
| Total liabilities | 124,369 | 119,145 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 21,189 | 21,189 |
| Capital surplus | 23,605 | 24,061 |
| Retained earnings | 21,380 | 20,660 |
| Treasury shares | (16,991) | (16,788) |
| Total shareholders' equity | 49,183 | 49,122 |
| Accumulated other comprehensive income | | |
| Deferred gains or losses on hedges | (1) | (1) |
| Foreign currency translation adjustment | 25 | 22 |
| Remeasurements of defined benefit plans | (46) | (32) |
| Total accumulated other comprehensive income | (22) | (11) |
| Share acquisition rights | 19 | 19 |
| Non-controlling interests | 163 | 208 |
| Total net assets | 49,344 | 49,338 |
| Total liabilities and net assets | 173,713 | 168,484 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Million yen)

| | For the nine months ended February 20,2018 | For the nine months ended February 20,2019 |
|---|---|---|
| Net sales | 263,978 | 288,508 |
| Cost of sales | 200,828 | 220,387 |
| Gross profit | 63,149 | 68,120 |
| Reversal of provision for sales returns | 28 | 39 |
| Provision for sales returns | 28 | 34 |
| Gross profit - net | 63,149 | 68,125 |
| Selling, general and administrative expenses | 59,212 | 65,694 |
| Operating profit | 3,936 | 2,431 |
| Non-operating income | | |
| Interest income | 18 | 20 |
| Electrical sales income | 19 | - |
| Rental income | - | 90 |
| Other | 100 | 81 |
| Total non-operating income | 137 | 192 |
| Non-operating expenses | | |
| Interest expenses | 90 | 193 |
| Depreciation of inactive non-current assets | 236 | - |
| Rent expenses | - | 83 |
| Other | 31 | 25 |
| Total non-operating expenses | 359 | 301 |
| Ordinary profit | 3,714 | 2,322 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 4,555 | - |
| Gain on reversal of provision for loss on fire | 6,846 | - |
| Gain on donation of non-current assets | - | 30 |
| Other | 57 | 2 |
| Total extraordinary income | 11,458 | 33 |
| Extraordinary losses | | |
| Loss on valuation of investment securities | 1,526 | - |
| Impairment loss | 1,196 | 26 |
| Loss on sales of non-current assets | 3,682 | - |
| Loss on retirement of non-current assets | 225 | 63 |
| Other | 318 | 26 |
| Total extraordinary losses | 6,949 | 116 |
| Profit before income taxes | 8,224 | 2,239 |
| Income taxes - current | 1,125 | 1,023 |
| Income taxes - deferred | 2,436 | 55 |
| Total income taxes | 3,562 | 1,078 |
| Profit | 4,661 | 1,160 |
| Profit attributable to non-controlling interests | 11 | 44 |
| Profit attributable to owners of parent | 4,650 | 1,115 |

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

(Million yen)

| | For the nine months ended February 20,2018 | For the nine months ended February 20,2019 |
|---|---|---|
| Profit | 4,661 | 1,160 |
| Other comprehensive income | | |
| Deferred gains or losses on hedges | 0 | 0 |
| Foreign currency translation adjustment | 4 | (4) |
| Remeasurements of defined benefit plans, net of tax | 20 | 14 |
| Total other comprehensive income | 25 | 10 |
| Comprehensive income | 4,686 | 1,171 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 4,674 | 1,127 |
| Comprehensive income attributable to non-controlling interests | 11 | 44 |

## (3) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Notes to Significant Changes in Shareholders' Equity)

Not applicable.

(Additional Information)

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

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

(Segment Information, etc.)

[Segment information]

I First Nine Months of Fiscal Year Ended May 2018 (May 21, 2017 through February 20, 2018)

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

(Unit: million yen)

| | Reporting Segment | | | Other (Note 1) | Total | Adjustments (Note 2) | Amount reported on the consolidated statements of income (Note 3) |
|---|---|---|---|---|---|---|---|
| | E-commerce business | Logistics business | Subtotal | | | | |
| Net sales | | | | | | | |
| Sales to external customers | 258,504 | 4,973 | 263,478 | 499 | 263,978 | — | 263,978 |
| Intra-segment sales or transfers | — | 618 | 618 | 210 | 829 | (829) | — |
| Total | 258,504 | 5,591 | 264,096 | 710 | 264,807 | (829) | 263,978 |
| Segment income (loss) | 3,521 | 1,028 | 4,550 | 7 | 4,558 | (621) | 3,936 |

Notes

1. The above category, Other, represents a business segment including the manufacturing business, and is separate from businesses of the Reporting Segment.
2. The adjustment of minus 621 million yen to segment income represents the elimination of intersegment transactions.
3. Segment income is adjusted with operating income reported on the consolidated statements of income.

2. Information on impairment losses on non-current assets, goodwill and other by reporting segment

(Significant impairment losses on non-current assets)

In the Logistics Business segment, an impairment loss on the goodwill which had been incurred at the time of consolidating the Group's subsidiary ecohai Co., Ltd. has been recognized in non-consolidated financial statements. The impairment loss was recorded as a valuation loss of affiliated companies in extraordinary losses. The Group posted impairment losses of 1,196 million yen including the above loss of non-current assets booked in ecohai's non-consolidated financial statements for the period under review.

II First Nine Months of Fiscal Year Ending May 2019 (May 21, 2018 through February 20, 2019)

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

(Unit: million yen)

| | Reporting Segment | | | Other (Note 1) | Total | Adjustments (Note 2) | Amount reported on the consolidated statements of income (Note 3) |
|---|---|---|---|---|---|---|---|
| | E-commerce business | Logistics business | Subtotal | | | | |
| Net sales | | | | | | | |
| Sales to external customers | 283,744 | 4,142 | 287,886 | 622 | 288,508 | — | 288,508 |
| Intra-segment sales or transfers | — | — | — | 349 | 349 | (349) | — |
| Total | 283,744 | 4,142 | 287,886 | 972 | 288,858 | (349) | 288,508 |
| Segment income (loss) | 2,810 | (401) | 2,408 | 37 | 2,446 | (14) | 2,431 |

Notes

1. The above category, Other, represents a business segment including the manufacturing business, and is separate from businesses of the Reporting Segment.
2. The adjustment of minus 14 million yen to segment income represents the elimination of intersegment transactions.
3. Segment income is adjusted with operating income reported on the consolidated statements of income.

## 3. Supplementary Information

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

| Item | Nine months of Fiscal Year Ended May 2018 (May 21, 2017 through February 20, 2018) | | Nine months of Fiscal Year Ending May 2019 (May 21,2018 through February 20, 2019) | | | (Reference) Fiscal Year Ended May 2018 (May 21, 2017 through May 20, 2018) | |
|---|---|---|---|---|---|---|---|
| | Amount (million yen) | Ratio to Sales (%) | Amount (million yen) | Ratio to Sales (%) | Year-on-Year Change (%) | Amount (million yen) | Ratio to Sales (%) |
| Personnel expenses *1 | 13,579 | 5.1 | 15,157 | 5.3 | 111.6 | 18,890 | 5.2 |
| Shipment expenses *2 | 14,924 | 5.7 | 18,218 | 6.3 | 122.1 | 20,220 | 5.6 |
| Provision for sales promotion expenses | 411 | 0.2 | 403 | 0.1 | 98.1 | 530 | 0.1 |
| Subcontract expenses | 2,430 | 0.9 | 2,637 | 0.9 | 108.5 | 3,355 | 0.9 |
| Business consignment expenses | 9,269 | 3.5 | 8,267 | 2.9 | 89.2 | 12,290 | 3.4 |
| Rents | 6,645 | 2.5 | 7,210 | 2.5 | 108.5 | 9,113 | 2.5 |
| Provision for allowance for doubtful accounts | (13) | (0.0) | 17 | 0.0 | — | (10) | (0.0) |
| Depreciation *3 | 1,831 | 0.7 | 2,697 | 0.9 | 147.3 | 2,949 | 0.8 |
| Amortization of software | 1,329 | 0.5 | 1,379 | 0.5 | 103.8 | 1,774 | 0.5 |
| Other expenses *4 | 8,802 | 3.3 | 9,703 | 3.4 | 110.2 | 12,209 | 3.6 |
| Total | 59,212 | 22.4 | 65,694 | 22.8 | 110.9 | 81,323 | 22.6 |

Notes

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

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

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

*4. Other expenses for the period under review increased from the same period of the preceding fiscal year. The primary factors for the increase were a rise in advertisement expenses attributed to reinforced web-based advertisement to obtain new customers, and an increase in card settlement fees along with growing sales in the LOHACO service.