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

March 18, 2014

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):		March 28, 2014	
Dividend payable date (as planned):		—	
Supplemental material of quarterly results:		Yes	
Convening briefing of quarterly results:		Yes (for institutional investors and analysts)	

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

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

(1) Consolidated Quarterly Operating Results

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

		First Nine Months of Fiscal Year Ending May 2014		First Nine Months of Fiscal Year Ended May 2013	
Net sales	million yen	182,404	(10.1%)	165,614	(6.6%)
Operating income	million yen	2,503	(-48.6%)	4,872	(-2.6%)
Ordinary income	million yen	2,555	(-49.5%)	5,063	(1.6%)
Net income	million yen	1,081	(-75.3%)	4,374	(148.3%)
Net income per share	yen	19.91		80.91	
Diluted net income per share	yen	19.80		—	

(Note) Comprehensive income
First nine months of fiscal year ending May 2014: 620 million yen (-85.6%)
First nine months of fiscal year ended May 2013: 4,303 million yen (140.8%)

(2) Consolidated Financial Positions

		First Nine Months of Fiscal Year Ending May 2014	Fiscal Year Ended May 2013
Total assets	million yen	117,650	110,151
Net assets	million yen	57,043	56,935
Capital adequacy ratio	%	48.0	51.0

(Reference) Owner's equity
First nine months of fiscal year ending May 2014: 56,521 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.)

		Fiscal Year Ending May 2014	
Net sales	million yen	250,000	(10.3%)
Operating income	million yen	4,000	(-41.9%)
Ordinary income	million yen	4,000	(-44.8%)
Net income	million yen	1,800	(-69.0%)
Net income per share	yen	33.29	

(Note) Correction of financial forecast from the most recent financial forecast: Yes

* 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 nine months of fiscal year ending May 2014: 54,772,300 shares
Fiscal year ended May 2013: 54,218,000 shares
2) Number of treasury stock at the period end
First nine months of fiscal year ending May 2014: 29,459 shares
Fiscal year ended May 2013: 142,659 shares
3) Average number of shares (quarterly period—YTD)
First nine months of fiscal year ending May 2014: 54,334,173 shares
First nine months 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

During the period under review (May 21, 2013 through February 20, 2014), the Japanese economy started showing signs of recovery, such as improved corporate earnings, especially in export-oriented sectors, and stronger consumer spending, supported partly by the government's economic policies.

In such an environment, during the period under review ASKUL's LOHACO B-to-C business entered a new growth phase while its B-to-B business continuing to grow steadily since the preceding fiscal year. Although the Company's profits for the period under review decreased substantially on a year-on-year basis, the decrease was due primarily to intensive investment in advertising aimed at increasing the visibility of LOHACO and developing this business undergoing a rapid growth phase into the second pillar of the Company's operations as quickly as possible. Another reason for the decrease was proactive investment focused on the distribution centers, a long-term source of competitive advantage for the Company. The aim was to transform the mechanism optimized for the B-to-B business into one capable of supporting the B-to-C business with great flexibility and serving as a foundation for the Company's second-generation e-commerce business. However, productivity at the distribution centers has not reached the target level, resulting in unexpected costs.

Consolidated net sales continued to grow firmly. Developments in each business area were as described below.

The B-to-B business posted strong sales growth owing to multiple factors. First, a further increase was achieved in the 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. Second, the Company's two strategic businesses—the maintenance, repair, and operations (MRO) business and the medical business—saw increased orders, in particular from work sites and health care facilities, backed by product range expansion and aggressive sales activities. Furthermore, stationery and office amenities recorded solid growth, helped by continued support from customers.

In the LOHACO B-to-C business, the product range was further expanded by utilizing ASKUL Logi PARK Tokyo Metropolitan, a core distribution center that started operation in July 2013, and exploiting the full potential of the existing logistics network; and LOHACO Drug, a long-awaited online pharmacy, opened in December 2013. In addition, repeat purchases from highly loyal customers continued to increase. These factors combined to accelerate the growth of LOHACO, which registered an about 46% quarter-on-quarter sales increase for the third quarter (November 21, 2013 through February 20, 2014).

Meanwhile, the ongoing initiative to build stronger relationships of trust with the major suppliers culminated in the founding of the LOHACO E-commerce Marketing Lab. The new laboratory serves as a forum where ASKUL and the suppliers jointly develop new products and study and put into practice innovative marketing methods, through the utilization of big data.

As a result of these developments, net sales in the B-to-B business grew by 9,654 million yen year-on-year, and net sales in the LOHACO business, which had been launched in the second half of the preceding fiscal year, rose by 7,136 million yen. In consequence, consolidated net sales for the period under review amounted to 182,404 million yen, an increase of 10.1%. At the same time, gross profit rose 9.7% to 40,463 million yen. Whereas main items at LOHACO were strategically priced to boost sales further, the buoyant B-to-B business saw the substantial sales growth of high gross-margin office amenities and MRO supplies. The gross profit margin was thus maintained almost at the previous year's level, coming to 22.2%.

Selling, general and administrative expenses were up 18.5% year-on-year to 37,959 million yen, with a 1.5 percentage point rise in the ratio of those expenses to net sales. The increase was due to the following factors: onetime expenses of 452 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 this state-of-the-art distribution center providing competitive advantage for the Company; increases in depreciation and maintenance fees totaling 851 million yen

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associated with the operation of ASKUL Logi PARK Tokyo Metropolitan; an 1,856 million yen increase in personal expenses resulting mainly from a greater number of distribution center workers; a 1,708 million yen increase in shipment expenses due to net sales growth and increases in initial operating and other costs associated with the launch of the distribution center; and increases in advertising and sales promotion expenses totaling 589 million yen owing to vigorous publicity campaigns.

Consequently, operating income declined 48.6% year-on-year to 2,503 million yen, ordinary income decreased 49.5% to 2,555 million yen, and net income was down 75.3% to 1,081 million yen.

(2) Explanation of Financial Position

Consolidated total assets stood at 117,650 million yen at the end of the first nine months of the fiscal year ending May 2014, an increase of 7,498 million yen from the end of the preceding fiscal year. The main reasons were a 1,939 million yen increase in "notes and accounts receivable—trade," a 3,068 million yen increase in merchandise and finished goods reflecting a broader range of products offered at LOHACO and in the strategic MRO and medical businesses, and a 20,957 million yen increase in property, plant and equipment due chiefly to the construction of ASKUL Logi PARK Tokyo Metropolitan that supports the Company's second-generation e-commerce business. These more than offset a 15,488 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 557 million yen decrease in noncurrent deferred tax assets, and a 1,088 million yen decrease in investment securities included in other of investments and other assets resulting from measurement at market value.

Consolidated liabilities came to 60,606 million yen, an increase of 7,390 million yen from the end of the preceding fiscal year. This was mainly attributable to a 6,393 million yen increase in "notes and accounts payable—trade," and a 3,612 million yen increase in other of noncurrent liabilities that was chiefly caused by an increase in long-term lease obligations associated with the acquisition of property, plant and equipment upon construction of ASKUL Logi PARK Tokyo Metropolitan. On the other hand, factoring payable decreased by 1,921 million yen, and long-term loans payable declined by 759 million yen.

Net assets stood at 57,043 million yen, an increase of 108 million yen from the end of the preceding fiscal year. The main factors behind the increase were net income of 1,081 million yen; a 593 million yen increase each in capital stock and in legal capital surplus comprising a part of capital surplus, as a result of the exercise of subscription rights to shares; and an increase of 225 million yen owing to a reversal of foreign currency translation adjustment upon the liquidation of an overseas subsidiary. Meanwhile, retained earnings decreased by 1,626 million yen due to the payment of dividends, and valuation difference on available-for-sale securities reduced by 700 million yen reflecting the measurement of stock holdings at market value.

Consequently, the capital adequacy ratio came to 48.0%, compared with 51.0% at the end of the preceding fiscal year.

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

ASKUL resolved at its board of directors meeting held on March 18, 2014 that the Company make the following revisions to its consolidated forecasts for the fiscal year ending May 2014 (May 21, 2013 through May 20, 2014) announced on July 3, 2013.

Consolidated net sales have been as strong as expected, thus the forecast remains unchanged.

Consolidated operating income and ordinary income are now expected to amount to 4.0 billion yen, 2.0 billion yen less than initially forecast, respectively. With LOHACO expanding sales and undergoing a new growth phase, the Company made proactive investment focused on the distribution centers, a long-term source of its competitive advantage. The aim was to transform the mechanism optimized for the B-to-B business into one capable of supporting the B-to-C business with great flexibility and serving as a foundation for the Company's second-generation e-commerce business. However, productivity at the distribution centers has not reached the target level, resulting in unexpected costs.

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Revised Consolidated Forecasts for Fiscal Year Ending May 2014 (May 21, 2013–May 20, 2014)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A)	(million yen) 250,000	(million yen) 6,000	(million yen) 6,000	(million yen) 3,000	(yen) 55.48
Revised forecast (B)	250,000	4,000	4,000	1,800	33.29
Amount of change (B – A)	—	(2,000)	(2,000)	(1,200)	—
Rate of change (%)	—	(33.3)	(33.3)	(40.0)	—
(Reference) Results for fiscal year ended May 2013	226,610	6,880	7,241	5,812	107.50

See also "Revision of Full-Year Earnings Forecast" released today, March 18, 2014.

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 Nine Months of Fiscal Year Ending May 2014 (February 20, 2014)
Assets		
Current assets		
Cash and deposits	46,070	30,581
Notes and accounts receivable—trade	27,048	28,987
Merchandise and finished goods	8,518	11,587
Raw materials and supplies	91	78
Income taxes receivable	406	412
Other	5,728	5,274
Allowance for doubtful accounts	(46)	(39)
Total current assets	87,818	76,883
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	2,313	13,325
Accumulated depreciation	(1,326)	(1,483)
Buildings and structures, net	987	11,841
Land	—	7,232
Construction in progress	1,199	35
Other	7,078	11,698
Accumulated depreciation	(3,806)	(4,391)
Other, net	3,271	7,307
Total property, plant and equipment	5,458	26,416
Intangible assets		
Software	4,910	4,709
Software in progress	175	184
Goodwill	3,529	3,080
Other	29	25
Total intangible assets	8,646	8,000
Investments and other assets		
Deferred tax assets	2,730	2,173
Other	5,600	4,244
Allowance for doubtful accounts	(103)	(68)
Total investments and other assets	8,227	6,349
Total noncurrent assets	22,333	40,766
Total assets	110,151	117,650

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(Unit: million yen)

	Fiscal Year Ended May 2013 (May 20, 2013)	First Nine Months of Fiscal Year Ending May 2014 (February 20, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	28,579	34,972
Short-term loans payable	250	900
Current portion of long-term loans payable	1,414	1,084
Accounts payable—other	3,606	3,023
Factoring payable	12,407	10,485
Income taxes payable	59	58
Provisions	705	570
Other	1,134	1,137
Total current liabilities	48,156	52,232
Noncurrent liabilities		
Long-term loans payable	1,576	817
Provision for retirement benefits	1,549	1,679
Provisions	30	354
Asset retirement obligations	972	979
Other	930	4,543
Total noncurrent liabilities	5,059	8,373
Total liabilities	53,215	60,606
Net assets		
Shareholders' equity		
Capital stock	20,035	20,629
Capital surplus	22,517	23,141
Retained earnings	12,900	12,355
Treasury stock	(241)	(49)
Total shareholders' equity	55,211	56,075
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,119	418
Foreign currency translation adjustment	(198)	27
Total accumulated other comprehensive income	920	445
Subscription rights to shares	709	426
Minority interests	93	95
Total net assets	56,935	57,043
Total liabilities and net assets	110,151	117,650

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

(Consolidated Statements of Income)

(Unit: million yen)

	First Nine Months of Fiscal Year Ended May 2013 (May 21, 2012 through February 20, 2013)	First Nine Months of Fiscal Year Ending May 2014 (May 21, 2013 through February 20, 2014)
Net sales	165,614	182,404
Cost of sales	128,720	141,941
Gross profit	36,894	40,463
Selling, general and administrative expenses	32,021	37,959
Operating income	4,872	2,503
Non-operating income		
Interest income	73	48
Foreign exchange gains	172	32
Other	31	56
Total non-operating income	277	137
Non-operating expenses		
Interest expenses	31	66
Commission fee	32	4
Other	22	15
Total non-operating expenses	87	85
Ordinary income	5,063	2,555
Extraordinary income		
Gain on reversal of subscription rights to shares	4	—
Other	0	—
Total extraordinary income	4	—
Extraordinary loss		
Impairment loss	32	—
Loss on retirement of noncurrent assets	22	30
Provision for loss on liquidation of subsidiaries and affiliates	279	—
Loss on liquidation of subsidiaries and affiliates	—	187
Other	8	0
Total extraordinary loss	342	217
Income before income taxes	4,724	2,337
Income taxes—current	854	62
Income taxes—deferred	(538)	1,181
Total income taxes	316	1,244
Income before minority interests	4,408	1,093
Minority interests in income	33	11
Net income	4,374	1,081

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(Consolidated Statements of Comprehensive Income)

(Unit: million yen)

	First Nine Months of Fiscal Year Ended May 2013 (May 21, 2012 through February 20, 2013)	First Nine Months of Fiscal Year Ending May 2014 (May 21, 2013 through February 20, 2014)
Income before minority interests	4,408	1,093
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(700)
Foreign currency translation adjustment	(104)	227
Total other comprehensive income	(104)	(472)
Comprehensive income	4,303	620
Comprehensive income attributable to:		
Owners of the parent	4,268	607
Minority interests	34	13

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(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

For the period under review, the exercise of subscription rights to shares led to the issuance of new shares and the disposal of treasury stock. These resulted in a 593 million yen increase each in capital stock and legal capital surplus, a 30 million yen increase in other capital surplus (gain on disposal of treasury stock), and a 191 million yen decrease in treasury stock. Consequently, as of the end of the period under review, capital stock stood at 20,629 million yen, capital surplus came to 23,141 million yen, and treasury stock amounted to negative 49 million yen.

5. Supplementary Information

Details of Selling, General and Administrative Expenses (Consolidated)

Item	First Nine Months of Fiscal Year Ended May 2013 (May 21, 2012 through February 20, 2013)		First Nine Months of Fiscal Year Ending May 2014 (May 21, 2013 through February 20, 2014)			(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]	8,700	5.3	10,556	5.8	121.3	12,014	5.3
Shipment expenses[*2]	5,839	3.5	7,547	4.1	129.3	8,162	3.6
Provision for sales promotion expenses	427	0.3	360	0.2	84.2	495	0.2
Subcontract expenses	2,592	1.6	2,502	1.4	96.5	3,406	1.5
Business consignment expenses	3,723	2.2	4,090	2.2	109.9	5,089	2.2
Rents	3,775	2.3	3,759	2.1	99.6	5,086	2.2
Provision of allowance for doubtful accounts	35	0.0	(21)	(0.0)	—	48	0.0
Depreciation[*3]	577	0.3	1,228	0.7	212.5	662	0.3
Amortization of software	1,505	0.9	1,643	0.9	109.2	2,012	0.9
Other expenses[*4]	4,844	2.9	6,292	3.4	129.9	6,755	3.1
Total	32,021	19.3	37,959	20.8	118.5	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.