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A member of the Financial Accounting Standards Foundation

# Summary of Consolidated Financial Results for Fiscal Year Ended May 2013 (Japanese GAAP)

July 3, 2013

| | | | |
|---|---|---|---|
| Company name: | ASKUL Corporation | | Stock exchange listings: Tokyo |
| Securities code: | 2678 | URL: http://www.askul.co.jp/kaisya/ir/ | |
| Representative: | Name: Shoichiro Iwata | Title: President and chief executive officer | |
| Inquiries: | Name: Shinichi Kajikawa | Title: Executive officer, Corporate Management Unit | Tel: (03) 4330-5130 |
| Date of general shareholders' meeting (as planned): | | August 6, 2013 | |
| Dividend payable date (as planned): | | August 7, 2013 | |
| Annual securities report filing date (as planned): | | July 31, 2013 | |
| Supplemental material of annual results: | | Yes | |
| Convening briefing of annual results: | | Yes (for institutional investors and analysts) | |

(Amounts less than 1 million yen are rounded down.)

## 1. Consolidated Financial Results for Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013)

### (1) Consolidated Operating Results

(Percentage figures in parentheses indicate year-on-year changes.)

| | | Fiscal Year Ended May 2013 | | Fiscal Year Ended May 2012 | |
|---|---|---|---|---|---|
| Net sales | million yen | 226,610 | (6.4%) | 212,932 | (8.0%) |
| Operating income | million yen | 6,880 | (4.0%) | 6,617 | (23.5%) |
| Ordinary income | million yen | 7,241 | (11.3%) | 6,504 | (23.3%) |
| Net income | million yen | 5,812 | (152.5%) | 2,301 | (—) |
| Net income per share | yen | 107.50 | | 74.01 | |
| Diluted net income per share | yen | — | | — | |
| Net income to shareholders' equity ratio | % | 10.9 | | 6.8 | |
| Ordinary income to total assets ratio | % | 6.6 | | 7.2 | |
| Operating income to net sales ratio | % | 3.0 | | 3.1 | |

(Note) Comprehensive income
Fiscal year ended May 2013: 6,831 million yen (192.3%) Fiscal year ended May 2012: 2,337 million yen (—%)

(Reference) Investment profit (loss) on equity method
Fiscal year ended May 2013: — million yen Fiscal year ended May 2012: — million yen

### (2) Consolidated Financial Positions

| | | Fiscal Year Ended May 2013 | Fiscal Year Ended May 2012 |
|---|---|---|---|
| Total assets | million yen | 110,151 | 109,011 |
| Net assets | million yen | 56,935 | 51,698 |
| Capital adequacy ratio | % | 51.0 | 46.7 |
| Net assets per share | yen | 1,038.04 | 942.40 |

(Reference) Owner's equity
Fiscal year ended May 2013: 56,132 million yen
Fiscal year ended May 2012: 50,953 million yen

### (3) Consolidated Cash Flows

(Unit: million yen)

| | Fiscal Year Ended May 2013 | Fiscal Year Ended May 2012 |
|---|---|---|
| Cash flows from operating activities | 3,871 | 9,720 |
| Cash flows from investing activities | (3,873) | (2,366) |
| Cash flows from financing activities | (3,910) | 29,045 |
| Cash and cash equivalents at end of period | 46,070 | 50,062 |

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## 2. Dividends

| | | | Fiscal Year Ended May 2012 | Fiscal Year Ended May 2013 | Fiscal Year Ending May 2014 (forecast) |
|---|---|---|---|---|---|
| Dividend per share | First quarter | yen | — | — | — |
| | Second quarter | yen | 15.00 | 15.00 | 15.00 |
| | Third quarter | yen | — | — | — |
| | Fiscal year end | yen | 15.00 | 15.00 | 15.00 |
| | Total | yen | 30.00 | 30.00 | 30.00 |
| Total dividend paid | | million yen | 1,276 | 1,622 | |
| Payout ratio (consolidated) | | % | 40.5 | 27.9 | 54.1 |
| Ratio of total amount of dividends to net assets (consolidated) | | % | 4.1 | 3.0 | |

## 3. Consolidated Forecasts for Fiscal Year Ending May 2014 (May 21, 2013 through May 20, 2014)

(Percentage figures in parentheses indicate year-on-year changes.)

| | | First Half of Fiscal Year Ending May 2014 | | Fiscal Year Ending May 2014 | |
|---|---|---|---|---|---|
| Net sales | million yen | 119,000 | (8.4%) | 250,000 | (10.3%) |
| Operating income | million yen | 1,600 | (-55.3%) | 6,000 | (-12.8%) |
| Ordinary income | million yen | 1,600 | (-55.1%) | 6,000 | (-17.1%) |
| Net income | million yen | 500 | (-73.2%) | 3,000 | (-48.4%) |
| Net income per share | yen | 9.25 | | 55.48 | |

* Others

(1) Material changes in subsidiaries during this period (Changes in scope of consolidations resulting from changes in subsidiaries): No

Number of subsidiaries newly consolidated: — companies
(Name of subsidiaries newly consolidated: )
Number of subsidiaries excluded from consolidation: — companies
(Name of subsidiaries excluded from consolidation: )

(2) Changes in accounting policies and accounting estimates, retrospective restatement

1) Changes in accounting policies based on revisions of accounting standard: Yes
2) Changes in accounting policies other than 1): No
3) Changes in accounting estimates: Yes
4) Retrospective restatement: No

Note: This falls under a "case where it is difficult to distinguish between a change in an accounting policy and a change in an accounting estimate" provided for in Article 14-7 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements. For further details, see "3. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)" on page 23 of Attached Materials.

(3) Number of issued and outstanding shares (common stock)

1) Number of issued and outstanding shares at the end of fiscal year (including treasury stock)
Fiscal year ended May 2013: 54,218,000 shares
Fiscal year ended May 2012: 54,218,000 shares

2) Number of treasury stock at the end of fiscal year
Fiscal year ended May 2013: 142,659 shares
Fiscal year ended May 2012: 150,359 shares

3) Average number of shares
Fiscal year ended May 2013: 54,067,810 shares
Fiscal year ended May 2012: 31,102,003 shares

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## (Reference) Summary of Non-Consolidated Financial Results

## Non-Consolidated Financial Results for Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013)

### (1) Non-Consolidated Operating Results

(Percentage figures in parentheses indicate year-on-year changes.)

| | | Fiscal Year Ended May 2013 | | Fiscal Year Ended May 2012 | |
|---|---|---|---|---|---|
| Net sales | million yen | 210,399 | (6.4%) | 197,677 | (4.5%) |
| Operating income | million yen | 6,889 | (-0.8%) | 6,948 | (5.9%) |
| Ordinary income | million yen | 7,291 | (4.9%) | 6,950 | (0.4%) |
| Net income | million yen | 5,566 | (283.3%) | 1,452 | (—) |
| Net income per share | yen | 102.95 | | 46.69 | |
| Diluted net income per share | yen | — | | — | |

### (2) Non-Consolidated Financial Positions

| | | Fiscal Year Ended May 2013 | Fiscal Year Ended May 2012 |
|---|---|---|---|
| Total assets | million yen | 105,744 | 104,814 |
| Net assets | million yen | 57,181 | 52,053 |
| Capital adequacy ratio | % | 53.4 | 49.0 |
| Net assets per share | yen | 1,044.31 | 950.53 |

(Reference) Owner's equity
Fiscal year ended May 2013: 56,471 million yen
Fiscal year ended May 2012: 51,393 million yen

### * Expression of implementation status of audit procedures

This Summary of Consolidated Financial Results is not subject to audit procedures pursuant to the Financial Instruments and Exchange Act. The audit procedures of financial statements pursuant to the Financial Instruments and Exchange Act had not been completed at the time of the release of this Summary of Consolidated Financial Results.

### * 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 the notes and information on the use of earnings forecasts, see "1. Analysis of Operating Results and Financial Position (1) Analysis of Operating Results" on page 2 of Attached Materials.

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## 1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

1) Overview of performance in fiscal year ended May 2013

During the period under review (May 21, 2012 through May 20, 2013), the Japanese economy started to show signs of recovery. The new administration's easy-money policy combined with other developments led to rising stock prices. Recovery in domestic demand, though, was very slow, dragged down by electricity price rises and the planned consumption tax hike.

In such an environment, price and service competition in the mail-order market further intensified, as both retail and non-retail companies poured into this promising market with large growth potential.

The ASKUL Group devoted itself to broadening the customer base by continuously expanding its product range and ensuring speedy delivery of purchased items. The products offered by the Group extended from office fixtures and amenities to maintenance, repair, and operations (MRO) supplies used at factories, construction sites, laboratories, and other places of business. On November 20, 2012, ASKUL officially launched LOHACO, a comprehensive Internet mail-order site for general consumers, in alliance with Yahoo Japan Corporation. The new site enabled quick and easy purchase via smartphone and tablet with delivery as early as the same day, saving users' time in shopping for heavy, bulky groceries during their busy daily lives. ASKUL took various measures to increase LOHACO's visibility, including posting a link on the Yahoo! Japan top page and advertising on other websites. These measures led to a steady increase in the number of customers at LOHACO, who purchased beverages, consumables, and other regular products used daily at home, and stylish, high-tech appliances, to name a few.

ASKUL works to transform itself into a full-fledged comprehensive e-commerce (electronic commerce) company by building the mail-order business for general consumers into a new growth driver, along with the office product mail-order business that has spurred the Company's growth to date. In doing so, the Company makes the fullest use of its structural advantages, which include the following: (1) unrivalled ability to attract visitors, underpinned partly by the link posted on the Yahoo! Japan top page; (2) high utilization of its distribution facilities made possible by serving two kinds of customers—corporate customers, to which deliveries are primarily made during weekday daytime, and general consumers, whose purchases are mostly delivered on weekday evenings and weekends; and (3) great value and competitive prices offered through direct transactions with some 800 manufacturers, the network developed in its office product sales business.

ASKUL also endeavors to significantly increase the number of the products available for same or next day delivery at LOHACO and other channels. To that end, the Company expands its existing distribution center in Osaka, while newly constructing an ASKUL Logi PARK Tokyo Metropolitan distribution center in Saitama Prefecture that is scheduled to be operational in late July 2013.

For the period under review, consolidated net sales rose 6.4% year-on-year to a record high of 226,610 million yen, driven by the following factors: an expanded customer base brought about by the broader product range described above; an increased number of companies using SOLOEL ARENA, a purchasing system for medium- and large-sized corporations; strong sales of beverages and of detergents, toilet paper, tissue boxes, and the like used at offices; and enhanced sales of sanitary items, such as surgical masks, and of packaging materials, adhesive tape, and other MRO supplies used mainly at work sites.

"Gross profit—net" grew 6.6% year-on-year to 50,613 million yen. Persistent efforts to reduce the cost of sales and the broader lineup of own-brand products especially contributed to maintaining the ratio of "gross profit—net" to net sales at 22.3%, the same level as the preceding fiscal year, and to posting a record "gross profit—net."

Selling, general and administrative expenses increased 7.0% year-on-year to 43,733 million yen. Upon launching LOHACO, ASKUL made upfront investment to increase the site's visibility, in the

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form of advertising and other expenses. At the same time, by continuing to rigorously pursue low-cost operations, the profitability of the existing business improved further. In consequence, the ratio of selling, general and administrative expenses to net sales increased only by 0.1 percentage point, to 19.3%. As a result of these developments, operating income rose 4.0% to 6,880 million yen and ordinary income increased 11.3% to 7,241 million yen. Net income grew 152.5%, hitting a record high of 5,812 million yen, as total income taxes decreased due largely to the restructuring of unprofitable consolidated subsidiaries; namely, an absorption-type merger with ASMARU Corporation, and the commencement of the process of liquidating ASKUL (Shanghai) Trading Co., Ltd.

2) Outlook for fiscal year ending May 2014

In the fiscal year ending May 2014, ASKUL will take the following approaches as outlined in "2. Management Policy (1) Basic Management Policy and Medium- to Long-Term Management Strategy" below. In the B-to-C (Note 1) online mail-order business, the Company will solidify its advantages in such aspects as price, quality, and delivery, while dramatically increasing the number of customers through vigorous advertising campaigns. In the B-to-B (Note 2) mail-order business, the Company will focus on growing areas that include medical and nursing supplies, as well as MRO supplies used at factories, construction sites, laboratories, and other places of business. The Company expects the B-to-B mail-order business to continue steady growth, and forecasts that consolidated net sales for the fiscal year ending May 2014 will increase 10.3% year-on-year. As for the B-to-C online mail-order business, in the light of growing demand for e-commerce throughout society, the Company firmly believes that now is the time to act to make the business take off as quickly as possible. In the fiscal year ending May 2014, the Company will therefore take bold pricing strategies and invest a substantial amount of money in advertising to swiftly increase its share in the market. Other developments expected for the fiscal year ending May 2014 include onetime expenses to be incurred in association with the start of the operation of the state-of-the-art distribution center ASKUL Logi PARK Tokyo Metropolitan, and the absence of the decrease in tax expenses that was recognized for the period under review due to the restructuring of consolidated subsidiaries. Taking these into account, the Company expects at this stage that, for the fiscal year ending May 2014, consolidated net sales will increase 10.3% year-on-year to 250.0 billion yen, operating income will decline 12.8% to 6.0 billion yen, ordinary income will fall 17.1% to 6.0 billion yen, and net income will drop 48.4% to 3.0 billion yen.

Notes:
1. "B-to-C" refers to transactions between business and consumer.
2. "B-to-B" refers to transactions between businesses.

(2) Analysis of Financial Position

1) Assets, liabilities, and net assets

(Assets)

Consolidated total assets stood at 110,151 million yen at the end of the fiscal year ended May 2013, an increase of 1,139 million yen from the end of the preceding fiscal year. The main contributing factors were increases of 1,666 million yen in "notes and accounts receivable—trade," 406 million yen in income taxes receivable that resulted from the decrease in total income taxes mentioned earlier, 1,191 million yen in construction in progress owing to the construction of ASKUL Logi PARK Tokyo Metropolitan, and 1,940 million yen in investment securities. These more than offset decreases of 3,991 million yen in cash and deposits and 481 million yen in noncurrent differed tax assets.

(Liabilities and net assets)

Consolidated liabilities amounted to 53,215 million yen, a decrease of 4,097 million yen from the end of the preceding fiscal year. The primary reasons behind were decreases of 3,259 million yen in factoring payable, 2,123 million yen in short- and long-term loans payable, 1,559 million yen in income taxes payable, and 436 million yen in noncurrent asset retirement obligations. On the

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other hand, "notes and accounts payable—trade" increased by 2,871 million yen and current asset retirement obligations rose by 383 million yen.

Net assets were 56,935 million yen, an increase of 5,236 million yen from the end of the preceding fiscal year. This was largely attributable to net income of 5,812 million yen. Meanwhile, the payment of dividends led to a decrease of 1,622 million yen.

Consequently, the capital adequacy ratio came to 51.0%, compared to 46.7% at the end of the preceding fiscal year.

2) Cash flows

Consolidated cash and cash equivalents (hereinafter "Funds") at the end of the fiscal year ended May 2013 were 46,070 million yen, a decrease of 3,991 million yen from the end of the preceding fiscal year.

The cash flows from each of operating, investing, and financing activities for the period under review and the underlying factors were as explained below.

(Cash flows from operating activities)

Net Funds provided by operating activities were 3,871 million yen. The main factors contributing to an increase in Funds were income before income taxes of 6,803 million yen, depreciation and amortization of noncurrent assets and depreciation of software totaling 2,686 million yen, and a 2,844 million yen increase in "notes and accounts payable—trade." Meanwhile, the factors leading to a decrease in Funds included a 1,645 million yen increase in "notes and accounts receivable—trade," a 3,259 million yen decrease in factoring payable, and income taxes paid of 3,056 million yen.

(Cash flows from investing activities)

Net Funds used in investing activities were 3,873 million yen. The main items were 1,525 million yen paid for the purchase of property, plant and equipment and 1,829 million yen paid for the purchase of software.

(Cash flows from financing activities)

Net Funds used in financing activities were 3,910 million yen. The primary items were repayment of loans payable amounting to 2,434 million yen and cash dividends paid of 1,622 million yen.

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

| | Fiscal Year Ended May 2009 | Fiscal Year Ended May 2010 | Fiscal Year Ended May 2011 | Fiscal Year Ended May 2012 | Fiscal Year Ended May 2013 |
|---|---|---|---|---|---|
| Capital adequacy ratio (%) | 22.2 | 26.3 | 23.0 | 46.7 | 51.0 |
| Capital adequacy ratio at market value (%) | 59.7 | 77.7 | 48.4 | 46.2 | 87.7 |
| Cash flow to interest-bearing liabilities ratio (years) | 1.9 | 1.0 | 1.0 | 0.6 | 1.0 |
| Interest coverage ratio (times) | 179.3 | 84.8 | 110.3 | 169.6 | 99.7 |

Notes:

Capital adequacy ratio at market value = Market capitalization / Total assets

Cash flow to interest-bearing liabilities ratio = Interest-bearing liabilities / Cash flows

Interest coverage ratio = Cash flows / Interest payment

* The market capitalization is calculated by multiplying the closing share price at end of period by the number of issued and outstanding shares (net of treasury stock) at end of period.
* The amount of cash flows from operating activities is used as the amount of cash flows.
* "Interest-bearing liabilities" refers to all the liabilities bearing interest and reported on the consolidated balance sheet.
* The amount of interest payment used to compute the interest coverage ratio is the amount of interest expenses presented in the consolidated statement of income.

(3) Basic Policy on Allocation of Earnings and Dividends for Fiscal Years Ended May 2013 and Ending May 2014

ASKUL's policy is to allocate earnings based on the comprehensive assessment of various factors, striking a good balance between two goals—namely, "securing sufficient internal reserves for financing capital expenditures to increase the corporate value over a mid- to long-term period" and "pursuing a dividend policy as a means to deliver appropriate returns to meet the expectations of shareholders"—while ensuring strong cash flows and sound financial position.

For the period under review, with the exception of one-off factors including the liquidation of ASKUL (Shanghai) Trading Co., Ltd., ASKUL posted profits that were almost in line with the forecasts made at the beginning of the fiscal year. This was made possible as the existing business profits more than offset the upfront investment made for LOHACO. Therefore, pursuant to the policy stated above, the Company intends to distribute dividends from surplus to shareholders in a consistent manner as planned at the beginning of the fiscal year. For the period under review, the Company plans to pay an annual dividend of 30 yen (an interim dividend of 15 yen and a fiscal year-end dividend of 15 yen) per share as forecasted at the beginning of the fiscal year.

For the fiscal year ending May 2014, with an eye to making the B-to-C online mail-order business take off as quickly as possible, ASKUL will make some upfront investment for such purposes as pricing strategies and large-scale advertising. The Company, however, has a solid financial base and has secured sufficient funds at hand to cover capital expenditures over the medium to long term. The Company thus intends to distribute dividends in a consistent manner and plans to pay an annual dividend of 30 yen (an interim dividend of 15 yen and a fiscal year-end dividend of 15 yen) per share. This is expected to bring the payout ratio to 54.1%.

(4) Business and Other Risks

Factors that may affect the ASKUL Group's operating results, financial positions, share price, and other matters include those described below.

1) Business and capital alliance agreement with Yahoo Japan Corporation

a. Details of the business and capital alliance

ASKUL entered into a business and capital alliance agreement with Yahoo Japan Corporation on April 27, 2012 (hereinafter "the Business and Capital Alliance Agreement"). The agreement is aimed at maximizing the value of each company by sharing each other's resources for B-to-C online mail-order and B-to-B mail-order businesses. Such resources include abilities to attract visitors, customer bases, suppliers, settlement systems, Internet service systems, Internet service design technology, logistics and delivery facilities, and capabilities to manage logistics and delivery operations, along with the associated know-how and personnel. Leveraging these resources, a new B-to-C online mail-order business has been launched in the form of an Internet-based e-commerce business. The business is designed to deliver new benefits to Japanese consumers and provide suppliers with the opportunity to enhance their businesses through efficient mechanisms. The immediate goal is to become the overwhelming leader in the field of the new business within two years of forming this business and capital alliance.

The Business and Capital Alliance Agreement obligates ASKUL to build new warehouses according to the plan formulated with Yahoo Japan Corporation and to secure the warehousing space as separately agreed upon by the two companies, with the aim of expanding its logistics

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infrastructure as described above. In the event that ASKUL fails to fulfill such obligations, the Company shall pay as compensation the difference between the actual profit and the anticipated profit in the business plan agreed upon by the two companies. Therefore, if ASKUL fails to fulfill such obligations, the Group's financial results may be affected.

b. Stock dilution, etc.

Yahoo Japan Corporation has become ASKUL's "other affiliated company" following the issuance of new shares through third-party allocation carried out in accordance with the Business and Capital Alliance Agreement. Yahoo Japan Corporation and the Company respect the fact that each of them is listed on the stock exchange and has continued to independently manage and operate respective businesses. Recognizing the aforementioned goal as the top priority, the two companies keep on seeking the best operational structure for the new business.

In the event that ASKUL intends to take an action diluting voting rights,(Note) the Company shall notify in writing Yahoo Japan Corporation of its intention to take such an action and the terms and conditions thereof, and shall carry out, in a proper and timely manner, all the measures necessary to maintain the ratio of voting rights of the shares in the Company held by Yahoo Japan Corporation immediately prior to the action diluting voting rights taken. In addition, in the event that, as a result of the Company's exercise of subscription rights to shares, exercise of other potential common shares, or conversion of them into shares (hereinafter "the Exercise of Subscription Rights to Shares, Etc."), the ratio of voting rights of the shares in the Company held by Yahoo Japan Corporation immediately following the Exercise of Subscription Rights to Shares, Etc., (i) has decreased by one-hundredth or more from the ratio of voting rights of the shares in the Company held by Yahoo Japan Corporation and its subsidiaries immediately following the payment date for the issuance of new shares through third-party allocation, and (ii) has decreased by one-hundredth or more from the ratio of voting rights of the shares in the Company held by Yahoo Japan Corporation and its subsidiaries at the time of the aforementioned measures last carried out, the Company shall notify in writing Yahoo Japan Corporation of such situations and shall take all the steps necessary to restore such ratio to, or maintain, the ratio of voting rights of the shares in the Company held by Yahoo Japan Corporation and its subsidiaries immediately following the payment date for the issuance of new shares through third-party allocation. Therefore, if such measures or steps are taken, voting rights of shares in the Company may be diluted.

Note: An "action diluting voting rights" shall refer to any acts that may dilute voting rights of shares in the Company. (Such acts shall include the issuance of shares for subscription, the disposal of treasury stock, reorganization accompanied by the issuance of shares, and other actions that actually dilute voting rights, as well as actions that may dilute voting rights in the future, such as the issuance of subscription rights to shares, of class shares convertible to shares with voting rights, and of other potential common shares; provided, however, that the following shall be excluded: the issuance of shares in the Company and the resultant delivery of treasury stock upon exercise of the subscription rights to shares already issued, or the Company's sale of treasury stock it owns to a shareholder who holds shares in the Company in a number less than one unit and submits a demand for the sale of shares less than one unit in accordance with Article 194 (1) of the Companies Act and Article 10 of the Company's Articles of Incorporation.)

2) B-to-B mail-order business model

a. Concept underpinning the business model

The ASKUL Group's primary business is supported by a number of partner companies, such as suppliers; agents that play a unique role in acquiring customers, collecting bills, and managing receivables, all virtually on behalf of the Group; delivery companies; and firms that develop, maintain, and operate information systems. The Group's fundamental policy is based on the concept of a value chain in which participants fulfill their functions, share roles, complement each other, collaborate strategically as partners, eliminate duplicate operations and functions, and minimize wasted time and money so that maximum value is delivered to customers. The Group makes every effort to maintain good relationships with the partner companies that support its business model. However, if it becomes impossible to continue outsourcing operations to a partner company due to changes in its business conditions and other circumstances, the Group's financial results may be affected.

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b. Agent's roles in the business model

A main feature of the ASKUL Group's primary business model is the adoption of an agent system, under which individual agents assume the risk of collecting bills from customers while the Group takes the risk of collecting accounts receivable from an approximate total of 1,400 agents. The Group offers incentive plans and schemes to encourage agents' growth and boost their activities, and takes various other measures to strengthen their business foundations. If an agent's bankruptcy and similar events occur due to deteriorating economic conditions and other reasons, the agent's customers will be promptly taken over by the Group, and eventually by a successor agent. Such events, therefore, are expected to have a limited impact on the Group's operating results. Nonetheless, there is the potential possibility that an agent's bankruptcy and similar events may generate collection risk, which may affect the Group's financial results.

The ASKUL Group has no intention of indefinitely increasing the number of agents for the sake of prioritizing customer acquisition. The Group has established certain criteria and procedures for selecting, and concluding a contract with, a new agent to ensure that each agent has sufficient financial and other resources to engage in ASKUL's business and understands the Group's business concept.

c. Linkage between advertisements and agents

While agents work to acquire new customers, the ASKUL Group conducts advertising and other publicity campaigns on a nationwide basis using newspaper and Internet ads and other media. As a result of these campaigns, the Group has received numerous sign-up applications directly from potential customers. Upon receiving such an application, an agent in charge is assigned in accordance with the internal rules to engage in collecting bills and managing receivables. Agents so assigned pay the Group an advertisement cooperation fee, which is determined based on the number of customers each agent has acquired, to cover a part of the Group's advertising expenses. If the Group's advertising and other publicity campaigns become less effective, the direct application rate may decline. In that case, the amount of advertisement cooperation fee paid by agents may also decline and/or the Group's advertising expenses may rise due to increased advertising and other costs. Such events may affect the Group's financial results.

d. Risk involved in catalog publication

While the use of ASKUL services via the Internet has been growing, many customers still select the items they need from the Group's catalogs. When choosing the items to sell and creating catalogs, the Group takes the utmost care, establishing a unit dedicated to controlling the quality of product descriptions. Nevertheless, if there is a critical defect in a catalog product description, the catalog may have to be recalled. In that event, the Group's financial results may be affected.

3) Risk involved in the procurement and inventory of products

The ASKUL Group has requested its suppliers to build a stable product supply system that meets the Group's selling power. Still, if the Group is unable to procure products in a consistent manner for some reasons, its financial results may be affected. Such reasons include sharp changes in exchange rates, as well as limited production or increased cost of production due to the rising prices of, or the difficulty in procuring, raw materials caused by changing socioeconomic conditions. The Group endeavors to procure a product sold in large quantities from more than one supplier. Despite that, if a particular supplier stops supply due to disaster and other emergency situations and swiftly replacing that supplier with another proves to be difficult, the Group's sales activities may be hampered.

As part of its product strategy, the Group analyzes customers' purchasing behavior using its Demand Forecast System, and shares inventory and demand forecast information with suppliers through the SYNCHROMART system. These systems are designed to help suppliers maintain inventory levels based on production capacity and demand, thereby enabling the Group to reduce missed sales opportunities caused by out-of-stock situations and to minimize drops in customer satisfaction levels. Some products, however, may become out of stock if supply temporarily fails to meet demand. Products that involve such risk include an item the Group newly offers, summer

beverages and other seasonal products, sanitary products used for protection against infectious diseases, and items needed at the time of disaster. Furthermore, in its B-to-C online mail-order business, the Group intends to offer an extensive range of products to meet the diverse and fast-changing needs of general consumers. In the light of these factors, the Group continues its efforts to improve the accuracy of demand forecasts, maintain effective collaboration with suppliers, and manage the demand chain efficiently so that it can keep proper inventory levels, eliminating the risk of being out of stock or of having an overly large inventory of some products. Yet, there is the possibility that inaccurate forecasts, system troubles, and other problems may cause inadequate or excessive inventory levels. In that event, the Group's financial results may be affected.

4) Capital expenditures

The ASKUL Group's core competencies are underpinned by information technology (IT) to a considerable degree. To respond to rapid advances in IT and Internet technology ahead of others, the Group continues to invest in software and other resources. However, if the faster-than-expected development of IT results in shorter useful lives of software and other investments than originally projected, the Group may need to depreciate the remaining book value of such assets at one time, which may affect its financial results. Furthermore, in the case of follow-on investment in software, which is implemented on an ongoing basis, and of system redesign that involves major upgrade, the development schedule may delay due to software bugs and other problems, or software quality issues may arise after it is put into operation. These may also affect the Group's financial results. In addition to investment in software, the Group continues to invest in the construction of a new distribution center and in the extension and renovation of the existing ones to accommodate its business growth. The Group is also making large investment in new logistics infrastructure and information systems to launch its B-to-C online mail-order business successfully. Before making any capital expenditures, the Group thoroughly examines the return on investment. However, if an investment does not generate sufficient returns, or takes longer than expected to generate them, the Group's financial results may be affected.

5) Internet mail order

a. Internet failures, etc.

In addition to taking orders via fax based on catalogs, the ASKUL Group accepts orders via the Internet through its websites, such as ASKUL Internet Shop, SOLOEL ARENA, SOLOEL Enterprise, and LOHACO, a site dedicated to individual customers.

With the use of the Internet growing exponentially, the share of orders placed on the Internet is increasing at the Group. In such circumstances, the Group's exposure to social or technological risk inherent in the Internet is likely to increase. In view of this, the Group ensures its Internet servers are decentralized and up to date, augments network capacity, duplicates the main system and builds the real-time backup system in preparation for system failures and other troubles, and reinforces network security to protect against unauthorized access and computer viruses. In January 2006, the Group was authorized to use a PrivacyMark by the Japan Information Processing Development Corporation (JIPDEC) after being examined for compliance with the requirements of the JIS Q 15001 standard relating to personal information protection management systems. The Group has built the management system in accordance with the requirements, and developed the management framework needed to protect customer and personal information as well. The Group will continue to enhance its network security and information management. However, as it is difficult to completely prevent or avoid the main system's failure, network troubles, virus infection, and other problems, there is the possibility that the Group's business operation may be materially interrupted, or that customer information leak and similar incidents may lower the Group's credibility in society and/or lead to a claim for damages. Such events may affect the Group's financial results.

b. Laws and regulations applicable to Internet mail order

The ASKUL Group is engaged in the mail-order business. In addition, the websites it operates, such as ASKUL Internet Shop, SOLOEL ARENA, and LOHACO, a site dedicated to individual customers, all fall in the category of electronic commerce via the Internet. Accordingly, the Group

is subject to the relevant laws and regulations, including the Act on Specified Commercial Transactions, the Act against Unjustifiable Premiums and Misleading Representations, and the Act on Regulation of Transmission of Specified Electronic Mail. The Group's business operations also comply with the industry's voluntary regulations that include the Japan Direct Marketing Association's Guidelines for Electronic Commerce in the Mail Order Industry. If these laws and regulations are amended or new laws and regulations are adopted in the future, the Group's financial results may be affected.

6) Logistics service

a. Quality of logistics service

Bizex Corporation, ASKUL's wholly owned subsidiary, makes every effort to provide high-quality services. Nonetheless, if significant damage to packages, lost packages, and other troubles occur, or if customer information contained in shipping labels and elsewhere leaks to third parties due to insufficient information management, the Group may lose credibility in society and/or be demanded to pay damages. In that event, the Group's financial results may be affected.

b. Serious traffic accidents

Bizex Corporation, ASKUL's wholly owned subsidiary, uses vehicles in the delivery business. Its employees have been educated to abide by traffic laws and regulations, and safety measures have been taken. Nevertheless, if a serious traffic accident or a material violation of laws and regulations occurs, the Group may lose credibility in society and/or receive an administrative disposition. Such events may affect the Group's financial results.

c. Market prices of fuels and other resources

The ASKUL Group is committed to delivering products in an efficient manner, promoting a variety of activities to conserve the environment and eliminate inefficiencies. However, if vehicle fuel prices soar or the fuel supply chain is disrupted by disaster and other unforeseen events, the Group's financial results may be affected.

7) Regulatory control under the Pharmaceutical Affairs Act and other applicable laws and regulations

The ASKUL Group provides delivery service of supplies for medical and nursing care facilities and of sanitary materials, injection needles, catheters, disinfectants, and other specialized items for medical institutions. The sale and management of these items are subject to the Pharmaceutical Affairs Act and other applicable laws and regulations, and the Group has obtained necessary licenses and permits. In addition, the Group has obtained licenses and made registrations and notification as required by law in other fields. These include license for ordinary construction business, license for specific construction business, registration for first class consigned freight forwarding business, license for general motor truck transportation business, notification for light motor truck transportation business, and registration for warehousing business. If the relevant laws and regulations are amended, new laws and regulations are adopted, or the Group fails to comply with them, its operations may be restricted and financial results may be affected.

8) Product procurement

Sharp fluctuations in raw material prices or exchange rates worldwide may cause increases in procurement prices and other negative effects. Even in such a case, however, an increase in procurement prices may not be able to be fully passed on to customers. Although the ASKUL Group makes a unified effort to reduce costs, this effort alone may not be sufficient to absorb the increase in procurement prices. In addition, there may be a case where the Group is unable to sufficiently supply a particular product because the supply and demand balance of the product deteriorates due to temporary popularity, disaster, and other causes. In that case, the Group's financial results may be affected. The Group has established a unit in charge of product quality management to ensure that its products and suppliers are selected and managed in the most

appropriate manner possible. Nonetheless, if product recalls and other negative events occur due to quality problems, the Group's financial results may be affected.

9) Country risk

The ASKUL Group handles imported products, sells merchandise in China, and engages in other overseas transactions. As such, the Group is exposed to country risk, which arises from government's regulatory control and law amendments, political and economic instability, underdeveloped credit markets, restrictions on capital movement, and other elements in foreign countries. Though the Group endeavors to control country risk by taking risk avoidance measures in individual projects, eliminating country risk completely is not possible. If this risk materializes, the Group's financial results may be affected.

10) Natural disaster risk

The ASKUL Group, especially its previous head office and Sendai distribution center, suffered enormous damage from the Great East Japan Earthquake that occurred on March 11, 2011. Prior to the earthquake, the Group had developed a business continuity plan, assuming fire and an outbreak of a new strain of influenza, avian flu, and other infectious diseases; and its order centers, contact centers, and distribution centers had been built in multiple locations in an attempt to disperse risk. Following the earthquake, in light of the damage sustained, the Group reviews its business continuity plan on an ongoing basis. However, given that the probability of earthquakes, typhoons, and other natural disasters occurring remains high, there is the risk that the Group's offices and facilities may be damaged by a larger-than-expected earthquake or other natural disaster. In that event, the Group's financial results may be affected.

Notes regarding forecasts

Descriptions of the full-year results and forward-looking statements set forth in this document contain forecasts based on plans, projections, and management strategy and policies of ASKUL Corporation and the ASKUL Group as of the release date of this document. Although these descriptions and statements were made on the basis of information available to ASKUL Corporation and the ASKUL Group as of the release date, they include risk and uncertainties. Please be aware that actual results and other future events may differ materially from the forecasts set forth herein due to a variety of factors, such as economic conditions and market trends surrounding ASKUL Corporation's and the ASKUL Group's businesses.

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## 2. Management Policy

(1) Basic Management Policy and Medium- to Long-Term Management Strategy

The ASKUL Group, true to its corporate philosophy of "evolving for our customers," has pioneered in developing the total office support service that delivers products and services needed in offices in a swift and reliable manner. Since the inception of the business in 1993, the Group has been continually advancing its products, services, and systems, listening to the voices of customers. By catering to the diverse needs of customers, ranging from globally competing corporations to small and medium offices supporting them, the Group has established itself as the overwhelming leader in the field.

The ASKUL Group has set its mission as "realizing innovative living infrastructure that delivers what you want, when you want it, anytime, anywhere, to anybody in the most eco-friendly manner." To achieve this mission, its B-to-C online mail-order business had focused on specific target customers to fully cater to the needs of general consumers. However, with the rapidly growing use of smartphones and tablet computers driven by information technology advances, the industry structure has entered a period of change, and demand for e-commerce (Note) is fast growing not just among general consumers but also throughout society. Amid this trend, it seems highly likely that the boundary between B-to-B and B-to-C e-commerce will disappear in the near future. In view of these developments, the Group considers that increasing corporate value over a long term would be difficult if its management resources were to be focused on the B-to-B mail-order business alone. Accordingly, the Group has decided that it is imperative to make the B-to-C online mail-order business take off as quickly as possible by expanding its logistics infrastructure, information systems, and other resources in a very short period of time. It is for this reason that a business and capital alliance has been formed with Yahoo Japan Corporation. The alliance is designed to combine the two companies' expertise and human resources so as to build an e-commerce business that excels any other B-to-C online mail-order services in every aspect from price and quality to delivery. Toward that end, LOHACO, an Internet mail-order site for general consumers, was launched on November 20, 2012. In addition, the Group expands its existing distribution center in Osaka while constructing ASKUL Logi PARK Tokyo Metropolitan, aiming to boost its advantages by substantially increasing the number of the products available for same or next day delivery. Such investment in logistics infrastructure and information systems is expected to create various synergistic effects. For example, the existing B-to-B mail-order business will be greatly benefited by increased logistics efficiency, in the form of shorter delivery time and other service improvements. Moreover, the use of the B-to-C online mail-order service may motivate the customer to use the B-to-B mail-order service at work, leading to the latter's sales growth as well. The Group therefore believes that such investment will eventually contribute to growth in the customer bases and sales of both the B-to-B and B-to-C businesses. Profitability will also be enhanced through a greater economy of scale, because the Group's procurement power, hitherto supported by the large volumes of purchases made domestically and internationally by its B-to-B mail-order business, will be further strengthened by purchases made by the B-to-C online mail-order business.

As outlined above, the ASKUL Group believes that the launch of the new B-to-C online mail-order business will have a significant ripple effect on the B-to-B mail-order business. By expanding both the B-to-B and B-to-C businesses, the Group aims to become a key player in the Japanese e-commerce industry.

Note: "E-commerce" refers to the business of commerce conducted via electronic means, such as the Internet.

(2) Target Performance Indicators

Prioritizing the inherent profitability of a business, the ASKUL Group aims to raise the operating income to net sales ratio by improving gross profit margins through higher market shares and a broader lineup of original products, as well as by lowering operating costs through ongoing cost restructuring initiatives. Furthermore, from the perspective of shareholder-oriented management, the Group makes all-out efforts to boost the return on equity (ROE) over the medium to long term to increase the corporate value. For the fiscal year ended May 2012, the Group's operating income to net sales ratio was 3.1% with an ROE of 6.8%. For the period under review, the Group posted

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an operating income to net sales ratio of 3.0%, and an ROE of 10.9%. This ROE improvement was driven by record-high net income, which in turn was partly due to the one-off decrease in total income taxes resulting from the completion of restructuring of unprofitable consolidated subsidiaries. While no such decrease in total income taxes is expected for the fiscal year ending May 2014 and beyond, the Group will make every effort to grow the B-to-C online mail-order business as quickly as possible and thereby to enhance its performance indicators over the medium to long term.

(3) Challenges Ahead

With the rapidly growing use of smartphones and tablet computers, demand for e-commerce is fast increasing throughout society. As a result, it seems highly likely that the boundary between B-to-B and B-to-C e-commerce will disappear in the near future. As outlined in "(1) Basic Management Policy and Medium- to Long-Term Management Strategy" above, the ASKUL Group considers it imperative to respond to this anticipated social development and intends to expand its logistics infrastructure and information systems in a very short period of time. The expansion is aimed at making the B-to-C online mail-order business take off as swiftly as possible, which is expected to have a ripple effect on the B-to-B mail-order business.

The ASKUL Group has earned the trust of customers by consistently delivering products by next day, fulfilling the pledge to customers. The Group is keenly aware that it has a responsibility to serve as a social infrastructure by delivering the products customers need, always on the promised date. To function and fulfill its responsibility as such a social infrastructure, the Group believes that its organization, mechanisms, and infrastructure must be built in a way that allows the Group to continue its operations and satisfy customer demand not only in normal times but also in times of emergencies. The planned large capital expenditures will therefore be used in part to build a decentralized logistics network and upgrade the backup system. In addition, the entire supply chain, which constitutes a foundation for customer services, will be enhanced through such measures as procuring products in a more continuous and consistent manner, installing seismic reinforcement in existing distribution centers, and dispersing offices and facilities that include order and contact centers.

The ASKUL Group has pursued the four goals listed below to establish itself as the overwhelming leader in the field of total office support service. Each and every one of these goals is likely to contribute to the expansion of the B-to-C online mail-order business and better customer services, as well as to the growth of the existing B-to-B mail-order business. These four goals will therefore continue to be pursued.

- Broadening customer base (actively broadening the clientele through four channels targeting very large corporations, medium to large enterprises, small and medium offices, and individuals, respectively)
- Extending product range (besides B-to-B items that the Group has long been offering, strategically expanding the range of health care products, including medical and nursing supplies, and of MRO supplies used in factories, construction sites, laboratories, and other places of business so as to quickly become the leading player in these categories as well; and accelerating the growth of the B-to-C online mail-order business by substantially increasing the range of groceries, over-the-counter drugs, and other B-to-C items)
- Enhancing business platform (achieving even greater logistics efficiency through a newly built distribution center with state-of-the-art equipment; and differentiating the Group by offering superior services, such as Concierge Sales Drivers, who provide high-quality delivery services by drawing on the logistics know-how of Bizex Corporation, a Group firm; and the recycling-oriented, zero-waste ECO-TURN Delivery service)
- Expanding into the Asian market (laying the foundation for global business over the medium term, targeting the Asian market)

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(4) Green Activities

Staying true to the corporate philosophy of "evolving for our customers," ASKUL strives to streamline conventional distribution structures to increase efficiency throughout society. The Company was founded based on the concept of a "business model optimized for society," which is aimed at achieving both greater business efficiency and lower environmental impacts. In March 2004, all of the Company's major offices received ISO 14001 certification, an international standard for environmental management systems (hereinafter "EMS"). EMS has since been implemented throughout the Company as the basis of its environmental management.

During the period under review, the Company set long-term environmental goals in terms of $CO_2$ emissions and resource consumption, replacing the ASKUL Medium-Term Environmental Plan. In view of a new climate change framework being built by the international community including Japan for implementation from 2020, the Company aims to accomplish these goals by fiscal 2020, modeling possible scenarios for the period up to that year. Toward these goals, the division in charge develops a detailed annual plan with specific priority themes for each business process to work on. Ongoing improvement initiatives are also carried out using the EMS approach.

In the field of delivery, ASKUL's subsidiary Bizex Corporation deployed 11 hybrid vehicles, actively promoting environmentally friendly delivery services. In the field of product strategy, the Company offered a number of products catering to the needs of environmentally conscious customers. One of such products was an air duster developed jointly with the supplier. Available only at ASKUL, the product was functionally superior and environmentally sound with a very low climate impact.

In the field of product procurement, ASKUL worked to quantify and reduce $CO_2$ emissions in the procurement process by sharing information with suppliers. This effort led to a modal shift in transportation of an imported product, resulting in an around 69% reduction in $CO_2$ emissions from domestic road transport of that product. The Company will continue working to reduce the environmental impact of its supply chain.

Since August 2009, ASKUL has been undertaking a "1 box for 2 trees project" to ensure the sustainability of raw materials of its copier paper made in Indonesia. The project confirmed that, as of October 2012, more than 31.48 million trees capable of serving as raw materials for copier paper in the future had been properly planted. In the fiscal year ended May 2012, the Company launched another initiative entitled "20 ha project" to help reforestation in Indonesia, a country in which ASKUL original copier paper is made. Aiming to stop natural forests in an Indonesian biosphere reserve being destroyed and plant trees for reforestation, the project had sown about 8,000 trees by September 2012. Through this project, the Company intends to help address various issues, such as local community development and biodiversity conservation. The progress of the 1 box for 2 trees project and the 20 ha project is provided on the dedicated website: http://1for2.askul.co.jp (in Japanese only).

ASKUL's distribution centers, offices, and other facilities make continued efforts to reduce energy consumption. At Osaka DMC, indoor light fixtures have been replaced with LED lighting to curtail electricity use. At ASKUL Logi PARK Tokyo Metropolitan scheduled to be operational in July 2013, the environment-friendly platform the Company has envisioned will become a reality: LED lighting will be used throughout the distribution center; and an "i-pack" automated packing system will be introduced to realize resource-saving packaging through significantly reduced use of cushioning materials, easy-to-open packages not needing box-sealing tape, and other ingenuities. Moreover, the Company will install solar panels on the roof of the distribution center to enter the solar power business in the fiscal year ending May 2014.

ASKUL believes that its social responsibility lies in delivering, in the most efficient way possible, the products its customers can use with peace of mind. With this awareness in mind, the Company will continue to build and advance a distribution platform that is more environmentally friendly, constantly listening to the voices of customers and other stakeholders.

Note: The 1 box for 2 trees project refers to an initiative in which, at every purchase of one box of ASKUL original copier paper made in Indonesia, a portion of the price paid by the customer is spent to plant at least two trees for the purpose of securing raw materials, and confirmation is made that trees will be able to serve as sustainable raw materials.

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(5) Corporate Social Responsibility Activities

During the period under review, ASKUL continued to assist, together with its customers, the networks of support developed in the wake of the Great East Japan Earthquake. To sustain these networks and prevent them from being forgotten, the Company carried on its support initiatives through merchandise sales, expanding the range of such merchandise. The ASKUL Kodomo Art Project is one of such initiatives, launched in the fiscal year ended May 2011 to support children in the affected areas. The other is the Products with Donations scheme, under which a part of the sales of certain products originally designed by the Company are used to rebuild industries in the disaster-stricken areas.

The ASKUL Kodomo Art Project has the following framework: first, using as motifs the paintings drawn by children in the affected area, the Company develops original products, including paper cups, notepads, and cube box tissues; then, 3% of the sales of these products are used, as an art usage fee and through a nongovernmental organization (NGO), to hold art workshops for children.

Besides these support initiatives through merchandise sales, many ASKUL employees have volunteered in the affected areas and participated in support activities held in the suburbs of Tokyo. Through such activities, they have helped the local communities hold art workshops, rebuild industries, and organize gatherings for affected people.

The Company has also endeavored to provide its employees and staff with opportunities to participate in outreach activities. Such activities include the following: making notebooks by hand out of usable returned products and donating them to children in developing countries via an international NGO; participating in inspections and packing of donated stationery at an international NGO; and soliciting donations that can be made through the purchase of boxed meals.

The Company will continue to engage in a variety of community and outreach activities, always keeping in mind how it can contribute to society through business.

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## 3. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Unit: million yen)

| | Fiscal Year Ended May 2012 (As of May 20, 2012) | Fiscal Year Ended May 2013 (As of May 20, 2013) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 50,062 | 46,070 |
| Notes and accounts receivable—trade | 25,382 | 27,048 |
| Merchandise and finished goods | 8,391 | 8,518 |
| Raw materials and supplies | 91 | 91 |
| Income taxes receivable | — | 406 |
| Deferred tax assets | 697 | 675 |
| Other | 3,692 | 5,053 |
| Allowance for doubtful accounts | (60) | (46) |
| Total current assets | 88,257 | 87,818 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 2,633 | 2,313 |
| Accumulated depreciation | (1,622) | (1,326) |
| Buildings and structures, net | 1,011 | 987 |
| Machinery, equipment and vehicles | 3,097 | 3,084 |
| Accumulated depreciation | (1,076) | (1,240) |
| Machinery, equipment and vehicles, net | 2,021 | 1,843 |
| Other | 3,811 | 3,993 |
| Accumulated depreciation | (2,408) | (2,565) |
| Other, net | 1,402 | 1,428 |
| Construction in progress | 8 | 1,199 |
| Total property, plant and equipment | 4,444 | 5,458 |
| Intangible assets | | |
| Software | 5,291 | 4,910 |
| Software in progress | 87 | 175 |
| Goodwill | 4,086 | 3,529 |
| Other | 42 | 29 |
| Total intangible assets | 9,507 | 8,646 |
| Investments and other assets | | |
| Investment securities | 0 | 1,941 |
| Long-term prepaid expenses | 481 | 286 |
| Guarantee deposits | 3,103 | 3,263 |
| Deferred tax assets | 3,211 | 2,730 |
| Other | 104 | 108 |
| Allowance for doubtful accounts | (99) | (103) |
| Total investments and other assets | 6,802 | 8,227 |
| Total noncurrent assets | 20,754 | 22,333 |
| Total assets | 109,011 | 110,151 |

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(Unit: million yen)

| | Fiscal Year Ended May 2012 (As of May 20, 2012) | Fiscal Year Ended May 2013 (As of May 20, 2013) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable—trade | 25,707 | 28,579 |
| Short-term loans payable | 695 | 250 |
| Current portion of long-term loans payable | 1,861 | 1,414 |
| Accounts payable—other | 3,588 | 3,606 |
| Factoring payable | 15,667 | 12,407 |
| Income taxes payable | 1,618 | 59 |
| Accrued consumption taxes | 240 | 179 |
| Provision for bonuses | 47 | 51 |
| Provision for sales promotion expenses | 552 | 495 |
| Provision for sales returns | 17 | 26 |
| Provision for loss on disaster | 146 | 36 |
| Provision for loss on liquidation of subsidiaries and affiliates | — | 95 |
| Asset retirement obligations | — | 383 |
| Other | 583 | 571 |
| Total current liabilities | 50,727 | 48,156 |
| Noncurrent liabilities | | |
| Long-term loans payable | 2,807 | 1,576 |
| Provision for retirement benefits | 1,405 | 1,549 |
| Provision for bonuses | — | 18 |
| Provision for directors' bonuses | — | 11 |
| Provision for loss on disaster | 32 | — |
| Asset retirement obligations | 1,409 | 972 |
| Other | 931 | 930 |
| Total noncurrent liabilities | 6,585 | 5,059 |
| Total liabilities | 57,312 | 53,215 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 20,035 | 20,035 |
| Capital surplus | 22,515 | 22,517 |
| Retained earnings | 8,709 | 12,900 |
| Treasury stock | (254) | (241) |
| Total shareholders' equity | 51,006 | 55,211 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | — | 1,119 |
| Foreign currency translation adjustment | (53) | (198) |
| Total accumulated other comprehensive income | (53) | 920 |
| Subscription rights to shares | 660 | 709 |
| Minority interests | 85 | 93 |
| Total net assets | 51,698 | 56,935 |
| Total liabilities and net assets | 109,011 | 110,151 |

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## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### (Consolidated Statements of Income)

(Unit: million yen)

| | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) |
|---|---|---|
| Net sales | 212,932 | 226,610 |
| Cost of sales | 165,442 | 175,988 |
| Gross profit | 47,489 | 50,622 |
| Reversal of provision for sales returns | 18 | 17 |
| Provision for sales returns | 17 | 26 |
| Gross profit—net | 47,490 | 50,613 |
| Selling, general and administrative expenses | *1 40,873 | *1 43,733 |
| Operating income | 6,617 | 6,880 |
| Non-operating income | | |
| Interest income | 32 | 95 |
| Commission fee | 4 | 5 |
| Gain on disposal of inventories | 7 | 5 |
| Foreign exchange gains | 10 | 303 |
| Subsidy income | 5 | 14 |
| Other | 29 | 31 |
| Total non-operating income | 90 | 456 |
| Non-operating expenses | | |
| Interest expenses | 57 | 38 |
| Commission fee | 3 | 32 |
| Loss on transfer of receivables | 17 | 16 |
| Stock issuance cost | 115 | — |
| Other | 9 | 7 |
| Total non-operating expenses | 202 | 95 |
| Ordinary income | 6,504 | 7,241 |
| Extraordinary income | | |
| Gain on reversal of subscription rights to shares | 236 | 12 |
| Gain on reversal of loss on disaster | 601 | — |
| Other | 6 | 0 |
| Total extraordinary income | 844 | 12 |
| Extraordinary loss | | |
| Impairment loss | *3 953 | *3 77 |
| Loss on retirement of noncurrent assets | *2 119 | *2 84 |
| Provision for loss on liquidation of subsidiaries and affiliates | — | 95 |
| Loss on liquidation of subsidiaries and affiliates | — | 184 |
| Cancellation penalty | 4 | — |
| Other | 2 | 8 |
| Total extraordinary loss | 1,078 | 450 |
| Income before income taxes | 6,270 | 6,803 |
| Income taxes—current | 2,682 | 1,065 |
| Income taxes—deferred | 1,258 | (116) |
| Total income taxes | 3,940 | 948 |
| Income before minority interests | 2,329 | 5,855 |
| Minority interests in income | 28 | 42 |
| Net income | 2,301 | 5,812 |

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(Consolidated Statements of Comprehensive Income)

(Unit: million yen)

| | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) |
|---|---|---|
| Income before minority interests | 2,329 | 5,855 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | — | 1,119 |
| Foreign currency translation adjustment | 7 | (142) |
| Total other comprehensive income | * 7 | * 976 |
| Comprehensive income | 2,337 | 6,831 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 2,309 | 6,786 |
| Minority interests | 28 | 45 |

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## (3) Consolidated Statements of Changes in Net Assets

(Unit: million yen)

| | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) |
|---|---|---|
| Shareholders' equity | | |
| Capital stock | | |
| Balance at beginning of period | 3,535 | 20,035 |
| Changes of items during period | | |
| Issuance of new shares | 16,499 | — |
| Total changes of items during period | 16,499 | — |
| Balance at end of period | 20,035 | 20,035 |
| Capital surplus | | |
| Balance at beginning of period | 6,015 | 22,515 |
| Changes of items during period | | |
| Issuance of new shares | 16,499 | — |
| Disposal of treasury stock | — | 2 |
| Total changes of items during period | 16,499 | 2 |
| Balance at end of period | 22,515 | 22,517 |
| Retained earnings | | |
| Balance at beginning of period | 7,338 | 8,709 |
| Changes of items during period | | |
| Dividends from surplus | (931) | (1,622) |
| Net income | 2,301 | 5,812 |
| Total changes of items during period | 1,370 | 4,190 |
| Balance at end of period | 8,709 | 12,900 |
| Treasury stock | | |
| Balance at beginning of period | (254) | (254) |
| Changes of items during period | | |
| Purchase of treasury stock | (0) | — |
| Disposal of treasury stock | — | 13 |
| Total changes of items during period | (0) | 13 |
| Balance at end of period | (254) | (241) |
| Total shareholders' equity | | |
| Balance at beginning of period | 16,635 | 51,006 |
| Changes of items during period | | |
| Issuance of new shares | 32,999 | — |
| Dividends from surplus | (931) | (1,622) |
| Net income | 2,301 | 5,812 |
| Purchase of treasury stock | (0) | — |
| Disposal of treasury stock | — | 15 |
| Total changes of items during period | 34,370 | 4,205 |
| Balance at end of period | 51,006 | 55,211 |

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(Unit: million yen)

| | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) |
|---|---|---|
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | | |
| Balance at beginning of period | — | — |
| Changes of items during period | | |
| Net changes of items other than shareholders' equity | — | 1,119 |
| Total changes of items during period | — | 1,119 |
| Balance at end of period | — | 1,119 |
| Foreign currency translation adjustment | | |
| Balance at beginning of period | (60) | (53) |
| Changes of items during period | | |
| Net changes of items other than shareholders' equity | 7 | (145) |
| Total changes of items during period | 7 | (145) |
| Balance at end of period | (53) | (198) |
| Total accumulated other comprehensive income | | |
| Balance at beginning of period | (60) | (53) |
| Changes of items during period | | |
| Net changes of items other than shareholders' equity | 7 | 973 |
| Total changes of items during period | 7 | 973 |
| Balance at end of period | (53) | 920 |
| Subscription rights to shares | | |
| Balance at beginning of period | 639 | 660 |
| Changes of items during period | | |
| Net changes of items other than shareholders' equity | 20 | 49 |
| Total changes of items during period | 20 | 49 |
| Balance at end of period | 660 | 709 |
| Minority interests | | |
| Balance at beginning of period | 57 | 85 |
| Changes of items during period | | |
| Net changes of items other than shareholders' equity | 28 | 8 |
| Total changes of items during period | 28 | 8 |
| Balance at end of period | 85 | 93 |
| Total net assets | | |
| Balance at beginning of period | 17,271 | 51,698 |
| Changes of items during period | | |
| Issuance of new shares | 32,999 | — |
| Dividends from surplus | (931) | (1,622) |
| Net income | 2,301 | 5,812 |
| Purchase of treasury stock | (0) | — |
| Disposal of treasury stock | — | 15 |
| Net changes of items other than shareholders' equity | 56 | 1,031 |
| Total changes of items during period | 34,427 | 5,236 |
| Balance at end of period | 51,698 | 56,935 |

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## (4) Consolidated Statements of Cash Flows

(Unit: million yen)

| | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes | 6,270 | 6,803 |
| Depreciation and amortization | 786 | 672 |
| Depreciation of software | 2,265 | 2,013 |
| Amortization of long-term prepaid expenses | 239 | 257 |
| Amortization of goodwill | 607 | 607 |
| Share-based compensation expenses | 257 | 64 |
| Gain on reversal of subscription rights to shares | (236) | (12) |
| Increase (decrease) in allowance for doubtful accounts | (123) | (9) |
| Increase (decrease) in provision for sales promotion expenses | 90 | (57) |
| Increase (decrease) in provision for sales returns | (1) | 9 |
| Increase (decrease) in provision for bonuses | 6 | 22 |
| Increase (decrease) in provision for directors' bonuses | (0) | 11 |
| Increase (decrease) in provision for retirement benefits | 177 | 144 |
| Increase (decrease) in provision for loss on disaster | (901) | (141) |
| Increase (decrease) in provision for loss on liquidation of subsidiaries and affiliates | — | 95 |
| Interest income | (32) | (95) |
| Impairment loss | 953 | 77 |
| Loss on retirement of noncurrent assets | 123 | 80 |
| Interest expenses | 57 | 38 |
| Decrease (increase) in notes and accounts receivable—trade | (3,761) | (1,645) |
| Decrease (increase) in inventories | 159 | (119) |
| Decrease (increase) in accounts receivable—other | (196) | (494) |
| Increase (decrease) in notes and accounts payable—trade | 2,184 | 2,844 |
| Increase (decrease) in accounts payable—other | 511 | (154) |
| Increase (decrease) in factoring payable | 2,259 | (3,259) |
| Increase (decrease) in accrued consumption taxes | (47) | (45) |
| Other, net | 268 | (834) |
| Subtotal | 11,918 | 6,873 |
| Interest and dividends income received | 32 | 95 |
| Interest expenses paid | (58) | (41) |
| Income taxes paid | (2,172) | (3,056) |
| Cash flows from operating activities | 9,720 | 3,871 |

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(Unit: million yen)

| | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) |
|---|---|---|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (669) | (1,525) |
| Purchase of software | (1,502) | (1,829) |
| Purchase of long-term prepaid expenses | (51) | (74) |
| Payments for guarantee deposits | (252) | (214) |
| Proceeds from collection of guarantee deposits | 151 | 55 |
| Purchase of investment securities | (0) | (201) |
| Purchase of investments in subsidiaries | — | (88) |
| Payments for asset retirement obligations | (42) | — |
| Other, net | 1 | 4 |
| Cash flows from investing activities | (2,366) | (3,873) |
| Cash flows from financing activities | | |
| Decrease in short-term loans payable | (305) | (506) |
| Proceeds from long-term loans payable | 2,956 | 250 |
| Repayment of long-term loans payable | (5,489) | (1,928) |
| Repayments of lease obligations | (69) | (115) |
| Proceeds from issuance of common stock | 32,884 | — |
| Proceeds from disposal of treasury stock | — | 11 |
| Purchase of treasury stock | (0) | — |
| Cash dividends paid | (931) | (1,622) |
| Cash flows from financing activities | 29,045 | (3,910) |
| Effect of exchange rate change on cash and cash equivalents | 11 | (79) |
| Net increase (decrease) in cash and cash equivalents | 36,409 | (3,991) |
| Cash and cash equivalents at beginning of period | 13,652 | 50,062 |
| Cash and cash equivalents at end of period | *1 50,062 | *1 46,070 |

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(5) Notes to Consolidated Financial Statements

(Notes regarding the Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Pursuant to amendments to the Corporation Tax Act, ASKUL and its consolidated subsidiaries located in Japan have changed their depreciation method for certain assets from the period under review. Specifically, the items of property, plant and equipment acquired on or after May 21, 2012 that would have been subject to the declining-balance method have been depreciated using the method prescribed by the amended Corporation Tax Act. The impact of this change on profit and loss was insignificant.

(Changes to Presentation)

(Consolidated balance sheets)

"Investment securities," previously included in "other" of the investments and other assets section, is presented as a separate item from the period under review due to its increased importance in terms of amounts. To reflect this change to presentation, certain reclassifications have been made to the consolidated financial statements for the preceding fiscal year.

As a result, the 104 million yen presented in "other" of the investments and other assets section on the consolidated balance sheet for the preceding fiscal year has been reclassified into 0 million yen in investment securities and 104 million yen in other.

(Consolidated statements of cash flows)

"Purchase of investment securities," previously included in "other, net" of the cash flows from investing activities section, is presented as a separate item from the period under review due to its increased importance in terms of amounts. To reflect this change to presentation, certain reclassifications have been made to the consolidated financial statements for the preceding fiscal year.

As a result, the 1 million yen presented in "other, net" of the cash flows from investing activities section on the consolidated statement of cash flows for the preceding fiscal year has been reclassified into negative 0 million yen in purchase of investment securities and 1 million yen in other, net.

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(Notes to Consolidated Statements of Income)

*1. Of selling, general and administrative expenses, principal items and their amounts were as shown below.

(Unit: million yen)

| | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) |
|---|---|---|
| Shipment expenses | 7,100 | 8,162 |
| Provision for sales promotion expenses | 552 | 495 |
| Salaries and allowances | 7,835 | 9,078 |
| Business consignment expenses | 5,439 | 5,089 |
| Subcontract expenses | 3,387 | 3,406 |
| Retirement benefit expenses | 241 | 246 |
| Rents | 4,792 | 5,086 |

*2. The breakdown of loss on retirement of noncurrent assets was as shown below.

(Unit: million yen)

| | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) |
|---|---|---|
| Buildings and structures | 39 | 13 |
| Machinery, equipment and vehicles | 5 | 10 |
| Other of property, plant and equipment | 47 | 30 |
| Software | 27 | 26 |
| Dismantling and removal costs | 0 | 3 |
| Total | 119 | 84 |

*3. Impairment loss

The ASKUL Group recognized impairment losses on the asset groups indicated below.

Fiscal year ended May 2012 (May 21, 2011 through May 20, 2012)

| Location | Purpose of use | Category | Amount (million yen) |
|---|---|---|---|
| Koto-ku, Tokyo | SOLOEL Enterprise | Other of property, plant and equipment | 0 |
| | | Software | 105 |
| | | Long-term prepaid expenses | 0 |
| Koto-ku, Tokyo | Internet mail-order business for individuals: ASMARU Corporation | Buildings and structures | 0 |
| | | Other of property, plant and equipment | 7 |
| | | Software | 565 |
| | | Software in progress | 38 |
| | | Goodwill | 13 |
| | | Long-term prepaid expenses | 23 |
| Shanghai, People's Republic of China | Merchandise selling business in China: ASKUL (Shanghai) Trading Co., Ltd. | Buildings and structures | 11 |
| | | Machinery, equipment and vehicles | 0 |
| | | Other of property, plant and equipment | 35 |
| | | Software | 150 |
| | | Long-term prepaid expenses | 0 |

The ASKUL Group categorizes its assets in the following manner: for the businesses in which merchandise is delivered from the Group's distribution centers, the assets are grouped by distribution center; for the businesses in which merchandise is not delivered from the Group's distribution centers, the assets are grouped by business; and head office facilities and other assets are classified as

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shared assets.

During the fiscal year ended May 2012, the plans for the three businesses listed above were reviewed in the light of sales trends. The review concluded that it would be difficult to recover investments in these businesses within their remaining economic useful lives. Accordingly, the book value was reduced to the recoverable amount, and the amount of that reduction was recorded as an impairment loss (953 million yen) in the extraordinary loss section.

The recoverable amount, based on value in use calculations, was valued zero.

Fiscal year ended May 2013 (May 21, 2012 through May 20, 2013)

| Location | Purpose of use | Category | Amount (million yen) |
|---|---|---|---|
| Koto-ku, Tokyo | SOLOEL Enterprise | Software<br>Software in progress<br>Long-term prepaid expenses | 26<br>4<br>2 |
| Koto-ku, Tokyo | Internet mail-order business for individuals: ASMARU Corporation | Software | 4 |
| Koto-ku, Tokyo | Min'na no shigotoba: shiire shijo (Our workplaces: procurement market) (Note) | Other of property, plant and equipment<br>Software<br>Software in progress | 0<br>30<br>1 |
| Koto-ku, Tokyo | Telephone subscription rights | Other of intangible assets | 8 |

Note: An online furniture wholesale site that helped space-design professionals procure furniture, primarily targeting architectural firms, builders, and interior designers.

The ASKUL Group categorizes its assets in the following manner: for the businesses in which merchandise is delivered from the Group's distribution centers, the assets are grouped by distribution center; for the businesses in which merchandise is not delivered from the Group's distribution centers, the assets are grouped by business; and head office facilities and other assets are classified as shared assets.

During the period under review, regarding SOLOEL Enterprise and the Internet mail-order business for individuals (ASMARU Corporation), ASKUL concluded that it would be difficult to recover investments in these businesses within their remaining amortization periods. Accordingly, the book value was reduced to the recoverable amount, and the amount of that reduction was recorded as an impairment loss (36 million yen) in the extraordinary loss section.

The "Min'na no shigotoba: shiire shijo" assets and certain telephone subscription rights were disused with no likelihood of being used in the future. Accordingly, the book value was reduced to the recoverable amount, and the amount of that reduction was recorded as an impairment loss (40 million yen) in the extraordinary loss section.

The recoverable amount, based on value in use calculations, was valued zero in each of the cases above.

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## (Notes to Consolidated Statements of Comprehensive Income)

### * Reclassification adjustments and tax effects relating to other comprehensive income

(Unit: million yen)

| | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) |
|---|---|---|
| Valuation difference on available-for-sale securities | | |
| Amount arising during period | — | 1,739 |
| Reclassification adjustment | — | — |
| Before tax effect | — | 1,739 |
| Tax effect | — | (619) |
| Valuation difference on available-for-sale securities | — | 1,119 |
| Foreign currency translation adjustment | | |
| Amount arising during period | 7 | (142) |
| Reclassification adjustment | — | — |
| Before tax effect | 7 | (142) |
| Tax effect | — | — |
| Foreign currency translation adjustment | 7 | (142) |
| Total other comprehensive income | 7 | 976 |

## (Notes to Consolidated Statements of Changes in Net Assets)

### Fiscal year ended May 2012 (May 21, 2011 through May 20, 2012)

1. Matters concerning the class and number of issued and outstanding shares and of treasury stock

(Unit: share)

| | Number of shares at the beginning of the fiscal year | Increase during the fiscal year | Decrease during the fiscal year | Number of shares at the end of the fiscal year |
|---|---|---|---|---|
| Issued and outstanding shares | | | | |
| Common stock (Note 1) | 38,189,400 | 23,028,600 | — | 54,218,000 |
| Total | 38,189,400 | 23,028,600 | — | 54,218,000 |
| Treasury stock | | | | |
| Common stock (Note 2) | 150,291 | 68 | — | 150,359 |
| Total | 150,291 | 68 | — | 150,359 |

Notes:
1. During the fiscal year ended May 2012, the number of shares of common stock increased by 23,028,600 as a result of the issuance of new shares through third-party allocation, the payment for which was completed on May 20, 2012.
2. During the fiscal year ended May 2012, the number of shares of treasury stock increased by 68 as a result of the purchase of treasury stock.

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2. Matters concerning subscription rights to shares and treasury subscription rights to shares

| Category | Details of subscription rights to shares | Class of shares underlying subscription rights to shares | Number of shares underlying subscription rights to shares (shares) | | | | Balance at the end of the fiscal year (million yen) |
|---|---|---|---|---|---|---|---|
| | | | Beginning of the fiscal year | Increase during the fiscal year | Decrease during the fiscal year | End of the fiscal year | |
| Reporting company (parent) | Subscription rights to shares as stock options | — | — | — | — | — | 660 |
| Total | | — | — | — | — | — | 660 |

3. Matters concerning dividends from surplus

(1) Dividends paid

| Approved by | Class of shares | Total dividend paid (million yen) | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| General shareholders' meeting of August 4, 2011 | Common stock | 465 | 15 | May 20, 2011 | August 5, 2011 |
| Board of directors meeting of December 16, 2011 | Common stock | 465 | 15 | November 20, 2011 | January 25, 2012 |

(2) Dividend whose record date belonging to the fiscal year and effective date belonging to the following fiscal year

| Approved by | Class of shares | Total dividend paid (million yen) | Dividend resource | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| General shareholders' meeting of August 7, 2012 | Common stock | 811 | Retained earnings | 15 | May 20, 2012 | August 8, 2012 |

Fiscal year ended May 2013 (May 21, 2012 through May 20, 2013)

1. Matters concerning the class and number of issued and outstanding shares and of treasury stock

(Unit: share)

| | Number of shares at the beginning of the fiscal year | Increase during the fiscal year | Decrease during the fiscal year | Number of shares at the end of the fiscal year |
|---|---|---|---|---|
| Issued and outstanding shares | | | | |
| Common stock | 54,218,000 | — | — | 54,218,000 |
| Total | 54,218,000 | — | — | 54,218,000 |
| Treasury stock | | | | |
| Common stock (Note) | 150,359 | — | 7,700 | 142,659 |
| Total | 150,359 | — | 7,700 | 142,659 |

Note: During the period under review, the number of shares of treasury stock decreased by 7,700 as a result of the disposal of treasury stock.

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2. Matters concerning subscription rights to shares and treasury subscription rights to shares

| Category | Details of subscription rights to shares | Class of shares underlying subscription rights to shares | Number of shares underlying subscription rights to shares (shares) | | | | Balance at the end of the fiscal year (million yen) |
|---|---|---|---|---|---|---|---|
| | | | Beginning of the fiscal year | Increase during the fiscal year | Decrease during the fiscal year | End of the fiscal year | |
| Reporting company (parent) | Subscription rights to shares as stock options | — | — | — | — | — | 709 |
| Total | | — | — | — | — | — | 709 |

3. Matters concerning dividends from surplus

(1) Dividends paid

| Approved by | Class of shares | Total dividend paid (million yen) | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| General shareholders' meeting of August 7, 2012 | Common stock | 811 | 15 | May 20, 2012 | August 8, 2012 |
| Board of directors meeting of December 14, 2012 | Common stock | 811 | 15 | November 20, 2012 | January 25, 2013 |

(2) Dividend whose record date belonging to the fiscal year and effective date belonging to the following fiscal year

The Company plans to seek shareholders' approval of the proposal outlined below.

| To be approved by | Class of shares | Total dividend to be paid (million yen) | Dividend resource | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| General shareholders' meeting of August 6, 2013 | Common stock | 811 | Retained earnings | 15 | May 20, 2013 | August 7, 2013 |

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(Notes to Consolidated Statements of Cash Flows)

*1. Relationship between cash and cash equivalents at end of period and the amounts of items stated in the consolidated balance sheet

(Unit: million yen)

| | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) |
|---|---|---|
| Cash and deposits | 50,062 | 46,070 |
| Cash and cash equivalents | 50,062 | 46,070 |

2 Details of material noncash transactions

(1) Transactions related to asset retirement obligations

(Unit: million yen)

| | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) |
|---|---|---|
| Asset retirement obligations | 99 | 55 |

(2) Assets and liabilities related to finance lease transactions

(Unit: million yen)

| | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) |
|---|---|---|
| Assets and liabilities related to finance lease transactions | 443 | 97 |

(Segment Information)

a. Segment information

1. Overview of reportable segments

ASKUL's reportable segments are defined as components of the Company about which separate financial information is available that is evaluated regularly by the board of directors in deciding how to allocate management resources and in assessing performance.

The Company has two reportable segments: office product sales business and delivery business. Based on these segments, comprehensive strategies for domestic and overseas markets are drawn up and business operations are carried out.

The office product sales business derives revenue from the sale of OA/PC supplies, office supplies, office amenities, office furniture, and other products. The delivery business is engaged in providing 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 as described in "Significant Accounting Policies Underlying Preparation of Consolidated Financial Statements."

3. Net sales, income or loss, assets, liabilities, and other items by reportable segment

Fiscal years ended May 2012 (May 21, 2011 through May 20, 2012) and 2013 (May 21, 2012 through May 20, 2013)

The net sales, operating income, and assets of the office product sales business accounted for more than 90% of the total net sales, operating income, and assets of all segments, respectively. Accordingly, information on segments other than the office product sales business is deemed immaterial and segment-based information is not presented.

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b. Related information

Fiscal year ended May 2012 (May 21, 2011 through May 20, 2012)

1. Information by product or service

The net sales of a single product and service category to external customers accounted for more than 90% of the net sales reported on the consolidated statement of income. Accordingly, this information is not presented.

2. Information by geographical area

i. 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.

ii. Property, plant and equipment

Property, plant and equipment located in Japan accounted for more than 90% of the property, plant and equipment reported on the consolidated balance sheet. Accordingly, this information is not presented.

3. Information by primary customer

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

Fiscal year ended May 2013 (May 21, 2012 through May 20, 2013)

1. Information by product or service

The net sales of a single product and service category to external customers accounted for more than 90% of the net sales reported on the consolidated statement of income. Accordingly, this information is not presented.

2. Information by geographical area

i. 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.

ii. Property, plant and equipment

Property, plant and equipment located in Japan accounted for more than 90% of the property, plant and equipment reported on the consolidated balance sheet. Accordingly, this information is not presented.

3. Information by primary customer

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

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c. Impairment loss on noncurrent assets by reportable segment

Fiscal year ended May 2012 (May 21, 2011 through May 20, 2012)

(Unit: million yen)

| | Office product sales business | Delivery business | Total |
|---|---|---|---|
| Impairment loss | 953 | — | 953 |

Fiscal year ended May 2013 (May 21, 2012 through May 20, 2013)

(Unit: million yen)

| | Office product sales business | Delivery business | Total |
|---|---|---|---|
| Impairment loss | 77 | — | 77 |

d. Amortized amount and unamortized balance of goodwill by reportable segment

Fiscal year ended May 2012 (May 21, 2011 through May 20, 2012)

(Unit: million yen)

| | Office product sales business | Delivery business | Total |
|---|---|---|---|
| Amount amortized during the fiscal year | 607 | — | 607 |
| Unamortized balance at the end of the fiscal year | 4,086 | — | 4,086 |

Fiscal year ended May 2013 (May 21, 2012 through May 20, 2013)

(Unit: million yen)

| | Office product sales business | Delivery business | Total |
|---|---|---|---|
| Amount amortized during the fiscal year | 607 | — | 607 |
| Unamortized balance at the end of the fiscal year | 3,529 | — | 3,529 |

(Business Combinations)

(Transactions under joint control, etc.)

1. Transaction overview

(1) Entity combined

ASMARU Corporation

(2) Nature of business

Internet-based mail-order business for individuals

(3) Date of business combination

February 21, 2013

(4) Legal form of business combination

Absorption-type merger, with ASKUL being the surviving company (short-form merger stipulated in Article 796, paragraph 3 of the Companies Act)

(5) Company name after business combination

ASKUL Corporation

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(6) Outline of transaction including its purpose

The ASKUL Group, the leader in the office product mail-order business, is working toward transforming itself into the leader in the e-commerce field. For the B-to-B (corporate) business, ASKUL aims to increase net sales by expanding its offerings from office products to items used at workplaces of all kinds, focusing especially on the Web channel. The items it offers include merchandise for restaurants, medical supplies used exclusively at health care facilities, tools for use at construction sites and factories, and scientific supplies for laboratories. Furthermore, with the view to enter the B-to-C (general consumer) market on a full scale, on April 27, 2012 the Company concluded a business and capital alliance agreement with Yahoo Japan Corporation. On November 20, 2012, ASKUL officially launched LOHACO, an Internet mail-order service for general consumers, aiming to spur further growth. The Company's ultimate goal is to dramatically increase profitability by leveraging synergistic effects between B-to-B and B-to-C businesses, such as lower purchase prices, and cost reduction through more efficient logistics. With an eye to this goal, ASKUL decided to carry out an absorption-type merger with ASMARU Corporation, based on the belief that integrating ASMARU into LOHACO and putting ASMARU's expertise and knowledge to full use for LOHACO will facilitate the Group's accelerated growth.

2. Outline of accounting treatment adopted

This business combination was accounted for as a transaction under joint control pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21: December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10: December 26, 2008).

(Asset Retirement Obligations)

Asset retirement obligations recorded on the consolidated balance sheets

1. Outline of the asset retirement obligations

These asset retirement obligations are primarily associated with contractual commitments to return the Company's head office, distribution centers, and other leased properties to original condition upon lease termination.

2. Method of calculating the asset retirement obligations

The asset retirement obligations were calculated using the discount rates of 0.1% to 1.8% over the period of use estimated to be 3 to 20 years from lease commencement.

3. Changes in the total amount of the asset retirement obligations

(Unit: million yen)

| | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) |
|---|---|---|
| Balance at beginning of period | 1,337 | 1,409 |
| Increase resulting from purchase of property, plant and equipment | 99 | 55 |
| Adjustment for passage of time | 15 | 13 |
| Decrease due to payments for asset retirement obligations | (42) | — |
| Decrease due to changes in estimates | — | (121) |
| Balance at end of period | 1,409 | 1,355 |

4. Changes in estimates of asset retirement obligations

During the period under review, the Company revised the asset retirement obligation that had been recognized in relation to the contractual commitment to return its previous head office to original condition upon lease termination. The revision was made based on the new estimate the Company obtained in advance of vacating the property in June 2013. As a result of this revision, operating income, ordinary income, and income before income taxes increased by 121 million yen, respectively, compared to the amounts based on the previous estimate.

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(Per Share Information)

| | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) |
|---|---|---|
| Net assets per share (yen) | 942.40 | 1,038.04 |
| Net income per share (yen) | 74.01 | 107.50 |

Note: Net income per share was computed based on the figures below. Note that diluted net income per share is not presented due to the absence of dilutive potential common shares.

| | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) |
|---|---|---|
| Net income per share | | |
| Net income (million yen) | 2,301 | 5,812 |
| Net income not attributable to common shareholders (million yen) | — | — |
| Net income related to common stock (million yen) | 2,301 | 5,812 |
| Average number of shares (thousand shares) | 31,102 | 54,067 |

(Significant Subsequent Events)

Not applicable.

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## 4. Others

(1) Changes in Officers

1) Change in representative director

Not applicable.

2) Changes in other officers

- Candidate for new director
  Outside director: Takao Ozawa
- Director to retire
  Outside director: Koji Sakamoto

3) Date of taking office (tentative)

August 6, 2013

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

| Item | Fiscal Year Ended May 2012 (May 21, 2011 through May 20, 2012) | | Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013) | | |
|---|---|---|---|---|---|
| | Amount (million yen) | Ratio to Sales (%) | Amount (million yen) | Ratio to Sales (%) | Year-on-year Change (%) |
| Personal expenses*1 | 10,471 | 4.9 | 12,014 | 5.3 | 114.7 |
| Shipment expenses | 7,100 | 3.3 | 8,162 | 3.6 | 115.0 |
| Provision for sales promotion expenses | 552 | 0.3 | 495 | 0.2 | 89.7 |
| Subcontract expenses | 3,387 | 1.6 | 3,406 | 1.5 | 100.6 |
| Business consignment expenses*1 | 5,439 | 2.6 | 5,089 | 2.2 | 93.6 |
| Rents | 4,792 | 2.3 | 5,086 | 2.2 | 106.1 |
| Provision of allowance for doubtful accounts | (23) | (0.0) | 48 | 0.0 | — |
| Depreciation | 780 | 0.4 | 662 | 0.3 | 84.9 |
| Amortization of software | 2,262 | 1.1 | 2,012 | 0.9 | 89.0 |
| Other expenses*2 | 6,110 | 2.7 | 6,755 | 3.1 | 110.5 |
| Total | 40,873 | 19.2 | 43,733 | 19.3 | 107.0 |

Notes:

*1. For the period under review, personal expenses increased while business consignment expenses decreased, both on a year-on-year basis. These were mainly because of changes in an employment system for distribution center workers.

*2. Other expenses for the period under review rose from a year earlier. This was primarily due to higher advertising expenses and other costs for increasing the visibility of LOHACO.