Summary of Consolidated Financial Results for the Year Ended May 20, 2021 [Japanese GAAP]

July 2, 2021

Company name:ASKUL Corporation
Stock exchange listing: Tokyo
Code number: 2678
URL: https://www.askul.co.jp/kaisya/ir/
Representative: Akira Yoshioka President and chief executive officer
Contact: Tsuguhiro Tamai Director and chief financial officer
Phone: 03-4330-5130
Scheduled date of Annual General Meeting of Shareholders: August 4, 2021
Scheduled date of commencing dividend payments: August 5, 2021
Scheduled date of filing annual securities report: July 30, 2021
Availability of supplementary briefing material on annual financial results: Yes
Schedule of annual financial results briefing session: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended May 20, 2021 (May 21, 2020 to May 20, 2021)

(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, 2021	422,151	5.4	13,923	57.8	13,850	60.0	7,758	37.2
May 20, 2020	400,376	3.3	8,821	95.1	8,656	95.9	5,652	-

(Note) Comprehensive income: Fiscal year ended May 20, 2021: ¥7,740 million [35.3%]
Fiscal year ended May 20, 2020: ¥5,720 million [-%]

	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, 2021	75.83	75.68	14.0	7.6	3.3
May 20, 2020	55.39	55.14	11.2	5.0	2.2

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended May 20, 2021: ¥- million
Fiscal year ended May 20, 2020: ¥- million

(Note) ASKUL Corporation conducted a 2-for-1 stock split of common stock on May 21, 2021. "Basic earnings per share" and "Diluted earnings per share" are calculated on the assumption that the said stock split was implemented at the beginning of the preceding fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
May 20, 2021	190,107	59,203	30.9	573.57
May 20, 2020	174,146	52,825	30.1	513.69

(Reference) Equity: As of May 20, 2021: ¥58,777 million
As of May 20, 2020: ¥52,434 million

(Notes) 1 A provisional accounting treatment regarding the business combination was finalized in the fiscal year ended May 2021, and the figures as of May 20, 2020 have been based on the finalized provisional accounting treatment.
2 ASKUL Corporation conducted a 2-for-1 stock split of common stock on May 21, 2021. "Net assets per share" is calculated on the assumption that the said stock split was implemented at the beginning of the preceding fiscal year.

(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, 2021	15,998	(9,079)	(3,919)	66,259
May 20, 2020	16,609	(6,055)	(4,761)	63,260

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, 2020	-	19.00	-	19.00	38.00	1,939	34.3	3.8
May 20, 2021	-	19.00	-	30.00	49.00	2,508	32.3	4.5
Fiscal year ending May 20, 2022 (Forecast)	-	15.00	-	15.00	30.00		34.2	

(Notes) 1 ASKUL Corporation conducted a 2-for-1 stock split of common stock on May 21, 2021. The actual amounts of dividends before the said stock split are described for the fiscal year ended May 2020 and the fiscal year ended May 2021.
2 The year-end dividend forecast for the fiscal year ended May 2021, announced on March 16, 2021, has been revised. For details, please see "Notice on Dividends from Surplus," announced today.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 20, 2022 (May 21, 2021 to May 20, 2022)

(% 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	430,000	1.9	14,000	0.5	13,900	0.4	9,000	16.0	87.82

(Note) ASKUL Corporation conducted a 2-for-1 stock split of common stock on May 21, 2021. "Basic earnings per share" in the consolidated financial results forecast for the fiscal year ending May 2022 is calculated in consideration of the effect caused after the said stock split.

* 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, 2021: 102,518,800 shares
May 20, 2020: 110,518,800 shares

2) Total number of treasury shares at the end of the period:
May 20, 2021: 41,874 shares
May 20, 2020: 8,443,244 shares

3) Average number of shares during the period:
Fiscal Year ended May 20, 2021: 102,303,044 shares
Fiscal Year ended May 20, 2020: 102,058,890 shares

(Note) ASKUL Corporation conducted a 2-for-1 stock split of common stock on May 21, 2021. "Total number of issued shares at the end of the period," "Total number of treasury shares at the end of the period," and "Average number of shares during the period" are calculated on the assumption that the said stock split was implemented at the beginning of the preceding fiscal year.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended May 20, 2021 (May 21, 2020 to May 20, 2021)

(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, 2021	368,188	5.5	12,108	68.6	12,299	64.4	8,125	65.2
May 20, 2020	349,105	2.5	7,181	70.9	7,480	59.3	4,919	901.8

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
May 20, 2021	79.43	79.31
May 20, 2020	48.20	48.18

(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, 2021	173,554	58,855	33.9	574.30
May 20, 2020	158,479	52,101	32.9	510.28

(Reference) Equity: As of May 20, 2021: ¥58,852 million
As of May 20, 2020: ¥52,086 million

(Note) ASKUL Corporation conducted a 2-for-1 stock split of common stock on May 21, 2021. "Net assets per share" is calculated on the assumption that the said stock split was implemented at the beginning of the preceding fiscal year.

* 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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○ Table of Contents for 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 (from May 21, 2020 to May 20, 2021), Japan's economy saw consumer spending and corporate activity stagnate as the COVID-19 spread. Globally, there are favorable signs thanks to progress in vaccinations. However, as Japan has gone through repeated declarations of a state of emergency, the economic outlook remains uncertain.

With the spread of the COVID-19 causing a decrease in demand in a great number of industries, the e-commerce market, in which the Group operates, is expected to play the role of a shopping activity that reduces contact among people in a new lifestyle, putting demand there on an upward trend. On the other hand, as delivery charges remain high primarily due to a shortage of delivery drivers, and competition in the industry for better service quality is underway, the business environment continues to allow for little optimism.

Under such circumstances, the B-to-B business in the mainstay e-commerce business, taking the expansion of the e-commerce market as an opportunity, is pushing forward with further business growth under the mission of "Provide Reliable Services to All Workplaces as a Lifeline for People Working There." The B-to-C business is tackling structural reform to ensure that LOHACO realizes positive operating profit in the fiscal year ending May 2023.

During the fiscal year under review, the growth rate of net sales of the B-to-B business, which had fallen after the declaration of the state of emergency of April 2020, remained firm after the declaration of a state of emergency was lifted in May 2020. Due to continued special demand for hand sanitizers, face masks and other infection-prevention products against the COVID-19, both net sales and profits of the B-to-B business rose drastically, and simultaneously, the B-to-C business LOHACO improved its profitability as planned.

As a consequence, net sales in the fiscal year under review were 422,151 million yen, a 5.4% increase year on year. Operating profit was 13,923 million yen, a 57.8% increase year on year, and ordinary profit was 13,850 million yen, a 60.0% increase year on year. As extraordinary losses, loss on retirement of non-current assets of 845 million yen accompanying the website renewal of the "LOHACO Main Store" and others; provision of allowance for doubtful accounts of 700 million yen to ecohai Co., Ltd., which was excluded from consolidation; and loss on disaster due to the damage caused by the earthquake that occurred off the coast of Fukushima Prefecture on February 13, 2021, and subsequent earthquakes of 688 million yen, and others were recorded. As a result, profit attributable to owners of parent came to 7,758 million yen, a 37.2% increase year on year. Each of the profit totals broke the past record by a wide margin with operating profit and net profit marking record highs for the first time in 13 and 8 fiscal years respectively.

Operating results by segment are outlined below.

<E-commerce business>

In the B-to-B business, the mainstay business of the Group, net sales declined due to the effect of voluntary restraint on business activities by customers following the declaration of a state of emergency in April 2020. However, after the declaration of a state of emergency was lifted in May 2020, the net sales growth rate remained steady. This was mainly due to an increase in demand for infection-prevention products, such as disposable gloves and partitions in addition to hand sanitizers and face masks, which became necessary mainly for customers who were small and medium-sized corporations to resume and continue business activities during the pandemic. Demand for office supplies from customers who are mid-level and large corporations is also on a recovery path. Additionally, sales of MRO supplies (Note 1), such as packaging materials, and long tail products also increased due to growing demand in e-commerce. The number of long tail products topped 8.9 million items as a result of the Group's focus on strengthening its product lineup. Consequently, the B-to-B business posted a sales increase in the fiscal year under review.

In addition to the effect of SEO (Note 2), which the Group has kept strengthening, the Group saw orders increase from new customers, such as medical institutions and nursing care facilities, with which transactions started as a result of the Group's ongoing priority deliveries of hand sanitizers to them at the request of the Ministry of Economy, Trade and Industry and the Ministry of Health, Labour and Welfare. Because the Group strove to broaden product lineups and enhance delivery quality to ensure all customers continued to use its services, the operational rate also rose at both existing and new customers.

Consequently, net sales in the B-to-B business grew 16,120 million yen from a year earlier to 345,192 million yen, a 4.9% increase year on year.

In the B-to-C business, net sales grew steadily partly due to the effect of sales promotions, such as "Cyber Sunday" and "Super PayPay Festival." Regarding profit improvement, as people continued to impose self-restraint on their daily activities during the pandemic, ongoing measures, such as proposing high-added-value products to consumers and optimizing sales prices, further raised product gross margin, resulting in an improvement to the gross profit margin. Revenue from advertising, which had fallen sharply in the first quarter of the fiscal year under review, grew considerably partly due to the effect of the above sales promotions in the fourth quarter of the fiscal year under review.

As a result, LOHACO sales increased 4,238 million yen from a year earlier to 52,858 million yen, an 8.7% increase year on year. Consequently, net sales of the B-to-C business in total grew by 5,254 million yen from a year earlier to 68,588 million yen, an 8.3% increase year on year.

Accordingly, net sales of the E-commerce business, combining the two businesses above, stood at 413,781 million yen, a 5.4% increase year on year. Gross profit after deduction was 104,171 million yen, a 10.1% increase year on year, due to the growth of sales of products with high profitability, such as infection-prevention products, and continuous activities to reduce costs. Another reason is that gross profit margin in LOHACO also kept rising.

Operating profit was 14,988 million yen, a 63.1% increase year on year despite the recording of 971 million yen in term-end performance-linked bonus. The reasons were sales increases at both businesses and reduction of sales promotion expenses and fixed costs resulting from closer coordination in LOHACO with Yahoo Japan Corporation, which decreased the SG&A expense ratio to net sales by 0.2 points from a year earlier and lowered selling, general and administrative expenses to 89,183 million yen.

<Logistics business>

The fiscal under review saw an operating loss due to the effect of the burden of fixed costs in connection with the contracted business of logistics that commenced in November 2020 (including rent for a distribution center before the operation started) although net sales increased due to considerable growth in the revenue of the contracted business of logistics in ASKUL LOGIST Co., Ltd.

As a result, net sales in the fiscal year under review were 7,677 million yen, a 6.7% increase year on year, and operating loss was 1,100 million yen, as opposed to an operating loss of 400 million yen a year earlier.

Due to the partial transfer of shares of ecohai Co., Ltd., which had been a consolidated subsidiary, the said company and its subsidiary, Eco Properties Corporation, were excluded from the scope of consolidation in the fiscal year under review.

<Other>

Tsumagoimeisui Corporation kept its net sales on a level similar to a year earlier and increased profit due to higher sales of products with high profitability.

As a result, net sales for the fiscal year under review were 1,331 million yen, a 0.6% increase year on year, and operating profit was 71 million yen, a 19.1% increase year on year.

Notes:
1. MRO is an acronym for Maintenance, Repair and Operations, and the term "MRO supplies" denotes indirect materials, including consumables and repair supplies for use in factories, construction sites, warehouses and others.
2. SEO is an acronym for Search Engine Optimization and refers to a measure of having the Group's website ranked high when customers search for products through search engines.

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

(Assets)

Total assets stood at 190,107 million yen at the end of the fiscal year under review, an increase of 15,960 million yen from the end of the preceding fiscal year. The primary factors behind the increase were increases of 6,881 million yen in notes and accounts receivable-trade, 3,929 million yen in construction in progress, 2,999 million yen in cash and deposits, 2,233 million yen in software in progress, 1,673 million yen in accounts receivable-other, and 1,342 million yen in merchandise and finished goods. The main reason for the decrease was a decrease of 1,301 million yen in software.

(Liabilities)

Total liabilities stood at 130,903 million yen at the end of the fiscal year under review, an increase of 9,582 million yen from the end of the preceding fiscal year. The primary factors behind the increase were increases of 5,925 million yen in notes and accounts payable-trade, 2,088 million yen in accounts payable-other, 1,763 million yen in electronically recorded obligations-operating, and 821 million yen in income taxes payable. The main reason for the decrease was a decrease of 668 million yen in lease obligations (non-current).

(Net assets)

Net assets stood at 59,203 million yen at the end of the fiscal year under review, an increase of 6,378 million yen from the end of the preceding fiscal year. The primary reasons behind the rise were the recording of 7,758 million yen in profit attributable to owners of parent and 829 million yen in disposal of treasury shares following the exercise of paid-in stock options, despite 1,941 million yen in payment of dividends.

Consequently, the capital adequacy ratio was 30.9% (30.1% at the end of the preceding fiscal year).

In addition, regarding the business combination between ASKUL LOGIST Co., Ltd., a consolidated subsidiary of ASKUL Corporation, and Seisho Transportation Corporation, which was carried out on May 1, 2020, a provisional accounting treatment had been applied in the preceding fiscal year. But since it was finalized in the fiscal year under review, the amounts after the review based on the finalized provisional accounting treatment are used in the comparison and analysis with 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 66,259 million yen, an increase of 2,999 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 15,998 million yen, a decrease of 610 million yen from the preceding fiscal year. The main factors contributing to the increase in the Funds were profit before income taxes of 11,277 million yen, an increase of 7,857 million yen in trade payables, and a total of 6,495 million yen for depreciation and amortization of software and goodwill, as opposed to an increase of 7,448 million yen in trade receivables as the factor behind the decrease.

(Cash flows from investing activities)

Net Funds used in investing activities were 9,079 million yen, a decrease of 3,023 million yen from the preceding fiscal year. The main factors causing the decrease in Funds were 4,886 million yen paid for the purchase of property, plant and equipment and 4,005 million yen spent to purchase software.

(Cash flows from financing activities)

Net Funds used in financing activities were 3,919 million yen, an increase of 841 million yen from the preceding fiscal year. The items leading to a decrease in Funds were cash dividends paid of 1,941 million yen, repayments of lease obligations of 1,865 million yen and repayments of long-term borrowings of 1,782 million yen.

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

	Fiscal Year Ended May 2017	Fiscal Year Ended May 2018	Fiscal Year Ended May 2019	Fiscal Year Ended May 2020	Fiscal Year Ended May 2021
Capital adequacy ratio (%)	29.6	28.3	28.6	30.1	30.9
Capital adequacy ratio at market value (%)	110.2	93.0	89.1	97.0	96.1
Cash flow to Interest-bearing debt ratio (years)	1.4	3.4	5.2	1.8	1.8
Interest coverage ratio (times)	145.4	64.4	23.9	66.6	69.4

(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 has achieved steady growth since the founding of ASKUL in 1992. The business environment surrounding the Group has changed dramatically mainly due to the shift to new lifestyles caused by new COVID-19 infections and the rapid evolution of technology with the e-commerce market continuing to expand. Competition has also intensified, and in order to survive this intensifying competition, the Group formulated a medium-term management plan for four years from the fiscal year ending May 2022 to the fiscal year ending May 2025.

As the basic policies of the Medium-Term Management Plan, the Group holds up the following three principles: "Sustainable management" "Maximization of customer value" and "Transformation to a high-profit model." The Group will realize the three principles through integrating solutions to environmental issues with business operations as the Group implements the service “Ethical e-commerce,” which is intended to preserve the environment and solve social issues. Under these policies, the Group will deploy its superior capacities, such as its diverse customer base, big data, a highly automated and unique logistics infrastructure that makes possible same-day and next-day deliveries nationwide, and the capability to develop original products. The Group will unite its entire abilities and strive to transform itself from an office supplies mail order company to an infrastructure company that supports all workplaces and lives.

The Group will focus on the following four themes. By enhancing its corporate value through creation of new businesses, the Group aims to post consolidated net sales of 550 billion yen, a consolidated operating profit ratio of 5%, and a consolidated return on equity (ROE) of 20% in the fiscal year ending May 2025, the final year of the Medium-Term Management Plan.

(i) Strategic industries and expansion of product assortments

The B-to-B business aims at a high growth rate with the growth engine that consists of expansion of the number of products handled and regeneration of the website. Positioning medical care and nursing care, and manufacturing as the two key strategic industries in which the Group will strengthen its presence, the Group will expand the number of products handled up to 18 million items by the fiscal year ending May 2025. In addition, the Group will also increase the stock number of "Come tomorrow” products that are always purchased to 330,000, and raise the number of original products, which excel in pricing and quality and are environmentally friendly products, by 1.4 times as many as before. In this way, the Group will broaden the opportunity for customers to use its services.

(ii) Establishment of the B-to-B strongest e-commerce site

The Group plans to renovate its website during the fiscal year ending May 2023. The new website will combine and reinforce current purchasing management functions, volume discounts, the fastest purchasing from search, and personalized recommendations, and add new telework-related functions. In this way, it will boost the frequency of customers' purchasing, raise the purchase amount per customer and enhance the retention rate by consolidating purchases. Based on these, the Group plans to post a cumulative net sales increase of over 50 billion yen up to the fiscal year ending May 2025.

(iii) Synergies with Z Holdings Group

The B-to-C business aims to turn "LOHACO" into a profitable business. The B-to-C business plans to make profits in the fiscal year ending May 2023 by improving service quality and reducing costs as a result of leveraging Yahoo Japan Corporation's system infrastructure, etc. After making profits, the B-to-C business will put its net sales on a regrowth path and expand its earnings. By maximizing the synergy effect of the new "LOHACO Main Store," opened in June 2021, and "LOHACO PayPay Mall Store," the B-to-C business plans to post a cumulative net sales increase of over 20 billion yen up to the fiscal year ending May 2025.

(iv) Reform of the platform

The Group aims to realize "Come tomorrow" (next-day delivery) for long-tail products by advancing high-speed logistics, which is ASKUL's overwhelming strength. To achieve this, the Group will reform the structure of its distribution centers and promote the integration of B-to-B and B-to-C logistics. Specifically, the Group will build a warehouse network for product replenishment behind distribution centers in order to expand the number of products handled and shipped by distribution centers, thereby maximizing the shipping capacity, which is the original function of distribution centers.

In July 2021, the construction of "ASKUL Tokyo DC," the most advanced core center, is scheduled to be completed, and the Center plans to start operation in the summer of 2022. The Group aims to have digital transformation of the value chain by introducing cutting-edge technologies, such as AI robots, so that the Group will not only enhance its productivity but also raise customer value.

The fiscal year ending May 2022 is positioned as the fiscal year that will lay the foundation for fulfilling the Medium-Term Management Plan. While aggressively investing a budget of about 2.8 billion yen (in "ASKUL Tokyo DC", the new website, etc.), the Group is striving to post an operating profit on a par with the fiscal year ended May 2021. The B-to-B business expects to increase net sales by offsetting the reactionary decline in infection-control products with a recovery in office supplies, expansion of product lineups and an increase in the number of customers coming from external searches, among others. On the other hand, the B-to-C business will increase sales promotion expenses for growth 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 2022 are net sales of 430 billion yen, a 1.9% increase year on year and a 3.1% increase from the reference value of the preceding fiscal year (Note), operating profit of 14 billion yen, a 0.5% increase year on year, ordinary profit of 13.9 billion yen, a 0.4% increase year on year, and profit attributable to owners of parent of 9 billion yen, a 16.0% increase 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 351.3 billion yen, a 1.8% increase year on year and a 3.0% increase from the reference value of the preceding fiscal year.

The B-to-C business forecasts net sales of 70.2 billion yen, a 2.3% increase year on year and a 3.9% increase from the reference value of the preceding fiscal year.

As a result, the E-commerce business forecasts net sales of 421.5 billion yen, a 1.9% increase year on year and a 3.1% increase from the reference value of the preceding fiscal year, and operating profit of 13.9 billion yen, a 7.3% decrease year on year.

<Logistics business, Other, adjustments, etc.>

The Logistics business, Other, adjustments, etc., are projected to record net sales of 8.5 billion yen, a 1.6% increase year on year, and operating profit of 0.0 billion yen (an operating loss of 1,065 million yen in the preceding fiscal year).

The Group will adopt "Accounting Standard for Revenue Recognition," etc., effective the fiscal year ending May 2022. Accordingly, the above consolidated performance forecast indicates the amounts after the application of the said accounting standard, etc.

Note: Comparison from the preceding fiscal year is based on the assumption that "Accounting Standard for Revenue Recognition," etc. were applied from the fiscal year ended May 2021.

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, 2020	As of May 20, 2021
Assets		
Current assets		
Cash and deposits	63,260	66,259
Notes and accounts receivable - trade	38,701	45,582
Merchandise and finished goods	16,582	17,925
Raw materials and supplies	257	266
Costs on construction contracts in progress	63	35
Accounts receivable - other	10,340	12,013
Other	1,277	1,242
Allowance for doubtful accounts	(24)	(34)
Total current assets	130,458	143,291
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,329	8,587
Accumulated depreciation	(3,162)	(3,599)
Buildings and structures, net	5,166	4,987
Machinery, equipment and vehicles	6,277	6,698
Accumulated depreciation	(4,021)	(4,476)
Machinery, equipment and vehicles, net	2,255	2,222
Land	137	132
Leased assets	19,408	19,787
Accumulated depreciation	(6,405)	(7,440)
Leased assets, net	13,003	12,346
Other	3,788	3,840
Accumulated depreciation	(2,939)	(2,954)
Other, net	848	886
Construction in progress	461	4,391
Total property, plant and equipment	21,873	24,966
Intangible assets		
Software	7,285	5,983
Software in progress	1,116	3,350
Goodwill	2,103	1,614
Other	101	88
Total intangible assets	10,606	11,036
Investments and other assets		
Investment securities	808	183
Long-term prepaid expenses	156	119
Guarantee deposits	6,344	6,335
Deferred tax assets	3,873	4,043
Other	147	911
Allowance for doubtful accounts	(121)	(780)
Total investments and other assets	11,208	10,812
Total non-current assets	43,688	46,815
Total assets	174,146	190,107

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(Million yen)

	As of May 20, 2020	As of May 20, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	45,549	51,474
Electronically recorded obligations - operating	21,733	23,497
Short-term borrowings	430	380
Current portion of long-term borrowings	1,767	12,649
Lease obligations	1,946	2,050
Accounts payable - other	10,281	12,369
Income taxes payable	1,972	2,793
Accrued consumption taxes	1,140	1,006
Provision for bonuses	204	353
Provision for sales promotion expenses	549	543
Provision for sales returns	26	29
Other	1,771	1,637
Total current liabilities	87,374	108,786
Non-current liabilities		
Long-term borrowings	13,679	2,115
Lease obligations	11,879	11,211
Retirement benefit liability	3,716	4,127
Asset retirement obligations	2,438	2,714
Other	2,232	1,948
Total non-current liabilities	33,947	22,117
Total liabilities	121,321	130,903
Net assets		
Shareholders' equity		
Share capital	21,189	21,189
Capital surplus	24,220	14,320
Retained earnings	23,769	23,391
Treasury shares	(16,718)	(81)
Total shareholders' equity	52,461	58,819
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(26)	(42)
Total accumulated other comprehensive income	(26)	(42)
Share acquisition rights	7	(5)
Non-controlling interests	382	431
Total net assets	52,825	59,203
Total liabilities and net assets	174,146	190,107

Disclaimer
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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, 2020	For the fiscal year ended May 20, 2021
Net sales	400,376	422,151
Cost of sales	304,692	317,769
Gross profit	95,683	104,381
Reversal of provision for sales returns	26	26
Provision for sales returns	26	29
Gross profit - net	95,683	104,378
Selling, general and administrative expenses	86,862	90,455
Operating profit	8,821	13,923
Non-operating income		
Interest income	28	42
Rental income	260	178
Subsidy income	33	73
Other	118	54
Total non-operating income	440	348
Non-operating expenses		
Interest expenses	249	230
Rental expenses	262	165
Other	94	25
Total non-operating expenses	606	421
Ordinary profit	8,656	13,850
Extraordinary income		
Gain on sales of non-current assets	-	1
Gain on reversal of share acquisition rights	2	7
Total extraordinary income	2	8
Extraordinary losses		
Impairment loss	44	4
Loss on sales of non-current assets	-	5
Loss on retirement of non-current assets	122	845
Loss on valuation of investment securities	-	299
Loss on sales of shares of subsidiaries	-	24
Loss on valuation of shares of subsidiaries	-	5
Provision of allowance for doubtful accounts	-	700
Loss on retirement of treasury subscription rights to shares	29	-
Loss on disaster	-	688
Other	2	9
Total extraordinary losses	197	2,582
Profit before income taxes	8,460	11,277
Income taxes - current	2,676	3,720
Income taxes - deferred	74	(199)
Total income taxes	2,750	3,520
Profit	5,709	7,756
Profit (loss) attributable to non-controlling interests	56	(1)
Profit attributable to owners of parent	5,652	7,758

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended May 20, 2020	For the fiscal year ended May 20, 2021
Profit	5,709	7,756
Other comprehensive income		
Deferred gains or losses on hedges	1	-
Foreign currency translation adjustment	(33)	-
Remeasurements of defined benefit plans, net of tax	43	(15)
Total other comprehensive income	11	(15)
Comprehensive income	5,720	7,740
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,668	7,742
Comprehensive income attributable to non-controlling interests	52	(1)

(3) Consolidated Statements of Changes in Net Assets

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				Share acquisition rights	Non-controlling interests	Total net assets
	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)	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	1	(28)	43	15	(10)	162	167
Total changes during period	1	(28)	43	15	(10)	162	4,193
Balance at end of period	-	-	(26)	(26)	7	382	52,825

For the fiscal year ended May 20, 2021

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	21,189	24,220	23,769	(16,718)	52,461
Changes during period					
Dividends of surplus			(1,941)		(1,941)
Profit attributable to owners of parent			7,758		7,758
Disposal of treasury shares		(247)		829	581
Cancellation of treasury shares		(9,619)	(6,188)	15,808	-
Change in scope of consolidation			(5)		(5)
Change in ownership interest of parent due to transactions with non-controlling interests		(33)			(33)
Net changes in items other than shareholders' equity					
Total changes during period	-	(9,900)	(377)	16,637	6,358
Balance at end of period	21,189	14,320	23,391	(81)	58,819

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(26)	(26)	7	382	52,825
Changes during period					
Dividends of surplus					(1,941)
Profit attributable to owners of parent					7,758
Disposal of treasury shares					581
Cancellation of treasury shares					-
Change in scope of consolidation					(5)
Change in ownership interest of parent due to transactions with non-controlling interests					(33)
Net changes in items other than shareholders' equity	(15)	(15)	(13)	48	19
Total changes during period	(15)	(15)	(13)	48	6,378
Balance at end of period	(42)	(42)	(5)	431	59,203

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(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended May 20, 2020	For the fiscal year ended May 20, 2021
Cash flows from operating activities		
Profit before income taxes	8,460	11,277
Depreciation	3,139	3,384
Amortization of software	2,401	2,793
Amortization of long-term prepaid expenses	118	107
Impairment loss	44	4
Amortization of goodwill	359	316
Loss on retirement of treasury share acquisition rights	29	-
Gain on reversal of share acquisition rights	(2)	(7)
Increase (decrease) in allowance for doubtful accounts	41	714
Increase (decrease) in provision for bonuses	(2)	148
Increase (decrease) in provision for sales promotion expenses	3	(5)
Increase (decrease) in provision for sales returns	-	3
Increase (decrease) in retirement benefit liability	301	389
Interest income	(28)	(42)
Interest expenses	249	230
Loss on retirement of non-current assets	122	845
Loss (gain) on sale of non-current assets	-	3
Loss (gain) on valuation of investment securities	-	299
Loss (gain) on sale of shares of subsidiaries	-	24
Loss on valuation of shares of subsidiaries	-	5
Decrease (increase) in trade receivables	3,579	(7,448)
Decrease (increase) in inventories	(721)	(1,336)
Decrease (increase) in accounts receivable - other	(1,606)	(1,674)
Increase (decrease) in trade payables	812	7,857
Increase (decrease) in accounts payable - other	1,306	1,584
Increase (decrease) in accrued consumption taxes	52	(55)
Other, net	(92)	(377)
Subtotal	18,568	19,041
Interest and dividends received	28	42
Interest paid	(249)	(230)
Income taxes paid	(1,737)	(2,854)
Net cash provided by (used in) operating activities	16,609	15,998

(Million yen)

	For the fiscal year ended May 20, 2020	For the fiscal year ended May 20, 2021
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,827)	(4,886)
Purchase of software	(3,260)	(4,005)
Purchase of long-term prepaid expenses	(158)	(53)
Payments of guarantee deposits	(108)	(73)
Proceeds from refund of guarantee deposits	18	28
Loan advances	(32)	(2)
Proceeds from collection of loans receivable	3	323
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(538)	-
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(396)
Purchase of investment securities	(215)	(0)
Payments for asset retirement obligations	(7)	(19)
Other, net	71	6
Net cash provided by (used in) investing activities	(6,055)	(9,079)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	(50)
Proceeds from long-term borrowings	800	1,100
Repayments of long-term borrowings	(2,215)	(1,782)
Repayments of lease obligations	(1,704)	(1,865)
Proceeds from disposal of treasury shares	45	577
Proceeds from share issuance to non-controlling shareholders	300	53
Dividends paid	(1,887)	(1,941)
Dividends paid to non-controlling interests	(6)	(8)
Purchase of treasury share acquisition rights	(92)	(2)
Net cash provided by (used in) financing activities	(4,761)	(3,919)
Effect of exchange rate change on cash and cash equivalents	(0)	-
Net increase (decrease) in cash and cash equivalents	5,792	2,999
Cash and cash equivalents at beginning of period	57,469	63,260
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(0)	-
Cash and cash equivalents at end of period	63,260	66,259

(5) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumptions)

Not applicable.

(Changes in Accounting Estimates)

(Changes in useful lives)

In the fiscal year under review, the Group shortened the useful life of software whose useful life was shortened from the initial length and changed the useful life into the future due to the transition to a new website in the B-to-B business and the termination of some services in the B-to-C business. In addition, following the decision not to renew the lease contract for part of the Group’s head office, the Group has shortened the useful life of property, plant and equipment that is not expected to be employed after the expiration of the lease contract and has changed the useful life into the future.

As a result of this change, operating profit, ordinary profit and profit before income taxes for the fiscal year under review decreased by 177 million yen, respectively, compared with the preceding method.

(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. Information on the amounts of net sales, income or loss, assets, liabilities, and other items by reportable segment

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

(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
Inter-segment sales or transfers	—	—	—	549	549	(549)	—
Total	392,406	7,197	399,603	1,322	400,926	(549)	400,376
Segment profit (loss)	9,188	(400)	8,788	59	8,847	(26)	8,821
Segment assets	167,253	4,841	172,094	2,051	174,146	—	174,146
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	2,070	5,891	368	6,260	—	6,260

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 profit (loss) represents the elimination of inter-segment transactions of minus 26 million yen.
3. Segment profit (loss) is adjusted with operating profit reported on the consolidated statements of income.
4. The above segment information discloses the amounts after reflecting the significant review of the initial allocation amount of the acquisition cost as a result of determining the provisional accounting treatment pertaining to the business combination.

Fiscal Year Ended May 2021 (May 21, 2020 through May 20, 2021)

(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	413,781	7,677	421,458	692	422,151	—	422,151
Inter-segment sales or transfers	—	—	—	638	638	(638)	—
Total	413,781	7,677	421,458	1,331	422,790	(638)	422,151
Segment profit (loss)	14,988	(1,100)	13,888	71	13,959	(35)	13,923
Segment assets	183,781	3,341	187,123	2,983	190,107	—	190,107
Other items							
Depreciation	5,922	251	6,174	53	6,228	(49)	6,178
Amortization of goodwill	236	75	312	3	316	—	316
Increase in property, plant and equipment and intangible assets	8,123	1,877	10,000	1,074	11,075	—	11,075

Notes: 1. "Other" represents business segments that do not fall under the Reporting Segment and includes the manufacturing business.
2. The adjustment of minus 35 million yen of segment profit (loss) represents the elimination of inter-segment transactions of minus 35 million yen.
3. Segment profit (loss) is adjusted with operating profit reported on the consolidated statements of income.

[Related Information]

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.

(2) Property, plant and equipment

Not applicable since there are no tangible fixed assets located outside Japan

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 2021 (May 21, 2020 through May 20, 2021)

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

Not applicable since there are no tangible fixed assets located outside Japan

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

(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.

Fiscal Year Ended May 2021 (May 21, 2020 through May 20, 2021)

(Million yen)

	Reporting Segment			Other (Note)	Total
	E-commerce business	Logistics business	Subtotal		
Impairment loss	4	—	4	—	4

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

(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	764	1,952	150	2,103

(Notes) 1. The amount stated in "Other" pertains to the manufacturing business.

2. The above segment information discloses the amounts after reflecting the significant review of the initial allocation amount of the acquisition cost as a result of the determination of the provisional accounting treatment pertaining to the business combination.

Fiscal Year Ended May 2021 (May 21, 2020 through May 20, 2021)

(Million yen)

	Reporting Segment			Other (Note)	Total
	E-commerce business	Logistics business	Subtotal		
Amount amortized during the fiscal year	236	75	312	3	316
Unamortized balance at the end of the fiscal year	975	516	1,491	122	1,614

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

[Gain on bargain purchase by reportable segment]

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

Not applicable.

Fiscal Year Ended May 2021 (May 21, 2020 through May 20, 2021)

Not applicable.

(Per Share Information)

	Fiscal Year Ended May 20, 2020 (From May 21, 2019 through May 20, 2020)	Fiscal Year Ended May 20, 2021 (From May 21, 2020 through May 20, 2021)
Net assets per share	513.69 yen	573.57 yen
Basic earnings per share	55.39 yen	75.83 yen
Diluted earnings per share	55.14 yen	75.68 yen

(Notes) 1. ASKUL Corporation conducted a 2-for-1 stock split of common stock on May 21, 2021. "Net assets per share," "Basic earnings per share" and "Diluted earnings per share" are calculated on the assumption that the said stock split was implemented at the beginning of the preceding fiscal year.

2. Basic earnings per share and diluted earnings per share were calculated based on the figures below. "Outline of dilutive shares not included in calculation of diluted earnings per share due to absence of dilutive effects" describes the number of shares before the above stock split.

	Fiscal Year Ended May 20, 2020 (From May 21, 2019 through May 20, 2020)	Fiscal Year Ended May 20, 2021 (From May 21, 2020 through May 20, 2021)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	5,652	7,758
Profit not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent related to common stock (million yen)	5,652	7,758
Average number of shares (thousand shares)	102,058	102,303
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (million yen)	(22)	(10)
[Of which, adjustment for dilutive shares of consolidated subsidiaries (million yen)]	[(22)]	[(10)]
Increase in number of shares of common stock (thousand shares)	42	66
[Of which, share acquisition rights (thousand shares)]	[42]	[66]
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: 1,732 (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)	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)

(Stock split)

Based on a resolution at the Board of Directors meeting held on March 16, 2021, ASKUL Corporation implemented the following stock split in order to enhance the liquidity of its stock and expand the investor base by reducing the amount of the trading unit.

(1) Split ratio and timing of the stock split

Effective May 21, 2021, ASKUL Corporation spilt common shares held by its shareholders as listed or recorded in the shareholder registry as of May 20, 2021, at a ratio of 2 shares to one.

(2) Number of shares to be increased by the split

Shares of common stock: 51,259,400 shares

(3) Effect on per share information

The effect on per share information is described in (Per Share Information).

4. Other

Details of Selling, General and Administrative Expenses (Consolidated)

Item	Fiscal Year Ended May 20, 2020 (From May 21, 2019 through May 20, 2020)		Fiscal Year Ended May 20, 2021 (From May 21, 2020 through May 20, 2021)		
	Amount (million yen)	Ratio to Sales (%)	Amount (million yen)	Ratio to Sales (%)	Year-on-year Change (%)
Personnel expenses *1	20,721	5.2	21,953	5.2	105.9
Shipment expenses	23,062	5.8	24,182	5.7	104.9
Provision for sales promotion expenses	533	0.1	519	0.1	97.3
Subcontract expenses	3,566	0.9	3,486	0.8	97.7
Business consignment expenses	10,921	2.7	11,570	2.7	105.9
Rents	9,727	2.4	10,067	2.4	103.5
Provision of allowance for doubtful accounts	69	0.0	33	0.0	47.8
Depreciation	3,017	0.8	3,160	0.7	104.7
Software amortization *2	2,373	0.6	2,755	0.7	116.1
Other expenses	12,869	3.2	12,727	3.1	98.9
Total	86,862	21.7	90,455	21.4	104.1

*1 Personnel expenses for the fiscal year under review increased from the preceding fiscal year. This was mainly due to the recording of term-end performance-based bonuses.

*2 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 and the shortening of the amortization period resulting from changes to accounting estimates.