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Consolidated Financial Results for the Year Ended May 20, 2023 [Japanese GAAP]*



July 4, 2023

Company name: ASKUL Corporation
 Stock exchange listing: Tokyo
 Code number: 2678
 URL: <https://www.askul.co.jp/corp/english/>
 Representative: Akira Yoshioka Representative Director, President and CEO (chief executive officer)
 Contact: Tsuguhiro Tamai Director and CFO (chief financial officer)
 Phone: +81-3-4330-5130
 Scheduled date of Annual General Meeting of Shareholders: August 4, 2023
 Scheduled date of commencing dividend payments: August 7, 2023
 Scheduled date of filing annual securities report: July 28, 2023
 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, 2023 (May 21, 2022 to May 20, 2023)

(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, 2023	446,713	4.2	14,620	2.2	14,448	1.3	9,787	6.3
May 20, 2022	428,517	1.5	14,309	2.8	14,270	3.0	9,206	18.7

(Note) Comprehensive income: Fiscal year ended May 20, 2023: ¥10,056 million [8.7%]
 Fiscal year ended May 20, 2022: ¥9,255 million [19.6%]

	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, 2023	100.43	100.36	16.2	7.0	3.3
May 20, 2022	90.83	90.77	15.9	7.5	3.3

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended May 20, 2023: ¥- million
 Fiscal year ended May 20, 2022: ¥- million

(Note) The Group has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., effective the beginning of the previous fiscal year. Accordingly, the above figures for the fiscal year ended May 20, 2022 indicates the amounts after the application of the said Accounting Standard, etc. When calculating the figures for the fiscal year ended May 20, 2021 in accordance with the same Accounting Standard, change ratio of net sales for the fiscal year ended May 20, 2022 would be a 2.7% increase.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
May 20, 2023	226,716	66,086	28.3	658.20
May 20, 2022	188,024	57,271	30.2	582.43

(Reference) Equity: As of May 20, 2023: ¥64,145 million
 As of May 20, 2022: ¥56,755 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
May 20, 2023	20,131	(22,929)	10,232	66,223
May 20, 2022	17,952	(10,748)	(14,674)	58,789

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, 2022	-	15.00	-	16.00	31.00	3,095	34.1	5.4
May 20, 2023	-	16.00	-	18.00	34.00	3,313	33.9	5.5
Fiscal year ending May 20, 2024 (Forecast)	-	18.00	-	18.00	36.00		34.1	

(Note) The year-end dividend forecast for the fiscal year ended May 20, 2023, announced on July 1, 2022, has been revised. For details, please see "Notice Regarding Distribution of Surplus," announced today.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 20, 2024 (May 21, 2023 to May 20, 2024)

(% 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	482,000	7.9	16,500	12.9	16,200	12.1	10,300	5.2	105.69

* 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: Yes

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

3) Changes in accounting estimates: Yes

4) Retrospective restatement: No

(3) Number of outstanding shares (common stocks)

1) Number of outstanding shares at the end of the period (including treasury stocks):

May 20, 2023: 97,518,800 shares

May 20, 2022: 97,518,800 shares

2) Number of treasury stocks at the end of the period:

May 20, 2023: 62,406 shares

May 20, 2022: 71,871 shares

3) Average number of shares during the period:

Fiscal Year ended May 20, 2023: 97,453,286 shares

Fiscal Year ended May 20, 2022: 101,358,926 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended May 20, 2023 (May 21, 2022 to May 20, 2023)

(1) Non-consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended May 20, 2023	383,096	3.1	13,026	11.4	13,724	13.9	9,774	18.0
May 20, 2022	371,659	0.9	11,696	(3.4)	12,047	(2.0)	8,281	1.9

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
May 20, 2023	100.30	-
May 20, 2022	81.70	-

(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, 2023	200,660	62,634	31.2	642.69
May 20, 2022	168,179	55,950	33.3	574.17

(Reference) Equity: As of May 20, 2023: ¥62,634 million

As of May 20, 2022: ¥55,950 million

* This Consolidated Financial Results is not subject to audit by a certified public accountant or auditing firm.

* 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 5 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 (from May 21, 2022 to May 20, 2023), the Japanese economy has seen socioeconomic activities return to normal as restrictions on activities in response to COVID-19 are gradually relaxed. Further revitalization of economic activities is expected due to the reclassification of COVID-19's category to Class 5 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases and other factors. On the other hand, the outlook remains uncertain due to international situations, soaring raw material and energy prices, a rise in concerns over the trend of foreign exchange rates including the rapid depreciation of the yen and others.

Under such circumstances, the Group has positioned the fiscal year ended May 20, 2023 as the year in which it would accomplish its most important mission of "changing the growth trajectory of sales." In order to achieve the performance targets set forth in the Medium-term Management Plan (from the fiscal year ended May 20, 2022 to the fiscal year ending May 20, 2025), in addition to expanding the number of products handled, the Group has made aggressive capital investments in important measures that will lead to the growth of the Group, including the construction of distribution facilities for the ASKUL Tokyo DC and the new ASKUL website.

As a result, the financial performance of the Group for the fiscal year under review reached record highs in both net sales and profits, with net sales of 446,713 million yen, a 4.2% increase year-over-year, operating profit of 14,620 million yen, a 2.2% increase year-over-year, ordinary profit of 14,448 million yen, up 1.3% year-over-year, and profit attributable to owners of parent of 9,787 million yen, a 6.3% increase year-over-year, resulting in an increase in both sales and profits.

Operating results by segment are outlined below.

<E-commerce business>

In the B-to-B business, the mainstay business of the Group, we offer a wide range of products to meet the needs of all customers working in the workplace, including living supplies related merchandise such as bottled beverages and daily consumables, products related to COVID-19 such as antigen test kits, and MRO^(Note) products such as bags and packing materials. Although there was impact due to a reactionary fall in sales of infection-related products, which had experienced special demand in the previous fiscal year, living supplies and MRO products, which have been strategically strengthened, showed growth, and demand for consumables such as OA & PC and Stationery, which we have traditionally handled, is on a recovery trend, among other factors, resulting in a significant increase in net sales for the fiscal year under review.

The prior release of some functions (opening of SOLOEL ARENA website, a website for medium and large corporations, to the public) related to the construction of the new ASKUL website in July 2022 enabled customers using SOLOEL ARENA to directly transit from search engine results to the SOLOEL ARENA website. As a result, the number of customers purchasing via search engines grew and sales via search engines increased due to factors including an upward trend in the order unit price owing to an increase in the sales ratio of strategic categories such as medical and MRO.

In addition to the expansion of the customer base through further strengthening of Internet advertising, etc., the enhancement of the product lineup of specialized products, particularly in the medical and nursing care industries and manufacturing industries and measures to increase awareness of said products through video advertising, have been synergistic effects and contributed to the growth in net sales.

As a result, net sales in the B-to-B business grew by 25,843 million yen from a year earlier to 373,868 million yen, a 7.4% increase year-over-year.

In the B-to-C business, the Group achieved its goal for the fiscal year under review of turning LOHACO profitable. Although net sales decreased due to an impact of campaign method changes and other factors, gross profit margin improved due to an increase in sales per box resulting from the effect of revised sales promotion methods and the free-delivery charge revision, etc. The promotion of integration with the B-to-B business improved the profit structure including reduced fixed costs, which contributed significantly to turning the business profitable.

As a result, LOHACO sales decreased 8,153 million yen from a year earlier to 46,176 million yen, down 15.0% year-over-year. Consequently, net sales of the B-to-C business in total also decreased 7,421 million yen from a year earlier to 63,252 million yen, a 10.5% decrease year-over-year.

Accordingly, net sales of the E-commerce business, combining the two businesses above, stood at 437,120 million yen, a 4.4% increase year-over-year. Gross profit stood at 106,650 million yen, a 2.2% increase year-over-year.

Despite rent and launch costs incurred during the preparation period of the ASKUL Tokyo DC, which began operation in November 2022, as well as one-time costs related to capital expenditures for the construction of the new ASKUL website, an increase in sales per box, a growth in the sales ratio of the B-to-B business, which has a low ratio of shipment expenses to net sales, and other factors resulted in a 0.5 point decline in the ratio of selling, general and administrative expenses to net sales, with selling, general and administrative expenses of 91,710 million yen and operating profit of 14,940 million yen, a 4.1% increase year-over-year.

<Logistics business>

Although net sales of the contracted business of logistics that ASKUL LOGIST Corporation received from outside the Group progressed on par with the level of the previous fiscal year, the decline in productivity and other factors resulted in a decrease in profits.

As a result, net sales in the fiscal year under review were 8,701 million yen, a 3.6% decrease year-over-year, and operating loss was 324 million yen, as opposed to an operating loss of 34 million yen a year earlier.

<Other>

In addition to strong sales of bottled water at TSUMAGOI MEISUI Corporation, productivity of the new production line completed in November 2021 has improved, resulting in higher net sales and profits.

As a result, net sales for the fiscal year under review were 1,905 million yen, a 27.2% increase year-over-year, and operating profit was 12 million yen, up 1,285.5% year-over-year.

Note: MRO is an acronym for Maintenance, Repair and Operations, and the term "MRO supplies" denotes indirect materials including consumables and repair supplies for use at factories, construction sites, warehouses, and others.

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Total assets stood at 226,716 million yen at the end of the fiscal year under review, an increase of 38,691 million yen from the end of the preceding fiscal year. This was mainly due to increases of 7,988 million yen in customer-related intangible assets resulting from the acquisition of shares of AP67 Co., Ltd and the inclusion of the company and its subsidiaries in the scope of consolidation, 7,433 million yen in cash and deposits mainly resulting from the inclusion of 8,444 million yen in electronically recorded obligations-operating, for which the settlement date is the last day of the consolidated fiscal year, since the last day of the fiscal year under review was a holiday for financial institutions, 6,713 million yen in leased assets as a result of the operation of the ASKUL Tokyo DC, etc., and 5,794 million yen in trade receivables and contract assets due to an increase in net sales.

(Liabilities)

Total liabilities stood at 160,630 million yen at the end of the fiscal year under review, an increase of 29,876 million yen from the end of the preceding fiscal year. This was primarily due to increases of 9,208 million yen in electronically recorded obligations-operating, 8,208 million yen in long-term borrowings (including current portion), and 6,462 million yen in lease obligations (non-current).

(Net assets)

Net assets stood at 66,086 million yen at the end of the fiscal year under review, an increase of 8,814 million yen from the end of the preceding fiscal year. The primary factors behind the rise were increases of 6,668 million yen in retained earnings due to recognition of profit attributable to owners of parent of 9,787 million yen as opposed to dividend payments of 3,118 million yen, etc. and 1,425 million yen in non-controlling interests mainly due to capital increase through a public offering related to the listing of AlphaPurchase Co., Ltd., a consolidated subsidiary.

Consequently, the capital adequacy ratio was 28.3% (30.2% at the end of the preceding fiscal year).

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

Cash and cash equivalents (hereinafter “funds”) stood at 66,223 million yen at the end of the fiscal year under review, an increase of 7,433 million yen from the end of the preceding fiscal year. The status of each cash flow and the factors behind changes in the fiscal year under review are as follows.

(Cash flows from operating activities)

Net funds provided by operating activities were 20,131 million yen, (compared to 17,952 million yen in the previous fiscal year). This was mainly due to profit before income taxes of 14,467 million yen, an increase of 10,400 million yen in trade payables, a total of 7,114 million yen for depreciation and amortization of software, goodwill, and customer-related intangible assets, as opposed to a payment of income taxes of 4,689 million yen and an increase of 4,509 million yen in trade receivables.

(Cash flows from investing activities)

Net funds used in investing activities were 22,929 million yen, (compared to 10,748 million yen in the previous fiscal year). This was mainly due to expenditures of 8,785 million yen for the acquisition of shares of a subsidiary resulting in a change in the scope of consolidation, 7,787 million yen for the purchase of software, and 6,693 million yen for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net funds used in financing activities were 10,232 million yen, (compared to 14,674 million yen in the previous year). This was mainly due to proceeds from long-term borrowings of 10,500 million yen and proceeds from sale and leaseback transactions of 8,954 million yen, despite repayments of long-term borrowings of 5,391 million yen.

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

	Fiscal Year Ended May 2019	Fiscal Year Ended May 2020	Fiscal Year Ended May 2021	Fiscal Year Ended May 2022	Fiscal Year Ended May 2023
Capital adequacy ratio (%)	28.6	30.1	30.9	30.2	28.3
Capital adequacy ratio at market value (%)	89.1	97.0	96.1	75.1	81.5
Cash flow to interest-bearing debt ratio (years)	5.2	1.8	1.8	1.4	2.0
Interest coverage ratio (times)	23.9	66.6	69.4	79.4	67.5

(Note) Capital adequacy ratio at market value: Market capitalization/Total assets

Cash flow to interest-bearing debt ratio: Interest-bearing debt/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 stocks) 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 sheets.

* The amount of interest payments used to calculate the interest coverage ratio is the amount of interest expenses presented in the consolidated statements of income.

(4) Future Outlook

With the aim of surviving the drastically changing competitive landscape, the Group announced the Medium-term Management Plan on July 2, 2021, which represents the management policy for the four years from the fiscal year ended 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 plans to 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 this policy, the Group aims to post consolidated net sales of 550.0 billion yen, a consolidated operating profit ratio of 5.0%, and a consolidated return on equity (ROE) of 20.0% in the fiscal year ending May 2025, the final year of the Medium-term Management Plan.

The Group has positioned the fiscal year ending May 2024 as the year in which the growth trajectory in net sales will change as well as the growth trajectory in profits. Using the effect of the opening of SOLOEL ARENA, a new ASKUL website, as a growth engine, the B-to-B business aims to achieve a high growth rate in net sales and operating profit by not only expanding the numbers of products handled, mainly for the strategic industries, and of long-tail products, but also boosting sales promotions such as online advertising, thereby leading to significant sales and profit growth in the fiscal year ending May 2025, the final year of the Medium-term Management Plan. The B-to-C business, by contrast, will further promote integration with the B-to-B business to strengthen its earnings structure by reducing fixed costs such as personnel expenses, delivery costs, etc. to remain profitable and achieve regrowth from the fourth quarter of the fiscal year ending May 2024 onward.

The Group will focus on the following four themes in the fiscal year ending May 2024 to achieve the Medium-term Management Plan.

1) Strategic industries and expansion of product assortments

The B-to-B business aims for a high growth rate by expanding the number of products handled with the renewal of the website as the growth engine. Positioning the medical and nursing-care industry and the manufacturing industry as the two biggest strategic lines of business, the Group plans to expand the number of products handled to 18 million items centering on goods for the strategic industries. It also works to have the number of "come tomorrow" items (in-stock products that users buy constantly and that are "delivered tomorrow") reach 330,000 and the number of original products that excel in price and quality and are eco-friendly goods go up to 12,000 items by the fiscal year ending May 2025. The numbers of products handled, in-stock products and original products were 1,247,000 items, 166,000 items and 9,600 items respectively as of the end of the fiscal year ended May 2023. The Group will work to increase the numbers of products handled, in-stock products and original products to 14,700,000 items, 240,000 items and 11,000 items respectively as of the end of the fiscal year ending May 2024.

2) Establishment of the most powerful B-to-B e-commerce site

The Group plans to renovate its website. The new ASKUL 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 50,000 million yen up to the fiscal year ending May 2025.

In the fiscal year ended May 2023, net sales via search engines increased due to a prior release of the opening of SOLOEL ARENA, a website for large and medium-sized companies. In the fiscal year ending May 2024, the transition of SOLOEL ARENA customers to the new ASKUL website began in July 2023.

3) New service of the B-to-B business

In the fiscal year ended May 2023, the Group has launched the advertising business for manufacturers in the B-to-B business as the first of a series of new services aimed at transforming from the mail-order business of office goods, leveraging the knowledge of the advertising business acquired through LOHACO. In the fiscal year ending May 2024, the Group will expand its advertising services by taking full advantage of traditional strong relationships with manufacturers as well as the scale of the B-to-B business. Additionally, in October 2022, the Group started Biz-Raku,

a new service for small and medium-sized business sites in cooperation with group companies of SoftBank Corporation, and in the fiscal year ending May 2024, the Group will continue to expand into areas other than product sales by leveraging the customer base and big data developed in the B-to-B business.

4) Measures for the regrowth of LOHACO

The B-to-C business aims to turn LOHACO into a profitable business. The B-to-C business achieved profitability for the full year as planned in the fiscal year ended May 2023 by improving service quality and reducing costs as a result of leveraging Yahoo Japan Corporation's system infrastructure, etc. In the fiscal year ending May 2024, in addition to expanding product areas and strengthening original products, which are expected as synergistic effects of the business division integration with the B-to-B business in March 2023, the Group aims to achieve regrowth keeping the business profitable from the fourth quarter of the fiscal year ending May 2024 onward by leveraging the Z Holdings Group's ability to attract customers.

By pushing forward with the above four themes, the present forecasts for operating performance for the fiscal year ending May 2024 are net sales of 482.0 billion yen, a 7.9% increase year-over-year, operating profit of 16.5 billion yen, a 12.9% increase year-over-year, ordinary profit of 16.2 billion yen, a 12.1% increase year-over-year, and profit attributable to owners of parent of 10.3 billion yen, a 5.2% increase year-over-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 417.0 billion yen, a 11.5% increase year-over-year.

The B-to-C business forecasts net sales of 55.3 billion yen, a 12.6% decrease year-over-year.

As a result, the E-commerce business forecasts net sales of 472.3 billion yen, an 8.1% increase year-over-year, and operating profit of 16.4 billion yen, a 10.4% increase year-over-year.

<Logistics business, Other, adjustments, etc.>

The Logistics business, Other, adjustments, etc., are projected to record net sales of 9.6 billion yen, a 1.1% increase year-over-year, and operating profit of 0.0 billion yen (an operating loss of 0.3 billion yen in the previous fiscal year).

2. Basic Thinking on the Selection of Accounting Standards

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

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of May 20, 2022	As of May 20, 2023
Assets		
Current assets		
Cash and deposits	58,789	66,223
Trade receivables and contract assets	46,160	51,954
Merchandise and finished goods	17,770	22,017
Raw materials and supplies	484	306
Costs on construction contracts in progress	82	112
Accounts receivable - other	11,938	12,623
Other	1,779	2,757
Allowance for doubtful accounts	(41)	(36)
Total current assets	136,964	155,958
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,946	10,031
Accumulated depreciation	(4,126)	(4,648)
Buildings and structures, net	4,819	5,382
Machinery, equipment and vehicles	6,808	7,080
Accumulated depreciation	(5,026)	(5,270)
Machinery, equipment and vehicles, net	1,781	1,810
Land	119	247
Leased assets	21,176	30,268
Accumulated depreciation	(9,472)	(11,850)
Leased assets, net	11,704	18,417
Other	4,175	4,638
Accumulated depreciation	(3,290)	(3,459)
Other, net	885	1,178
Construction in progress	4,975	825
Total property, plant and equipment	24,285	27,862
Intangible assets		
Software	5,672	7,950
Software in progress	8,332	11,037
Goodwill	1,370	4,742
Customer-related intangible assets	75	8,064
Other	3	9
Total intangible assets	15,455	31,804
Investments and other assets		
Investment securities	143	159
Long-term prepaid expenses	136	166
Guarantee deposits	6,850	6,518
Deferred tax assets	4,049	4,226
Other	912	860
Allowance for doubtful accounts	(772)	(840)
Total investments and other assets	11,319	11,091
Total non-current assets	51,059	70,757
Total assets	188,024	226,716

(Millions of yen)

	As of May 20, 2022	As of May 20, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	52,700	54,614
Electronically recorded obligations - operating	24,475	33,683
Short-term borrowings	380	380
Current portion of long-term borrowings	2,124	10,127
Lease liabilities	2,178	3,100
Accounts payable - other	12,784	12,356
Income taxes payable	2,631	2,677
Accrued consumption taxes	589	423
Provision for bonuses	261	373
Other	2,561	2,762
Total current liabilities	100,686	120,499
Non-current liabilities		
Long-term borrowings	10,131	10,337
Lease liabilities	10,387	16,850
Retirement benefit liability	4,449	4,764
Asset retirement obligations	2,600	3,190
Other	2,498	4,987
Total non-current liabilities	30,066	40,130
Total liabilities	130,753	160,630
Net assets		
Shareholders' equity		
Share capital	21,189	21,189
Capital surplus	14,315	14,906
Retained earnings	21,452	28,120
Treasury shares	(118)	(92)
Total shareholders' equity	56,838	64,124
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(82)	20
Total accumulated other comprehensive income	(82)	20
Share acquisition rights	0	0
Non-controlling interests	514	1,939
Total net assets	57,271	66,086
Total liabilities and net assets	188,024	226,716

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended May 20, 2022	For the fiscal year ended May 20, 2023
Net sales	428,517	446,713
Cost of sales	323,444	339,672
Gross profit	105,072	107,040
Selling, general and administrative expenses	90,763	92,420
Operating profit	14,309	14,620
Non-operating income		
Interest income	43	44
Rental income	75	3
Subsidy income	161	69
Other	39	81
Total non-operating income	319	200
Non-operating expenses		
Interest expenses	226	298
Rental expenses	60	3
Other	72	70
Total non-operating expenses	359	371
Ordinary profit	14,270	14,448
Extraordinary income		
Insurance claim income	226	173
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	-	22
Gain on reversal of share acquisition rights	3	-
Other	-	5
Total extraordinary income	230	200
Extraordinary losses		
Impairment losses	32	36
Loss on sale of non-current assets	6	-
Loss on retirement of non-current assets	144	55
Loss on valuation of investment securities	40	-
Settlement on contract	-	60
Cost of corrective measures for product defects	-	20
Loss on disaster	319	-
Other	86	9
Total extraordinary losses	629	182
Profit before income taxes	13,871	14,467
Income taxes - current	4,559	4,613
Income taxes - deferred	16	(99)
Total income taxes	4,575	4,513
Profit	9,295	9,953
Profit attributable to non-controlling interests	89	166
Profit attributable to owners of parent	9,206	9,787

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended May 20, 2022	For the fiscal year ended May 20, 2023
Profit	9,295	9,953
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(40)	103
Total other comprehensive income	(40)	103
Comprehensive income	9,255	10,056
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,166	9,890
Comprehensive income attributable to non-controlling interests	89	166

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended May 20, 2022 (From May 21, 2021 through May 20, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stocks	Total shareholders' equity
Balance at beginning of period	21,189	14,320	23,391	(81)	58,819
Changes during period					
Dividends of surplus			(3,073)		(3,073)
Profit attributable to owners of parent			9,206		9,206
Purchase of treasury stocks				(8,143)	(8,143)
Disposal of treasury stocks			(6)	41	34
Cancellation of treasury stocks			(8,065)	8,065	-
Change in ownership interest of parent due to transactions with non-controlling interests		(5)			(5)
Net changes in items other than shareholders' equity					
Total changes during period	-	(5)	(1,939)	(37)	(1,981)
Balance at end of period	21,189	14,315	21,452	(118)	56,838

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Remeasurements of defined benefit plans	Accumulated other comprehensive income			
Balance at beginning of period	(42)	(42)	(5)	431	59,203
Changes during period					
Dividends of surplus					(3,073)
Profit attributable to owners of parent					9,206
Purchase of treasury stocks					(8,143)
Disposal of treasury stocks					34
Cancellation of treasury stocks					-
Change in ownership interest of parent due to transactions with non-controlling interests					(5)
Net changes in items other than shareholders' equity	(40)	(40)	6	82	48
Total changes during period	(40)	(40)	6	82	(1,932)
Balance at end of period	(82)	(82)	0	514	57,271

For the fiscal year ended May 20, 2023 (From May 21, 2022 through May 20, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stocks	Total shareholders' equity
Balance at beginning of period	21,189	14,315	21,452	(118)	56,838
Changes during period					
Dividends of surplus			(3,118)		(3,118)
Profit attributable to owners of parent			9,787		9,787
Purchase of treasury stocks				(0)	(0)
Disposal of treasury stocks		1		26	28
Change in ownership interest of parent due to transactions with non-controlling interests		589			589
Net changes in items other than shareholders' equity					
Total changes during period	-	591	6,668	26	7,286
Balance at end of period	21,189	14,906	28,120	(92)	64,124

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Remeasurements of defined benefit plans	Accumulated other comprehensive income			
Balance at beginning of period	(82)	(82)	0	514	57,271
Changes during period					
Dividends of surplus					(3,118)
Profit attributable to owners of parent					9,787
Purchase of treasury stocks					(0)
Disposal of treasury stocks					28
Change in ownership interest of parent due to transactions with non-controlling interests					589
Net changes in items other than shareholders' equity	103	103	(0)	1,425	1,528
Total changes during period	103	103	(0)	1,425	8,814
Balance at end of period	20	20	0	1,939	66,086

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended May 20, 2022	For the fiscal year ended May 20, 2023
Cash flows from operating activities		
Profit before income taxes	13,871	14,467
Depreciation	3,705	4,022
Amortization of software	2,610	2,839
Amortization of long-term prepaid expenses	131	77
Impairment losses	32	36
Amortization of goodwill	243	243
Amortization of customer-related assets	9	9
Gain on reversal of share acquisition rights	(3)	-
Increase (decrease) in allowance for doubtful accounts	(1)	52
Increase (decrease) in provision for bonuses	(91)	48
Increase (decrease) in provision for sales promotion expenses	(543)	-
Increase (decrease) in provision for sales returns	(29)	-
Increase (decrease) in retirement benefit liability	259	351
Interest income	(43)	(44)
Interest expenses	226	298
Insurance claim income	(226)	(173)
Loss on retirement of non-current assets	144	55
Loss (gain) on sale of non-current assets	6	(0)
Loss (gain) on valuation of investment securities	40	-
Loss (gain) on sale of investment securities	-	(22)
Decrease (increase) in trade receivables	(569)	(4,509)
Decrease (increase) in inventories	(110)	(2,098)
Decrease (increase) in accounts receivable - other	74	(616)
Increase (decrease) in trade payables	2,204	10,400
Increase (decrease) in accounts payable - other	212	(263)
Increase (decrease) in accrued consumption taxes	(315)	(172)
Other, net	798	(137)
Subtotal	22,637	24,864
Interest and dividends received	43	44
Interest paid	(224)	(295)
Proceeds from insurance income	226	173
Income taxes paid	(4,730)	(4,689)
Income taxes refund	-	32
Net cash provided by (used in) operating activities	17,952	20,131

(Millions of yen)

	For the fiscal year ended May 20, 2022	For the fiscal year ended May 20, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,894)	(6,693)
Purchase of software	(7,190)	(7,787)
Purchase of long-term prepaid expenses	(137)	(51)
Payments of guarantee deposits	(684)	(63)
Proceeds from refund of guarantee deposits	168	442
Loan advances	(2)	(5)
Proceeds from collection of loans receivable	12	125
Proceeds from sale of investment securities	-	22
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(8,785)
Payments for asset retirement obligations	(9)	(111)
Other, net	(11)	(20)
Net cash provided by (used in) investing activities	(10,748)	(22,929)
Cash flows from financing activities		
Proceeds from long-term borrowings	10,179	10,500
Repayments of long-term borrowings	(12,688)	(5,391)
Repayments of lease liabilities	(1,950)	(2,328)
Proceeds from sale and leaseback transactions	1,026	8,954
Proceeds from share issuance to non-controlling shareholders	4	943
Purchase of treasury shares	(8,143)	-
Dividends paid	(3,073)	(3,118)
Dividends paid to non-controlling interests	(16)	(50)
Payments for purchase of treasury subscription right to shares	(11)	(0)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	-	723
Net cash provided by (used in) financing activities	(14,674)	10,232
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(7,470)	7,433
Cash and cash equivalents at beginning of period	66,259	58,789
Cash and cash equivalents at end of period	58,789	66,223

(5) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Change in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (the revised ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Implementation Guidance on Accounting Standard for Fair Value Measurement") at the beginning of the fiscal year under review. Accordingly, the Group will apply the new accounting policies stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment stipulated in Section 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the consolidated financial statements.

(Significant Accounting Estimates)

(Valuation of Goodwill and Customer-related Intangible Assets)

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

Goodwill of 3,614 million yen and customer-related intangible assets of 7,998 million yen were recorded in the consolidated balance sheets for the fiscal year under review due to a business combination transaction involving the acquisition of shares of AP67 Co., Ltd in February 2023.

(2) Information about the details of significant accounting estimates for the items identified

The excess return power of the acquisition of shares of AP67 Co., Ltd is recognized as goodwill and the present value of excess return expected to be generated by the ongoing business relationship with existing customers is recognized as customer-related intangible assets. Both of them are amortized regularly using the straight-line method over the period in which they are effective, and unamortized balances are subject to impairment.

Indication of impairment of goodwill and customer-related intangible assets is determined by comparing the Medium-term Management Plan with actual results at the time of acquisition of shares, and if there is any indication of impairment, the carrying amount is compared with the total amount of undiscounted future cash flows to determine the necessity of recognizing an impairment loss.

Future cash flows are estimated based on the Medium-term Management Plan. Under the Plan, the major assumptions are: net sales growth in the Dental business by increasing the number of active customers, nurturing stock customers, and expanding the product base; expansion of the growth model in the Dental business to other areas; and cost reduction by standardization of operations through the introduction of systems.

The estimate has been made based on the assumption that the impact of COVID-19 in the next fiscal year (fiscal year ending May 2024) and beyond will be limited.

As these major assumptions are subject to uncertainty, if a review of the assumptions results in a significant impact on estimates of future cash flows, an impairment loss on goodwill and customer-related intangible assets may be recognized in the consolidated financial statements in the next fiscal year.

(Change in Accounting Estimates)

(Change in Estimates of Asset Retirement Obligations)

During the fiscal year under review, the Group changed its estimate of asset retirement obligations, which had been recorded as a restoration obligation under the lease agreement for a distribution center, in accordance with the availability of new information on restoration costs.

As a result of this change, the balance of asset retirement obligations increased by 359 million yen, and compared with the previous method, operating profit, ordinary profit, and profit before income taxes for the fiscal year under review decreased 174 million yen respectively.

(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, MRO supplies, pet goods and other products. The Logistics business provides logistics and small-cargo delivery services for enterprises.

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 and information on disaggregation of revenue

Fiscal Year Ended May 2022 (From May 21, 2021 through May 20, 2022)

(Million yen)

	Reporting Segment			Others (Note 1)	Total	Adjustments (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	E-commerce business	Logistics business	Total				
Net sales							
B-to-B business	348,025	—	348,025	—	348,025	—	348,025
B-to-C business	70,673	—	70,673	—	70,673	—	70,673
Logistics business	—	9,030	9,030	—	9,030	—	9,030
Others	—	—	—	788	788	—	788
Revenue from contracts with customers	418,698	9,030	427,728	788	428,517	—	428,517
Sales to external customers	418,698	9,030	427,728	788	428,517	—	428,517
Intra-segment sales or transfer	—	—	—	709	709	(709)	—
Total	418,698	9,030	427,728	1,497	429,226	(709)	428,517
Segment profit (loss)	14,346	(34)	14,311	0	14,312	(2)	14,309
Segment assets	178,087	7,023	185,111	2,913	188,024	—	188,024
Other items							
Depreciation	5,972	334	6,307	87	6,394	(78)	6,316
Amortization of goodwill	206	32	239	3	243	—	243
Increase in property, plant and equipment and intangible assets	9,986	564	10,551	129	10,680	—	10,680

- (Notes)
1. "Others" represent business segments that do not fall under the Reporting Segment and include the manufacturing business.
 2. The adjustment of minus 2 million yen to segment profit (loss) represents the elimination of inter-segment transactions of minus 2 million yen.
 3. Segment profit (loss) is adjusted with operating profit reported in the consolidated financial statements.

Fiscal Year Ended May 2023 (From May 21, 2022 through May 20, 2023)

(Million yen)

	Reporting Segment			Others (Note 1)	Total	Adjustments (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	E-commerce business	Logistics business	Total				
Net sales							
B-to-B business	373,868	—	373,868	—	373,868	—	373,868
B-to-C business	63,252	—	63,252	—	63,252	—	63,252
Logistics business	—	8,701	8,701	—	8,701	—	8,701
Others	—	—	—	890	890	—	890
Revenue from contracts with customers	437,120	8,701	445,822	890	446,713	—	446,713
Sales to external customers	437,120	8,701	445,822	890	446,713	—	446,713
Intra-segment sales or transfer	—	—	—	1,015	1,015	(1,015)	—
Total	437,120	8,701	445,822	1,905	447,728	(1,015)	446,713
Segment profit (loss)	14,940	(324)	14,615	12	14,628	(7)	14,620
Segment assets	217,471	6,496	223,968	2,747	226,716	—	226,716
Other items							
Depreciation	6,345	532	6,877	107	6,984	(123)	6,861
Amortization of goodwill	206	33	239	3	243	—	243
Increase in property, plant and equipment and intangible assets	14,272	905	15,177	83	15,261	—	15,261

- (Notes)
1. "Others" represent business segments that do not fall under the Reporting Segment and include the manufacturing business.
 2. The adjustment of minus 7 million yen to segment profit (loss) represents the elimination of inter-segment transactions of minus 7 million yen.
 3. Segment profit (loss) is adjusted with operating profit reported in the consolidated financial statements.

[Related Information]

Fiscal Year Ended May 2022 (From May 21, 2021 through May 20, 2022)

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 statements of income. Accordingly, this information is not presented.

(2) Property, plant and equipment

Not applicable since there are no property, plant and equipment located outside Japan.

3. Information by primary customer

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

Fiscal Year Ended May 2023 (From May 21, 2022 through May 20, 2023)

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 statements of income. Accordingly, this information is not presented.

(2) Property, plant and equipment

Not applicable since there are no property, plant and equipment located outside Japan.

3. Information by primary customer

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

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

Fiscal Year Ended May 2022 (From May 21, 2021 through May 20, 2022)

(Million yen)

	Reporting Segment			Other (Note)	Total
	E-commerce business	Logistics business	Total		
Impairment loss	32	—	32	—	32

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

Fiscal Year Ended May 2023 (From May 21, 2022 through May 20, 2023)

(Million yen)

	Reporting Segment			Other (Note)	Total
	E-commerce business	Logistics business	Total		
Impairment loss	36	—	36	—	36

(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 2022 (From May 21, 2021 through May 20, 2022)

(Million yen)

	Reporting Segment			Other (Note)	Total
	E-commerce business	Logistics business	Total		
Amount amortized during the fiscal year	206	32	239	3	243
Unamortized balance at the end of the fiscal year	1,099	259	1,358	12	1,370

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

Fiscal Year Ended May 2023 (From May 21, 2022 through May 20, 2023)

(Million yen)

	Reporting Segment			Other (Note)	Total
	E-commerce business	Logistics business	Total		
Amount amortized during the fiscal year	206	33	239	3	243
Unamortized balance at the end of the fiscal year	4,507	226	4,734	8	4,742

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

[Gain on bargain purchase by reportable segment]

Fiscal Year Ended May 2022 (From May 21, 2021 through May 20, 2022)

Not applicable.

Fiscal Year Ended May 2023 (From May 21, 2022 through May 20, 2023)

Not applicable.

(Per Share Information)

	Fiscal Year Ended May 20, 2022 (From May 21, 2021 through May 20, 2022)	Fiscal Year Ended May 20, 2023 (From May 21, 2022 through May 20, 2023)
Net assets per share	582.43yen	658.20yen
Basic earnings per share	90.83yen	100.43yen
Diluted earnings per share	90.77yen	100.36yen

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

	Fiscal Year Ended May 20, 2022 (From May 21, 2021 through May 20, 2022)	Fiscal Year Ended May 20, 2023 (From May 21, 2022 through May 20, 2023)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	9,206	9,787
Profit not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent related to common stock (million yen)	9,206	9,787
Average number of shares (thousand shares)	101,358	97,453
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (million yen)	(5)	(6)
[Of which, adjustment for dilutive shares of consolidated subsidiaries (million yen)]	[(5)]	[(6)]
Increase in number of shares of common stock (thousand shares)	—	—
Outline of dilutive shares not included in calculation of diluted earnings per share due to absence of dilutive effects	—	—

(Significant Subsequent Events)

Not applicable.

4. Other

(1) Change in Officers

1) Change in representative director

Not applicable.

2) Change in other officers

- New director candidate

Director (Part-time) Hironori Koshimizu

- Retiring director

Director (Outside/Part-time) Takao Ozawa

3) Scheduled date of assumption of and retirement from office

August 4, 2023

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

Item	Fiscal Year Ended May 20, 2022 (From May 21, 2021 through May 20, 2022)		Fiscal Year Ended May 20, 2023 (From May 21, 2022 through May 20, 2023)		
	Amount (Million yen)	Ratio to Sales (%)	Amount (Million yen)	Ratio to Sales (%)	Year-on-Year Change (%)
Personnel expenses	21,586	5.0	22,712	5.1	105.2
Shipment expenses *1	24,224	5.7	21,843	4.9	90.2
Subcontract expenses *2	4,091	1.0	4,748	1.1	116.1
Business consignment expenses	11,975	2.8	11,696	2.6	97.7
Rents	10,949	2.6	10,835	2.4	99.0
Provision of allowance for doubtful accounts	37	0.0	16	0.0	44.8
Depreciation	3,292	0.8	3,451	0.8	104.8
Amortization of software	2,538	0.6	2,739	0.6	107.9
Other expenses *3	12,067	2.7	14,375	3.2	119.1
Total	90,763	21.2	92,420	20.7	101.8

*1. Compared with the previous fiscal year, shipment expenses for the fiscal year under review decreased. This was mainly due to an increase in sales per box and a growth in the sales ratio of the B-to-B business, which has a low ratio of shipment expenses to net sales.

2. Compared with the previous fiscal year, subcontract expenses for the fiscal year under review increased. This was mainly due to the construction of the new ASKUL website for the B-to-B business.

3. Compared with the previous fiscal year, other expenses for the fiscal year under review increased. This was mainly due to boosting of online advertising for the B-to-B business.