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Summary of Consolidated Financial Results for First Quarter of Fiscal Year Ending May 2014 (Japanese GAAP)

September 13, 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: Katsuhiro Kawamura	Title: Executive officer, Corporate Planning Unit	Tel: (03) 4330-5130
Quarterly statement filing date (as planned):		September 27, 2013	
Dividend payable date (as planned):		----	
Supplemental material of quarterly results:		Yes	
Convening briefing of quarterly results:		No	

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

1. Consolidated Financial Results for First Quarter of Fiscal Year Ending May 2014 (May 21, 2013 through August 20, 2013)

(1) Consolidated Quarterly Operating Results

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

		First Quarter of Fiscal Year Ending May 2014		First Quarter of Fiscal Year Ended May 2013	
Net sales	million yen	57,560	(8.3%)	53,130	(6.7%)
Operating income	million yen	364	(-79.5%)	1,780	(35.4%)
Ordinary income	million yen	396	(-77.2%)	1,739	(33.8%)
Net income	million yen	133	(-85.5%)	915	(6.8%)
Net income per share	yen	2.46		16.94	
Diluted net income per share	yen	2.46		—	

(Note) Comprehensive income
First quarter of fiscal year ending May 2014: -505 million yen (—%)
First quarter of fiscal year ended May 2013: 946 million yen (9.2%)

(2) Consolidated Financial Positions

		First Quarter of Fiscal Year Ending May 2014	Fiscal Year Ended May 2013
Total assets	million yen	110,790	110,151
Net assets	million yen	55,742	56,935
Capital adequacy ratio	%	49.6	51.0

(Reference) Owner's equity
First quarter of fiscal year ending May 2014: 54,968 million yen
Fiscal year ended May 2013: 56,132 million yen

2. Dividends

			Fiscal Year Ended May 2013	Fiscal Year Ending May 2014	Fiscal Year Ending May 2014 (forecast)
Dividend per share	First quarter	yen	—	—	
	Second quarter	yen	15.00		15.00
	Third quarter	yen	—		—
	Fiscal year end	yen	15.00		15.00
	Total	yen	30.00		30.00

(Note) Correction of dividend forecast from the most recent dividend forecast: No

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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	

(Note) Correction of financial forecast from the most recent financial forecast: No

* Others

(1) Material changes in subsidiaries during this accumulated quarter (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) Applying of specific accounting of the consolidated quarterly financial statements: No

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

(4) Number of issued and outstanding shares (common stock)
1) Number of issued and outstanding shares at the period end (including treasury stock)
First quarter of fiscal year ending May 2014: 54,243,400 shares
Fiscal year ended May 2013: 54,218,000 shares
2) Number of treasury stock at the period end
First quarter of fiscal year ending May 2014: 89,459 shares
Fiscal year ended May 2013: 142,659 shares
3) Average number of shares (quarterly period—YTD)
First quarter of fiscal year ending May 2014: 54,115,538 shares
First quarter of fiscal year ended May 2013: 54,067,641 shares

* Expression of implementation status of quarterly review procedures

This Summary of Consolidated Financial Results is not subject to quarterly review procedures pursuant to the Financial Instruments and Exchange Act. Review procedures for consolidated quarterly 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. Qualitative Information on Financial Results (3) Explanation of Consolidated Forecasts and Other Forward-Looking Information" on page 3 of Attached Materials.

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1. Qualitative Information on Financial Results

(1) Explanation of Operating Results

In the period under review (May 21, 2013 through August 20, 2013), the Japanese economy started showing signs of recovery in the form, among others, of improved corporate earnings and consumer spending, buoyed by monetary easing and other economic measures taken by the government since the end of 2012.

In such an environment, during the period under review ASKUL entered a new stage in which to put LOHACO, the B-to-C business conducted in partnership with Yahoo Japan Corporation, on a growth path, in addition to the B-to-B business that has continued to grow steadily since the preceding fiscal year.

Although, as explained below, profits for the period under review decreased substantially compared to the same period last year, the decrease was primarily due to upfront expenditures for strengthening the foundations of these two businesses, and in line with the Company's forecast at the beginning of the fiscal year.

On July 30, 2013, ASKUL began operation of its cutting-edge distribution center, ASKUL Logi PARK Tokyo Metropolitan. The distribution center underpins the two businesses as their greatest source of competitiveness, making it possible to dramatically increase the number of the products available for same or next day delivery from some 30,000 items in the past to around 70,000 items.

At the same time, the LOHACO site was completely renewed in early August, in response to a range of requests received from customers since its grand opening on November 20, 2012. After the renewal that was designed to create an attractive space where customers can shop with ease and fun, the ratio of repeat customers has risen to even higher levels than before.

Of the B-to-B business, sales grew firmly in the maintenance, repair, and operations (MRO) business and the medical business, the growing areas ASKUL has been focusing on, driven by two factors. One was the greater number of companies using the SOLOEL ARENA purchasing system for medium- and large-sized corporations, an ongoing trend since the preceding fiscal year thanks to the consistent marketing efforts of the Company's agents. The other was the growing use of the Company's services in new settings, such as work sites and health care facilities, in addition to offices.

As a result of these developments, consolidated net sales for the period under review increased 8.3% year-on-year to 57,560 million yen. The increase amounting to 4,430 million yen was attributable to LOHACO, which recorded net sales of 1,823 million yen for the period under review despite being in operation only since the second half of the preceding fiscal year, as well as to the B-to-B business, which showed steady growth with a 2,607 million yen increase in net sales.

Gross profit rose 7.8% year-on-year to 12,785 million yen. In the steadily growing B-to-B business, the high gross-margin fields of office amenities and MRO supplies recorded sales growth. However, as a result of main items at LOHACO being strategically priced, the gross profit margin declined by 0.1 percentage point.

Selling, general and administrative expenses were up 23.2% year-on-year to 12,420 million yen, with a 2.6 percentage point rise in the ratio of those expenses to net sales. The increase was due to the following factors: onetime expenses of 419 million yen, which included real estate acquisition tax and other taxes and dues related to the acquisition of ASKUL Logi PARK Tokyo Metropolitan as well as costs to purchase supplies for use at the distribution center; increases in depreciation and maintenance fees totaling 242 million yen associated with the operation of ASKUL Logi PARK Tokyo Metropolitan; a 474 million yen increase in variable logistics costs resulting largely from the launch of ASKUL Logi PARK Tokyo Metropolitan; and increases in variable logistics costs and advertising and other expenses totaling 584 million yen in connection with the operation of LOHACO.

Consequently, operating income declined 79.5% year-on-year to 364 million yen, ordinary income decreased 77.2% to 396 million yen, and net income was down 85.5% to 133 million yen.

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(2) Explanation of Financial Position

Consolidated total assets stood at 110,790 million yen at the end of the first quarter of the fiscal year ending May 2014, an increase of 639 million yen from the end of the preceding fiscal year. The main reasons were a 629 million yen increase in merchandise and finished goods reflecting a wider product range, an 18,943 million yen increase in property, plant and equipment due primarily to the construction of ASKUL Logi PARK Tokyo Metropolitan, and a 350 million yen increase in software owing chiefly to investment in LOHACO's systems. At the same time, the factors that led to a decrease in total assets included a 16,597 million yen decrease in cash and deposits caused mainly by payments in relation to the construction of ASKUL Logi PARK Tokyo Metropolitan mentioned above; a 1,703 million yen decrease in "notes and accounts receivable—trade" because of the collection of the accounts receivable received during the busy season at the end of the preceding fiscal year; and a 1,026 million yen decrease in investment securities included in investments and other assets resulting from measurement at market value.

Consolidated liabilities came to 55,048 million yen, an increase of 1,832 million yen from the end of the preceding fiscal year. This was mainly attributed to a 3,746 million yen increase in other of noncurrent liabilities, caused chiefly by an increase in long-term lease obligations in association with the acquisition of property, plant and equipment upon construction of ASKUL Logi PARK Tokyo Metropolitan. On the other hand, the factors leading to a decrease in liabilities included a 2,025 million yen decrease in factoring payable.

Net assets stood at 55,742 million yen, a decrease of 1,193 million yen from the end of the preceding fiscal year. This was primarily because of a 660 million yen decrease in valuation difference on available-for-sale securities and an 811 million yen decrease in retained earnings as a result of the payment of dividends. Meanwhile, net income of 133 million yen contributed to an increase in net assets.

Consequently, the capital adequacy ratio came to 49.6%, compared with 51.0% at the end of the preceding fiscal year.

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

No revision has been made to the consolidated forecasts announced on July 3, 2013.

2. Matters regarding Summary Information (Others)

(1) Material Changes in Subsidiaries during This Accumulated Quarter

Not applicable.

(2) Applying of Specific Accounting of the Consolidated Quarterly Financial Statements

Not applicable.

(3) Changes in Accounting Policies and Accounting Estimates, Retrospective Restatement

Not applicable.

3. Material Events regarding Going Concern Assumption

Not applicable.

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4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	Fiscal Year Ended May 2013 (May 20, 2013)	First Quarter of Fiscal Year Ending May 2014 (August 20, 2013)
Assets		
Current assets		
Cash and deposits	46,070	29,473
Notes and accounts receivable—trade	27,048	25,345
Merchandise and finished goods	8,518	9,147
Raw materials and supplies	91	33
Income taxes receivable	406	444
Other	5,728	5,926
Allowance for doubtful accounts	(46)	(40)
Total current assets	87,818	70,329
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	2,313	13,236
Accumulated depreciation	(1,326)	(1,048)
Buildings and structures, net	987	12,188
Land	—	4,726
Construction in progress	1,199	5
Other	7,078	11,443
Accumulated depreciation	(3,806)	(3,961)
Other, net	3,271	7,482
Total property, plant and equipment	5,458	24,402
Intangible assets		
Software	4,910	5,261
Software in progress	175	99
Goodwill	3,529	3,376
Other	29	28
Total intangible assets	8,646	8,766
Investments and other assets		
Deferred tax assets	2,730	3,020
Other	5,600	4,374
Allowance for doubtful accounts	(103)	(102)
Total investments and other assets	8,227	7,292
Total noncurrent assets	22,333	40,461
Total assets	110,151	110,790

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(Unit: million yen)

	Fiscal Year Ended May 2013 (May 20, 2013)	First Quarter of Fiscal Year Ending May 2014 (August 20, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	28,579	29,349
Short-term loans payable	250	250
Current portion of long-term loans payable	1,414	1,309
Accounts payable—other	3,606	3,208
Factoring payable	12,407	10,381
Income taxes payable	59	12
Provisions	705	650
Other	1,134	1,266
Total current liabilities	48,156	46,428
Noncurrent liabilities		
Long-term loans payable	1,576	1,317
Provision for retirement benefits	1,549	1,602
Provisions	30	51
Asset retirement obligations	972	971
Other	930	4,677
Total noncurrent liabilities	5,059	8,620
Total liabilities	53,215	55,048
Net assets		
Shareholders' equity		
Capital stock	20,035	20,060
Capital surplus	22,517	22,557
Retained earnings	12,900	12,221
Treasury stock	(241)	(151)
Total shareholders' equity	55,211	54,688
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,119	458
Foreign currency translation adjustment	(198)	(177)
Total accumulated other comprehensive income	920	280
Subscription rights to shares	709	678
Minority interests	93	95
Total net assets	56,935	55,742
Total liabilities and net assets	110,151	110,790

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

(Consolidated Statements of Income)

(Unit: million yen)

	First Quarter of Fiscal Year Ended May 2013 (May 21, 2012 through August 20, 2012)	First Quarter of Fiscal Year Ending May 2014 (May 21, 2013 through August 20, 2013)
Net sales	53,130	57,560
Cost of sales	41,267	44,775
Gross profit	11,863	12,785
Selling, general and administrative expenses	10,082	12,420
Operating income	1,780	364
Non-operating income		
Interest income	24	15
Foreign exchange gains	—	28
Other	5	16
Total non-operating income	29	60
Non-operating expenses		
Interest expenses	12	20
Commission fee	32	1
Foreign exchange losses	18	—
Other	7	6
Total non-operating expenses	71	28
Ordinary income	1,739	396
Extraordinary loss		
Loss on retirement of noncurrent assets	10	3
Total extraordinary loss	10	3
Income before income taxes	1,728	392
Income taxes—current	446	15
Income taxes—deferred	352	242
Total income taxes	799	258
Income before minority interests	929	133
Minority interests in income	13	0
Net income	915	133

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(Consolidated Statements of Comprehensive Income)

(Unit: million yen)

	First Quarter of Fiscal Year Ended May 2013 (May 21, 2012 through August 20, 2012)	First Quarter of Fiscal Year Ending May 2014 (May 21, 2013 through August 20, 2013)
Income before minority interests	929	133
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(660)
Foreign currency translation adjustment	17	21
Total other comprehensive income	17	(639)
Comprehensive income	946	(505)
Comprehensive income attributable to:		
Owners of the parent	932	(507)
Minority interests	13	1

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(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

5. Supplementary Information

Details of Selling, General and Administrative Expenses (Consolidated)

Item	First Quarter of Fiscal Year Ended May 2013 (May 21, 2012 through August 20, 2012)		First Quarter of Fiscal Year Ending May 2014 (May 21, 2013 through August 20, 2013)			(Reference) 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 (%)	Amount (million yen)	Ratio to Sales (%)
Personal expenses*1	2,769	5.2	3,289	5.7	118.8	12,014	5.3
Shipment expenses*2	1,858	3.5	2,466	4.3	132.7	8,162	3.6
Provision for sales promotion expenses	150	0.3	128	0.2	85.6	495	0.2
Subcontract expenses	812	1.5	846	1.5	104.2	3,406	1.5
Business consignment expenses	1,267	2.4	1,329	2.3	104.9	5,089	2.2
Rents	1,193	2.2	1,293	2.2	108.4	5,086	2.2
Provision of allowance for doubtful accounts	52	0.1	(6)	(0.0)	—	48	0.0
Depreciation*3	182	0.3	279	0.5	153.1	662	0.3
Amortization of software	512	1.0	531	0.9	103.6	2,012	0.9
Other expenses*4	1,282	2.5	2,261	4.0	176.4	6,755	3.1
Total	10,082	19.0	12,420	21.6	123.2	43,733	19.3

Notes:

*1. Personal expenses for the period under review rose from a year earlier. This was mainly due to the impact of the increased number of personnel caused by a larger number of distribution center workers and a wider range of products offered.

*2. Shipment expenses for the period under review rose from a year earlier. This was mainly due to the impact of net sales growth and of increases in initial operating and other costs associated with the launch of ASKUL Logi PARK Tokyo Metropolitan.

*3. Depreciation for the period under review rose from a year earlier. This was mainly due to the impact of the operation of ASKUL Logi PARK Tokyo Metropolitan.

*4. Other expenses for the period under review rose from a year earlier. This was mainly due to the impact of rises in taxes and dues, supplies expenses, and other onetime expenses resulting from the acquisition of ASKUL Logi PARK Tokyo Metropolitan, as well as rises in advertising expenses and other costs for enhancing the visibility of LOHACO.