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A member of the Financial Accounting Standards Foundation

Summary of Consolidated Financial Results for Fiscal Year Ended May 2014 (Japanese GAAP)

July 4, 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: Tsuguhiro Tamai	Title: Executive officer, Corporate Planning Unit	Tel: (03) 4330-5130
Date of general shareholders' meeting (as planned):		August 6, 2014	
Dividend payable date (as planned):		August 7, 2014	
Annual securities report filing date (as planned):		July 31, 2014	
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 2014 (May 21, 2013 through May 20, 2014)

(1) Consolidated Operating Results

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

		Fiscal Year Ended May 2014		Fiscal Year Ended May 2013	
Net sales	million yen	253,408	(11.8%)	226,610	(6.4%)
Operating income	million yen	4,276	(-37.8%)	6,880	(4.0%)
Ordinary income	million yen	4,449	(-38.6%)	7,241	(11.3%)
Net income	million yen	2,165	(-62.8%)	5,812	(152.5%)
Net income per share	yen	39.75		107.50	
Diluted net income per share	yen	39.54		—	
Net income to shareholders' equity ratio	%	3.8		10.9	
Ordinary income to total assets ratio	%	3.9		6.6	
Operating income to net sales ratio	%	1.7		3.0	

(Note) Comprehensive income
Fiscal year ended May 2014: 1,442 million yen (-78.9%) Fiscal year ended May 2013: 6,831 million yen (192.3%)

(Reference) Investment profit (loss) on equity method
Fiscal year ended May 2014: — million yen Fiscal year ended May 2013: — million yen

(2) Consolidated Financial Positions

		Fiscal Year Ended May 2014	Fiscal Year Ended May 2013
Total assets	million yen	119,976	110,151
Net assets	million yen	58,073	56,935
Capital adequacy ratio	%	48.0	51.0
Net assets per share	yen	1,049.66	1,038.04

(Reference) Owner's equity
Fiscal year ended May 2014: 57,626 million yen
Fiscal year ended May 2013: 56,132 million yen

(3) Consolidated Cash Flows

(Unit: million yen)

	Fiscal Year Ended May 2014	Fiscal Year Ended May 2013
Cash flows from operating activities	11,534	3,871
Cash flows from investing activities	(20,785)	(3,873)
Cash flows from financing activities	(1,453)	(3,910)
Cash and cash equivalents at end of period	35,316	46,070

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2. Dividends

			Fiscal Year Ended May 2013	Fiscal Year Ended May 2014	Fiscal Year Ending May 2015 (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	1,622	1,626	
Payout ratio (consolidated)		%	27.9	75.5	48.4
Ratio of total amount of dividends to net assets (consolidated)		%	3.0	2.9	

3. Consolidated Forecasts for Fiscal Year Ending May 2015 (May 21, 2014 through May 20, 2015)

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

		First Half of Fiscal Year Ending May 2015		Fiscal Year Ending May 2015	
Net sales	million yen	132,500	(11.1%)	277,000	(9.3%)
Operating income	million yen	2,000	(36.3%)	6,500	(52.0%)
Ordinary income	million yen	1,980	(30.0%)	6,460	(45.2%)
Net income	million yen	1,000	(79.2%)	3,400	(57.0%)
Net income per share	yen	18.21		61.93	

* Others

(1) Material changes in subsidiaries during this period (Changes in scope of consolidations resulting from changes in subsidiaries): Yes

Number of subsidiaries newly consolidated: — companies
(Name of subsidiaries newly consolidated:)
Number of subsidiaries excluded from consolidation: one company
(Name of subsidiary excluded from consolidation: ASKUL (Shanghai) Trading Co., Ltd.)

(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: No
4) Retrospective restatement: No

Note: This falls under changes in accounting policies due to revisions of accounting standards provided for in Article 14-2 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 24 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 2014: 54,929,700 shares
Fiscal year ended May 2013: 54,218,000 shares
2) Number of treasury stock at the end of fiscal year
Fiscal year ended May 2014: 29,459 shares
Fiscal year ended May 2013: 142,659 shares
3) Average number of shares
Fiscal year ended May 2014: 54,464,069 shares
Fiscal year ended May 2013: 54,067,810 shares

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(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)

(1) Non-Consolidated Operating Results

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

		Fiscal Year Ended May 2014		Fiscal Year Ended May 2013	
Net sales	million yen	235,257	(11.8%)	210,399	(6.4%)
Operating income	million yen	4,139	(-39.9%)	6,889	(-0.8%)
Ordinary income	million yen	4,300	(-41.0%)	7,291	(4.9%)
Net income	million yen	2,605	(-53.2%)	5,566	(283.3%)
Net income per share	yen	47.85		102.95	
Diluted net income per share	yen	47.59		—	

(2) Non-Consolidated Financial Positions

		Fiscal Year Ended May 2014	Fiscal Year Ended May 2013
Total assets	million yen	115,575	105,744
Net assets	million yen	58,575	57,181
Capital adequacy ratio	%	50.4	53.4
Net assets per share	yen	1,060.71	1,044.31

(Reference) Owner's equity
Fiscal year ended May 2014: 58,233 million yen
Fiscal year ended May 2013: 56,471 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 2014

During the period under review (May 21, 2013 through May 20, 2014), the Japanese economy started showing signs of recovery, such as higher corporate earnings especially in export-oriented sectors, larger consumer spending, and the stronger job market. These trends were driven in part by the government's economic policies, although concerns remained, particularly over rising raw material and fuel costs caused by the weaker yen and a drop in demand following the last-minute surge before the consumption tax hike.

In this 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. These led to double-digit growth in consolidated net sales, accelerating the Company's progress toward the goal of becoming the leading company in second-generation e-commerce.(Note 1)

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 second-generation e-commerce business. Logistics productivity at ASKUL Logi PARK Tokyo Metropolitan and Osaka DMC, the core distribution centers in eastern and western Japan, had deteriorated temporarily, but has improved significantly over recent months in tandem with rapid growth of sales at LOHACO, taking the Company's logistics capabilities to an even higher level.

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

The B-to-B business posted strong sales growth. With regard to performance by sale channel, a further increase was recorded 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. In respect of performance by product segment, double-digit growth was achieved in the two strategic businesses—the maintenance, repair, and operations (MRO) business that provides products primarily for factories and construction sites, and the medical business that mainly offers health and nursing care products. The two businesses expanded the range of products including own-brand items and conducted vigorous sales activities, leading to increased orders in particular from work sites and health care facilities. Furthermore, stationery and living supplies registered solid growth, helped by continued support from customers.

The LOHACO B-to-C business was focused on attracting more customers, expanding the product range, and improving and revamping the website.

In an effort to attract more customers, ASKUL placed highly visible advertisements on the Yahoo! Japan top page, a site with an outstanding track record of attracting visitors. The Company also ran high-profile campaigns, such as having LOHACO Jets(Note 2) operate for a limited duration.

LOHACO's product range was substantially widened by harnessing ASKUL Logi PARK Tokyo Metropolitan, a core distribution center that went into operation in July 2013, and exploiting the full potential of the existing logistics network. In addition, LOHACO Drug, a long-awaited online pharmacy, opened in December 2013.

Underpinned by these efforts, LOHACO passed the one million mark of the total number of

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customers having used the site since its inception. Repeat purchases from highly loyal customers also continued to increase. In consequence, LOHACO achieved net sales of 12,111 million yen for the period under review, surpassing the target of 10,000 million yen.

In February 2014, ASKUL founded a LOHACO E-commerce Marketing Lab with the object of creating innovative e-commerce marketing methods and conducting joint research with suppliers for new product development, through the utilization of big data. The first-term activities have begun with the participation of 12 suppliers eager to engage in joint study. This initiative is expected to lead to even stronger ties with suppliers, and to the development of new high-value products and services that will be offered at LOHACO in the future.

As a result of these developments, for the period under review, net sales in the B-to-B business grew by 16,789 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 10,007 million yen. In consequence, consolidated net sales increased 11.8% to 253,408 million yen. The gross profit margin declined by 0.3 percentage points as main items at LOHACO were strategically priced to boost sales further. However, "gross profit—net" climbed 10.1% to 55,701 million yen, buoyed by increased sales of living supplies and high gross-margin MRO supplies, among others.

Selling, general and administrative expenses were up 17.6% year-on-year to 51,425 million yen, with a 1.0 percentage point rise in the ratio of those expenses to net sales. The increase was largely attributable to the expenses incurred by the launch of LOHACO, including rises of 1,880 million yen in personal expenses, of 811 million yen in advertising and sales promotion expenses owing to vigorous publicity campaigns, of 1,377 million yen in depreciation and maintenance fees due to the acquisition and operation of ASKUL Logi PARK Tokyo Metropolitan, and of 430 million yen in onetime expenses such as real estate acquisition tax, other taxes and dues, and costs to purchase supplies used at the distribution center. Shipment expenses, which are variable costs, rose by 2,319 million yen, largely in conjunction with growth of net sales in the LOHACO and other businesses.

Consequently, for the period under review, operating income declined 37.8% year-on-year to 4,276 million yen, ordinary income decreased 38.6% to 4,449 million yen, and net income was down 62.8% to 2,165 million yen.

Notes:

1. A form of electronic commerce whereby customers purchase food, beverages, tissues, and other items used all the time at home.
2. Vanilla Air Inc.'s jet aircrafts painted in a special LOHACO livery as part of a joint campaign with the Company.

2) Outlook for fiscal year ending May 2015

For the fiscal year ending May 2015, ASKUL expects that LOHACO's net sales will increase 81.6% year-on-year to 22.0 billion yen. As for the B-to-B business, the Company predicts net sales growth of 5.7% to 255.0 billion yen, with continued steady growth in the strategic MRO and medical businesses, in particular.

ASKUL also anticipates increasing productivity at the distribution centers, a source of its competitive advantage. Taking these factors into account, the Company forecasts at this stage that, for the fiscal year ending May 2015, consolidated net sales will grow 9.3% year-on-year to 277.0 billion yen, operating income will rise 52.0% to 6.5 billion yen, ordinary income will increase 45.2% to 6.46 billion yen, and net income will climb 57.0% to 3.4 billion yen.

(2) Analysis of Financial Position

1) Assets, liabilities, and net assets

(Assets)

Consolidated total assets stood at 119,976 million yen at the end of the period under review, an increase of 9,824 million yen from the end of the preceding fiscal year. The main contributing

factors were a 2,000 million yen increase in "notes and accounts receivable—trade" accompanied by sales growth, a 1,239 million yen increase in merchandise and finished goods primarily reflecting a broader range of products offered at LOHACO and in the strategic MRO business, and a 20,781 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 10,753 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 637 million yen decrease in noncurrent deferred tax assets, and a 1,507 million yen decrease in investment securities reflecting measurement at market value.

(Liabilities and net assets)

Consolidated liabilities amounted to 61,902 million yen, an increase of 8,686 million yen from the end of the preceding fiscal year. The primary reasons were a 3,269 million yen increase in "notes and accounts payable—trade," a 2,165 million yen increase in factoring payable, and a 3,860 million yen increase in long-term lease obligations following the acquisition of property, plant and equipment upon construction of ASKUL Logi PARK Tokyo Metropolitan.

Net assets were 58,073 million yen, an increase of 1,137 million yen from the end of the preceding fiscal year. This was largely attributable to net income of 2,165 million yen; a 765 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 a 224 million yen increase in foreign currency translation adjustment owing mainly to 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 970 million yen reflecting the measurement of stock holdings at market value.

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

2) Cash flows

Consolidated cash and cash equivalents (hereinafter "Funds") at the end of the period under review were 35,316 million yen, a decrease of 10,753 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 11,534 million yen. The main factors contributing to an increase in Funds were income before income taxes of 4,008 million yen, depreciation and amortization of noncurrent assets and depreciation of software totaling 3,969 million yen, a 3,237 million yen increase in "notes and accounts payable—trade," and a 2,165 million yen increase in factoring payable. Meanwhile, the factors leading to a decrease in Funds included a 1,915 million yen increase in "notes and accounts receivable—trade" and a 1,235 million yen increase in inventories.

(Cash flows from investing activities)

Net Funds used in investing activities were 20,785 million yen. The main items were 18,477 million yen paid for the purchase of property, plant and equipment and 1,810 million yen paid for the purchase of software.

(Cash flows from financing activities)

Net Funds used in financing activities were 1,453 million yen. The main items leading to an increase in Funds were proceeds from issuance of common stock amounting to 1,199 million yen and proceeds from disposal of treasury stock totaling 175 million yen. On the other hand, the

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items resulting in a decrease in Funds included repayments of loans payable adding up to 819 million yen on a net basis, repayments of lease obligations coming to 400 million yen, and cash dividends paid of 1,626 million yen.

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

	Fiscal Year Ended May 2010	Fiscal Year Ended May 2011	Fiscal Year Ended May 2012	Fiscal Year Ended May 2013	Fiscal Year Ended May 2014
Capital adequacy ratio (%)	26.3	23.0	46.7	51.0	48.0
Capital adequacy ratio at market value (%)	77.7	48.4	46.2	87.7	104.7
Cash flow to interest-bearing liabilities ratio (years)	1.0	1.0	0.6	1.0	0.6
Interest coverage ratio (times)	84.8	110.3	169.6	99.7	128.2

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 2014 and Ending May 2015

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.

Currently, ASKUL is endeavoring to expand the LOHACO business with an eye to becoming the leading company in second-generation e-commerce. To that end, initial costs and other charges were incurred during the period under review, for purposes such as reinforcing logistics facilities and constructing ASKUL Logi PARK Tokyo Metropolitan. Despite that, with the funds raised by the capital increase in May 2012, the Company has built a solid financial base and secured the funds needed in the near future for capital investment over the medium to long term. Therefore, for the period under review, the Company intends to continue distributing dividends from surplus to shareholders in a consistent manner and 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 planned at the beginning of the fiscal year.

For the fiscal year ending May 2015, whereas ASKUL will continue intensive investment focused on advertising to boost LOHACO's sales, it anticipates sales and profit growth spurred by the steadily growing B-to-B business. The Company therefore plans to distribute dividends in a consistent manner by paying 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 48.4%.

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(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 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.

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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.

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

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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. In addition, offering an extensive range of products is imperative in the B-to-C online mail-order business 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 expand its B-to-C online mail-order business. 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 offers a diverse range of products, including supplies for health and nursing care facilities; specialized items for medical institutions; and pharmaceuticals, health foods, and

alcoholic beverages for general consumers. The sale and management of some of these products are governed by the Pharmaceutical Affairs Act and other applicable laws and regulations. The Group has completed the required procedures, such as obtaining licenses and permits and making registrations and notifications.

The Group has also obtained licenses and permits and made registrations and notifications as required by laws 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. Recently, consumer demand for e-commerce (business of commerce conducted via the Internet and other electronic means) is rapidly growing as information technology advances, birthrate declines, the proportion of the elderly increases, more women participate in the workforce, and other changes occur in social structures and lifestyles. Seeing this trend as an excellent opportunity for growth, the Group launched the LOHACO service, an Internet mail-order site for general consumers, on November 20, 2012. Under the mission of "realizing innovative living infrastructure that delivers what you want, when you want it, anytime, anywhere, to anybody in the most eco-friendly manner," the Group aspires to transform itself from the leader in the office product mail-order business into the leading company in second-generation e-commerce.

In the B-to-B business, ASKUL aims to further 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 medical supplies, such as health and nursing care products; MRO supplies used in factories, construction sites, laboratories, and other places of business; and merchandise for restaurants.

As regards LOHACO, ASKUL concentrates on developing this B-to-C business into the second pillar of its operations as quickly as possible. Toward that end, the Group combines its expertise and human resources with those of Yahoo Japan Corporation, the business and capital alliance partner, to build an e-commerce business surpassing that of other B-to-C companies in every aspect from price to product quality and delivery.

At the same time, to significantly raise profitability, ASKUL strives to reduce the cost of sales by leveraging the economy of scale created through increased sales in the B-to-B and LOHACO businesses, while developing new high-value products and services in collaboration with the suppliers.

The Group has expanded the existing distribution center in Osaka and constructed ASKUL Logi PARK Tokyo Metropolitan as the core center in eastern Japan, with the aim of boosting its advantages by substantially increasing the number of the products available for same or next day delivery. In addition, a project is under way to relocate the distribution center in Fukuoka Prefecture with the view of improving logistics and delivery efficiency in the Kyushu region and the rest of western Japan. The Group continues investing in the renovation and relocation of distribution centers and taking other necessary measures to provide better customer services as well as to reduce costs through more efficient logistics operations.

(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 2013, the Group's operating income to net sales ratio was 3.0%. The ROE reached 10.9% 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. For the period under review, the Group posted an operating income to net sales ratio of 1.7% and an ROE of 3.8%, the reasons for which were twofold: intensive investment in advertising aimed primarily at accelerating the growth of

LOHACO; and proactive investment focused on the distribution centers to transform them into a foundation for the second-generation e-commerce business. For the fiscal year ending May 2015 and beyond, the Group will make every effort to substantially raise the efficiency of logistics operations, to grow LOHACO as quickly as possible, and thereby to enhance its performance indicators over the medium to long term.

(3) Challenges Ahead

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. It thus enhances the entire supply chain that constitutes a foundation for customer services, through such measures as procuring products in a more continuous and consistent manner, decentralizing the logistics network, installing seismic reinforcement in the 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 expanding LOHACO, along with the existing B-to-B business, and to offering better customer services. 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, while aiming to acquire more than one million loyal customers in the individuals segment)
- Extending product range (besides B-to-B items that the Group has long been offering, strategically expanding the range of medical supplies, such as health and nursing care products, 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 LOHACO by increasing the range of living supplies, over-the-counter drugs, alcoholic beverages, and other B-to-C items)
- Enhancing business platform (building a market platform on which customers, suppliers, and ASKUL will be able to share the benefits, by capitalizing on big data, by achieving even greater logistics efficiency through the construction of distribution centers with state-of-the-art equipment, and by offering pioneering services, such as Concierge Sales Drivers who provide high-quality delivery services drawing on the logistics know-how of Bizex Corporation of the Group, 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)

(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 continued to work on improvement initiatives designed to achieve its long-term environmental goals by fiscal 2020 that were set in terms of CO_2 emissions and resource consumption.

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One example of the efforts made at ASKUL's distribution centers and offices is various initiatives undertaken at ASKUL Logi PARK Tokyo Metropolitan, which went into operation in July 2013. They include LED lighting that was installed throughout the building, and an "i-pack" automated packing system that was 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 distribution center installed approximately 3,700 solar panels on the southern side of the roof, and on March 27, 2014, started selling the electricity generated from them. These panels are capable of annually generating about 600,000 kWh of electricity, enough to power around 170 average households.

LED indoor lighting is being progressively installed at other distribution centers as well, to reduce power consumption. During the period under review, the DCM center in Tokyo switched to LED lighting.

In September 2013, ASKUL took part in the REDD+(Note) demonstration activity in the Socialist Republic of Vietnam. REDD+ is an initiative attracting international attention, intended to mitigate climate change primarily by preventing deforestation and forest degradation in developing countries. At the United Nations, discussions are under way toward providing a developing country with economic incentives corresponding to emission reductions in CO_2-equivalent terms that have been achieved through the country's REDD+ activities. The demonstration activity being conducted in Dien Bien Province, situated in northwestern Vietnam, is designed to support comprehensive efforts involving local communities and demonstrate their effectiveness as climate change mitigation measures, over the three-year period to March 2016.

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: REDD+ (REDD-plus) is an initiative under which the international community provides a developing country with economic benefits for the country's efforts to conserve its forests.

(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. 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 areas, 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, ASKUL is involved in diverse community activities. For example, the Company supports and participates in the annual Tour de Tohoku cycling event that is held to help reconstruction from the Great East Japan Earthquake. Also, the employees continue to volunteer in the affected areas, assisting art workshops and other activities.

The Company endeavors to provide the employees with opportunities to participate in outreach activities as well. Such activities include 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.

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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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(6) 3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	Fiscal Year Ended May 2013 (As of May 20, 2013)	Fiscal Year Ended May 2014 (As of May 20, 2014)
Assets		
Current assets		
Cash and deposits	46,070	35,316
Notes and accounts receivable—trade	27,048	29,049
Merchandise and finished goods	8,518	9,758
Raw materials and supplies	91	87
Income taxes receivable	406	—
Deferred tax assets	675	724
Other	5,053	5,267
Allowance for doubtful accounts	(46)	(31)
Total current assets	87,818	80,172
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	2,313	13,284
Accumulated depreciation	(1,326)	(1,704)
Buildings and structures, net	987	11,579
Machinery, equipment and vehicles	3,084	3,323
Accumulated depreciation	(1,240)	(1,467)
Machinery, equipment and vehicles, net	1,843	1,855
Land	—	7,232
Lease assets	1,282	5,608
Accumulated depreciation	(517)	(947)
Lease assets, net	764	4,660
Other	2,711	2,887
Accumulated depreciation	(2,047)	(2,037)
Other, net	663	849
Construction in progress	1,199	61
Total property, plant and equipment	5,458	26,240
Intangible assets		
Software	4,910	4,401
Software in progress	175	159
Goodwill	3,529	2,927
Other	29	13
Total intangible assets	8,646	7,501
Investments and other assets		
Investment securities	1,941	433
Long-term prepaid expenses	286	207
Guarantee deposits	3,263	3,324
Deferred tax assets	2,730	2,092
Other	108	47
Allowance for doubtful accounts	(103)	(43)
Total investments and other assets	8,227	6,061
Total noncurrent assets	22,333	39,803
Total assets	110,151	119,976

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(Unit: million yen)

	Fiscal Year Ended May 2013 (As of May 20, 2013)	Fiscal Year Ended May 2014 (As of May 20, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	28,579	31,848
Short-term loans payable	250	550
Current portion of long-term loans payable	1,414	1,112
Accounts payable—other	3,606	3,465
Factoring payable	12,407	14,573
Income taxes payable	59	282
Accrued consumption taxes	179	157
Provision for bonuses	51	60
Provision for sales promotion expenses	495	419
Provision for sales returns	26	28
Provision for loss on disaster	36	—
Provision for loss on liquidation of subsidiaries and affiliates	95	—
Asset retirement obligations	383	—
Other	571	927
Total current liabilities	48,156	53,424
Noncurrent liabilities		
Long-term loans payable	1,576	758
Provision for retirement benefits	1,549	—
Net defined benefit liability	—	1,822
Lease obligations	614	4,475
Provision for bonuses	18	100
Provision for directors' bonuses	11	60
Asset retirement obligations	972	981
Other	316	280
Total noncurrent liabilities	5,059	8,477
Total liabilities	53,215	61,902
Net assets		
Shareholders' equity		
Capital stock	20,035	20,801
Capital surplus	22,517	23,313
Retained earnings	12,900	13,438
Treasury stock	(241)	(49)
Total shareholders' equity	55,211	57,502
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,119	148
Foreign currency translation adjustment	(198)	26
Remeasurements of defined benefit plans	—	(51)
Total accumulated other comprehensive income	920	123
Subscription rights to shares	709	342
Minority interests	93	104
Total net assets	56,935	58,073
Total liabilities and net assets	110,151	119,976

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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 2013 (May 21, 2012 through May 20, 2013)	Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)
Net sales	226,610	253,408
Cost of sales	175,988	197,704
Gross profit	50,622	55,703
Reversal of provision for sales returns	17	26
Provision for sales returns	26	28
Gross profit—net	50,613	55,701
Selling, general and administrative expenses	*1 43,733	*1 51,425
Operating income	6,880	4,276
Non-operating income		
Interest income	95	63
Commission fee	5	3
Gain on disposal of inventories	5	8
Foreign exchange gains	303	37
Subsidy income	14	32
Grant income	10	106
Other	20	44
Total non-operating income	456	296
Non-operating expenses		
Interest expenses	38	89
Commission fee	32	4
Loss on transfer of receivables	16	15
Other	7	13
Total non-operating expenses	95	123
Ordinary income	7,241	4,449
Extraordinary income		
Gain on reversal of subscription rights to shares	12	9
Other	0	—
Total extraordinary income	12	9
Extraordinary loss		
Impairment loss	*3 77	*3 221
Loss on retirement of noncurrent assets	*2 84	*2 40
Provision for loss on liquidation of subsidiaries and affiliates	95	—
Loss on liquidation of subsidiaries and affiliates	184	187
Other	8	2
Total extraordinary loss	450	451
Income before income taxes	6,803	4,008
Income taxes—current	1,065	668
Income taxes—deferred	(116)	1,154
Total income taxes	948	1,822
Income before minority interests	5,855	2,185
Minority interests in income	42	20
Net income	5,812	2,165

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(Consolidated Statements of Comprehensive Income)

(Unit: million yen)

	Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013)	Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)
Income before minority interests	5,855	2,185
Other comprehensive income		
Valuation difference on available-for-sale securities	1,119	(970)
Foreign currency translation adjustment	(142)	226
Total other comprehensive income	* 976	* (743)
Comprehensive income	6,831	1,442
Comprehensive income attributable to:		
Owners of the parent	6,786	1,419
Minority interests	45	22

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(3) Consolidated Statements of Changes in Net Assets

Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	20,035	22,515	8,709	(254)	51,006
Changes of items during period					
Issuance of new shares					
Dividends from surplus			(1,622)		(1,622)
Net income			5,812		5,812
Disposal of treasury stock		2		13	15
Net changes of items other than shareholders' equity					
Total changes of items during period	—	2	4,190	13	4,205
Balance at end of period	20,035	22,517	12,900	(241)	55,211

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	—	(53)	—	(53)	660	85	51,698
Changes of items during period							
Issuance of new shares							
Dividends from surplus							(1,622)
Net income							5,812
Disposal of treasury stock							15
Net changes of items other than shareholders' equity	1,119	(145)	—	973	49	8	1,031
Total changes of items during period	1,119	(145)	—	973	49	8	5,236
Balance at end of period	1,119	(198)	—	920	709	93	56,935

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Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	20,035	22,517	12,900	(241)	55,211
Changes of items during period					
Issuance of new shares	765	765			1,530
Dividends from surplus			(1,626)		(1,626)
Net income			2,165		2,165
Disposal of treasury stock		30		191	221
Net changes of items other than shareholders' equity					
Total changes of items during period	765	795	538	191	2,290
Balance at end of period	20,801	23,313	13,438	(49)	57,502

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,119	(198)	—	920	709	93	56,935
Changes of items during period							
Issuance of new shares							1,530
Dividends from surplus							(1,626)
Net income							2,165
Disposal of treasury stock							221
Net changes of items other than shareholders' equity	(970)	224	(51)	(796)	(367)	10	(1,153)
Total changes of items during period	(970)	224	(51)	(796)	(367)	10	1,137
Balance at end of period	148	26	(51)	123	342	104	58,073

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(4) Consolidated Statements of Cash Flows

(Unit: million yen)

	Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013)	Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)
Cash flows from operating activities		
Income before income taxes	6,803	4,008
Depreciation and amortization	672	1,739
Depreciation of software	2,013	2,229
Amortization of long-term prepaid expenses	257	262
Amortization of goodwill	607	612
Share-based compensation expenses	64	1
Gain on reversal of subscription rights to shares	(12)	(9)
Increase (decrease) in allowance for doubtful accounts	(9)	(74)
Increase (decrease) in provision for sales promotion expenses	(57)	(76)
Increase (decrease) in provision for sales returns	9	2
Increase (decrease) in provision for bonuses	22	89
Increase (decrease) in provision for directors' bonuses	11	48
Increase (decrease) in provision for retirement benefits	144	(1,549)
Increase (decrease) in net defined benefit liability	—	1,742
Increase (decrease) in provision for loss on disaster	(141)	(36)
Increase (decrease) in provision for loss on liquidation of subsidiaries and affiliates	95	(95)
Interest income	(95)	(63)
Impairment loss	77	221
Loss on retirement of noncurrent assets	80	37
Interest expenses	38	89
Decrease (increase) in notes and accounts receivable—trade	(1,645)	(1,915)
Decrease (increase) in inventories	(119)	(1,235)
Decrease (increase) in accounts receivable—other	(494)	(359)
Increase (decrease) in notes and accounts payable—trade	2,844	3,237
Increase (decrease) in accounts payable—other	(154)	51
Increase (decrease) in factoring payable	(3,259)	2,165
Increase (decrease) in accrued consumption taxes	(45)	(759)
Other, net	(834)	1,241
Subtotal	6,873	11,607
Interest and dividends income received	95	63
Interest expenses paid	(41)	(90)
Income taxes refund and interest on refund	—	484
Income taxes paid	(3,056)	(529)
Cash flows from operating activities	3,871	11,534

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(Unit: million yen)

	Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013)	Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,525)	(18,477)
Purchase of software	(1,829)	(1,810)
Purchase of long-term prepaid expenses	(74)	(44)
Payments for guarantee deposits	(214)	(221)
Proceeds from collection of guarantee deposits	55	161
Purchase of investment securities	(201)	(0)
Purchase of investments in subsidiaries	(88)	(22)
Payments for asset retirement obligations	—	(379)
Other, net	4	7
Cash flows from investing activities	(3,873)	(20,785)
Cash flows from financing activities		
Increase in short-term loans payable	—	300
Decrease in short-term loans payable	(506)	—
Proceeds from long-term loans payable	250	300
Repayment of long-term loans payable	(1,928)	(1,419)
Repayments of lease obligations	(115)	(400)
Proceeds from issuance of common stock	—	1,199
Proceeds from issuance of subscription rights to shares	—	17
Proceeds from disposal of treasury stock	11	175
Cash dividends paid	(1,622)	(1,626)
Cash flows from financing activities	(3,910)	(1,453)
Effect of exchange rate change on cash and cash equivalents	(79)	(49)
Net increase (decrease) in cash and cash equivalents	(3,991)	(10,753)
Cash and cash equivalents at beginning of period	50,062	46,070
Cash and cash equivalents at end of period	*1 46,070	*1 35,316

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(5) Notes to Consolidated Financial Statements

(Notes regarding the Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

(Application of accounting standard and guidance for retirement benefits)

ASKUL has applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26: May 17, 2012; hereinafter "the Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25: May 17, 2012; hereinafter "the Guidance") as of the end of the period under review (except for the provisions in the main clause of Paragraph 35 of the Standard and the main clause of Paragraph 67 of the Guidance). Accordingly, the Company switched to the method of recognizing retirement benefit obligations as net defined benefit liability, and recorded unrecognized actuarial differences as net defined benefit liability.

In applying these rules, the Company conformed to the provisions in Paragraph 37 of the Standard that specify the transitional treatment. In accordance with that treatment, at the end of the period under review, the effects of the change were added to and subtracted from remeasurements of defined benefit plans of the accumulated other comprehensive income section.

As a result, at the end of the period under review, net defined benefit liability of 1,822 million yen was recognized, while accumulated other comprehensive income decreased by 51 million yen and net assets per share declined by 0.94 yen.

(Accounting Standards to Be Applied)

- Accounting Standard for Retirement Benefits (ASBJ Statement No. 26: May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25: May 17, 2012)

a. Background

These two rules were revised from the perspective of improving financial reporting and in the light of global trends. The revisions were centered on accounting for unrecognized actuarial differences and unrecognized prior service costs, determining retirement benefit obligations and service costs, and enhancing disclosure.

b. Scheduled application date

ASKUL will apply the revised method of determining retirement benefit obligations and service costs, from the beginning of the fiscal year ending May 2015.

c. Impact of applying the rules

No impact is expected from the application of the accounting standard.

(Changes to Presentation)

(Consolidated balance sheets)

Lease assets, previously included in other of the property, plant and equipment section, is presented as a separate item from the period under review due to its increased importance in terms of value. To reflect this change to presentation, certain reclassifications were made to the consolidated financial statements for the preceding fiscal year.

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As a result, the 3,993 million yen presented in other of the property, plant and equipment section on the consolidated balance sheet for the preceding fiscal year was reclassified into 1,282 million yen in lease assets and 2,711 million yen in other; the negative 2,565 million yen presented in accumulated depreciation of other was reclassified into negative 517 million yen in accumulated depreciation of lease assets and negative 2,047 million yen in accumulated depreciation of other; and the 1,428 million yen presented in "other, net" was reclassified into 764 million yen in "lease assets, net" and 663 million yen in "other, net."

Lease obligations, previously included in other of the noncurrent liabilities section, is presented as a separate item from the period under review due to its increased importance in terms of value. To reflect this change to presentation, certain reclassifications were made to the consolidated financial statements for the preceding fiscal year.

As a result, the 930 million yen presented in other of the noncurrent liabilities section on the consolidated balance sheet for the preceding fiscal year was reclassified into 614 million yen in lease obligations and 316 million yen in other.

(Consolidated statements of income)

Grant income, previously included in other of the non-operating income section, is presented as a separate item from the period under review due to its increased importance in terms of value. To reflect this change to presentation, certain reclassifications were made to the consolidated financial statements for the preceding fiscal year.

As a result, the 31 million yen presented in other of the non-operating income section on the consolidated statement of income for the preceding fiscal year was reclassified into 10 million yen in grant income and 20 million yen in other.

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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 2013 (May 21, 2012 through May 20, 2013)	Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)
Shipment expenses	8,162	10,481
Provision for sales promotion expenses	495	419
Salaries and allowances	9,078	10,607
Business consignment expenses	5,089	5,805
Subcontract expenses	3,406	3,333
Retirement benefit expenses	246	278
Rents	5,086	5,034

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

(Unit: million yen)

	Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013)	Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)
Buildings and structures	13	2
Machinery, equipment and vehicles	10	1
Other of property, plant and equipment	30	15
Software	26	18
Dismantling and removal costs	3	3
Total	84	40

*3. Impairment loss

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

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 Software in progress Long-term prepaid expenses	26 4 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 Software Software in progress	0 30 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.

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.

Fiscal year ended May 2014 (May 21, 2013 through May 20, 2014)

Location	Purpose of use	Category	Amount (million yen)
Shinagawa-ku, Tokyo	Eastern Japan Medical Center	Buildings and structures	28
		Machinery, equipment and vehicles	1
		Lease assets	76
		Other of property, plant and equipment	8
		Software	23
Koto-ku, Tokyo	SOLOEL Enterprise	Buildings and structures	14
		Other of property, plant and equipment	3
		Software	41
		Software in progress	11
Koto-ku, Tokyo	Telephone subscription rights	Other of intangible assets	11

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.

ASKUL judged it difficult to recover investments in the Eastern Japan Medical Center within the remaining amortization period due to changes in the method of use. Accordingly, the book value was reduced to the recoverable amount, and the amount of that reduction was recorded as an impairment loss (138 million yen) in the extraordinary loss section.

The Group also considered it difficult to recover investments in SOLOEL Enterprise within the remaining amortization period. Accordingly, the book value was reduced to the recoverable amount, and the amount of that reduction was recorded as an impairment loss (71 million yen) in the extraordinary loss section.

The 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 (11 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 2013 (May 21, 2012 through May 20, 2013)	Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)
Valuation difference on available-for-sale securities		
Amount arising during period	1,739	(1,507)
Reclassification adjustment	—	—
Before tax effect	1,739	(1,507)
Tax effect	(619)	537
Valuation difference on available-for-sale securities	1,119	(970)
Foreign currency translation adjustment		
Amount arising during period	(142)	13
Reclassification adjustment	—	213
Before tax effect	(142)	226
Tax effect	—	—
Foreign currency translation adjustment	(142)	226
Total other comprehensive income	976	(743)

(Notes to Consolidated Statements of Changes in Net Assets)

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: The 7,700 share decrease in treasury common stock was due to the disposal of those shares.

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

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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

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 6, 2013	Common stock	811	Retained earnings	15	May 20, 2013	August 7, 2013

Fiscal year ended May 2014 (May 21, 2013 through May 20, 2014)

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)	54,218,000	711,700	—	54,929,700
Total	54,218,000	711,700	—	54,929,700
Treasury stock				
Common stock(Note 2)	142,659	—	113,200	29,459
Total	142,659	—	113,200	29,459

Notes:

1. The 711,700 share increase in issued and outstanding shares of common stock was due to the exercise of subscription rights to shares.
2. The 113,200 share decrease in treasury common stock was due to the disposal of those shares.

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	—	—	—	—	—	342
Total		—	—	—	—	—	342

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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 6, 2013	Common stock	811	15	May 20, 2013	August 7, 2013
Board of directors meeting of December 13, 2013	Common stock	815	15	November 20, 2013	January 24, 2014

(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, 2014	Common stock	823	Retained earnings	15	May 20, 2014	August 7, 2014

(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 2013 (May 21, 2012 through May 20, 2013)	Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)
Cash and deposits	46,070	35,316
Cash and cash equivalents	46,070	35,316

2 Details of material noncash transactions

(1) Transactions related to asset retirement obligations

(Unit: million yen)

	Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013)	Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)
Asset retirement obligations	55	3

(2) Assets and liabilities related to finance lease transactions

(Unit: million yen)

	Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013)	Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)
Assets and liabilities related to finance lease transactions	97	4,418

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(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 2013 (May 21, 2012 through May 20, 2013) and 2014 (May 21, 2013 through May 20, 2014)

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.

b. Related information

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.

Fiscal year ended May 2014 (May 21, 2013 through May 20, 2014)

1. Information by product or service

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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.

c. Impairment loss on noncurrent assets by reportable segment

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

Fiscal year ended May 2014 (May 21, 2013 through May 20, 2014)

(Unit: million yen)

	Office product sales business	Delivery business	Total
Impairment loss	221	—	221

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

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

Fiscal year ended May 2014 (May 21, 2013 through May 20, 2014)

(Unit: million yen)

	Office product sales business	Delivery business	Total
Amount amortized during the fiscal year	612	—	612
Unamortized balance at the end of the fiscal year	2,927	—	2,927

e. Gain on bargain purchase by reportable segment

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

Not applicable.

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Fiscal year ended May 2014 (May 21, 2013 through May 20, 2014)

Not applicable.

(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 2013 (May 21, 2012 through May 20, 2013)	Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)
Balance at beginning of period	1,409	1,355
Increase resulting from purchase of property, plant and equipment	55	3
Adjustment for passage of time	13	8
Decrease due to payments for asset retirement obligations	—	(386)
Decrease due to changes in estimates	(121)	—
Balance at end of period	1,355	981

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(Per Share Information)

	Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013)	Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)
Net assets per share (yen)	1,038.04	1,049.66
Net income per share (yen)	107.50	39.75
Diluted net income per share (yen)	—	39.54

Note: Net income per share and diluted net income per share were computed based on the figures below. Note that diluted net income per share for the fiscal year ended May 2013 is not presented due to the absence of dilutive potential common shares.

	Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013)	Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)
Net income per share		
Net income (million yen)	5,812	2,165
Net income not attributable to common shareholders (million yen)	—	—
Net income related to common stock (million yen)	5,812	2,165
Average number of shares (thousand shares)	54,067	54,464
Diluted net income per share		
Adjustments to net income for dilution (million yen)	—	—
Increase in number of shares of common stock (thousand shares)	—	290
(Of which, subscription rights to shares [thousand shares])	—	(290)
Outline of potential common shares not included in calculation of diluted net income per share due to absence of dilutive effects	—	—

(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: Hideaki Miyata
- Candidate for new auditor
  Outside auditor: Mikinao Kitada
- Auditor to retire
  Outside auditor: Yukio Machida

3) Date of taking office (tentative)

August 6, 2014

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

Item	Fiscal Year Ended May 2013 (May 21, 2012 through May 20, 2013)		Fiscal Year Ended May 2014 (May 21, 2013 through May 20, 2014)		
	Amount (million yen)	Ratio to Sales (%)	Amount (million yen)	Ratio to Sales (%)	Year-on-year Change (%)
Personal expenses*1	12,014	5.3	13,895	5.5	115.7
Shipment expenses*2	8,162	3.6	10,481	4.1	128.4
Provision for sales promotion expenses	495	0.2	419	0.2	84.6
Subcontract expenses	3,406	1.5	3,333	1.3	97.9
Business consignment expenses	5,089	2.2	5,805	2.3	114.1
Rents	5,086	2.2	5,034	2.0	99.0
Provision of allowance for doubtful accounts	48	0.0	(30)	—	—
Depreciation*3	662	0.3	1,728	0.7	260.8
Amortization of software	2,012	0.9	2,211	0.9	109.9
Other expenses*4	6,755	3.1	8,546	3.3	126.5
Total	43,733	19.3	51,425	20.3	117.6

Notes:

*1. Personal expenses for the period under review rose from a year earlier. This was mainly due to the impact of changes in an employment system for distribution center workers and of the increased number of employees engaged in product planning, purchasing, and other tasks to expand the range of products offered at LOHACO.

*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 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.