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Summary of Consolidated Financial Results for First Quarter of Fiscal Year Ending May 2015 (Japanese GAAP)

September 12, 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
Quarterly statement filing date (as planned):		September 26, 2014	
Dividend payable date (as planned):		—	
Supplemental material of quarterly results:		Yes	
Convening briefing of quarterly results:		No	

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

1. Consolidated Financial Results for First Quarter of Fiscal Year Ending May 2015 (May 21, 2014 through August 20, 2014)

(1) Consolidated Quarterly Operating Results

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

		First Quarter of Fiscal Year Ending May 2015		First Quarter of Fiscal Year Ended May 2014	
Net sales	million yen	63,037	(9.5%)	57,560	(8.3%)
Operating income	million yen	381	(4.6%)	364	(-79.5%)
Ordinary income	million yen	404	(2.1%)	396	(-77.2%)
Net income	million yen	182	(37.3%)	133	(-85.5%)
Net income per share	yen	3.32		2.46	
Diluted net income per share	yen	3.31		2.46	

(Note) Comprehensive income
First quarter of fiscal year ending May 2015: 328 million yen (—%)
First quarter of fiscal year ended May 2014: -505 million yen (—%)

(2) Consolidated Financial Positions

		First Quarter of Fiscal Year Ending May 2015	Fiscal Year Ended May 2014
Total assets	million yen	116,513	119,976
Net assets	million yen	57,760	58,073
Capital adequacy ratio	%	49.2	48.0

(Reference) Owner's equity
First quarter of fiscal year ending May 2015: 57,370 million yen
Fiscal year ended May 2014: 57,626 million yen

2. Dividends

			Fiscal Year Ended May 2014	Fiscal Year Ending May 2015	Fiscal Year Ending May 2015 (forecast)
Dividend per share	First quarter	yen	—	—	
	Second quarter	yen	15.00		15.00
	Third quarter	yen	—		—
	Fiscal year end	yen	15.00		15.00
	Total	yen	30.00		30.00

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

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3. Consolidated Forecasts for Fiscal Year Ending May 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	

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

* Others

(1) Material changes in subsidiaries during this accumulated quarter (Changes in scope of consolidations resulting from changes in subsidiaries): No
Number of subsidiaries newly consolidated: — companies
(Name of subsidiaries newly consolidated:)
Number of subsidiaries excluded from consolidation: — companies
(Name of subsidiaries excluded from consolidation:)

(2) Applying of specific accounting of the consolidated quarterly financial statements: No

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

(4) Number of issued and outstanding shares (common stock)
1) Number of issued and outstanding shares at the period end (including treasury stock)
First quarter of fiscal year ending May 2015: 55,029,200 shares
Fiscal year ended May 2014: 54,929,700 shares
2) Number of treasury stock at the period end
First quarter of fiscal year ending May 2015: 29,459 shares
Fiscal year ended May 2014: 29,459 shares
3) Average number of shares (quarterly period—YTD)
First quarter of fiscal year ending May 2015: 54,945,980 shares
First quarter of fiscal year ended May 2014: 54,115,538 shares

* Expression of implementation status of quarterly review procedures

This Summary of Consolidated Financial Results is not subject to quarterly review procedures pursuant to the Financial Instruments and Exchange Act. Review procedures for consolidated quarterly financial statements pursuant to the Financial Instruments and Exchange Act had not been completed at the time of the release of this Summary of Consolidated Financial Results.

* Notes for using forecasted information and others

Earnings forecasts and other forward-looking statements contained in this document are based on the information ASKUL has obtained to date and on certain assumptions it considers reasonable. As such, these forecasts and statements are not intended as a commitment by the Company to achieve them. Note also that actual results and other future events may differ materially from these forecasts and statements due to a variety of factors. For the assumptions on which earnings forecasts are based and the notes and information on the use of earnings forecasts, see "1. Qualitative Information on Financial Results (3) Explanation of Consolidated Forecasts and Other Forward-Looking Information" on page 3 of Attached Materials.

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1. Qualitative Information on Financial Results

(1) Explanation of Operating Results

During the period under review (May 21, 2014 through August 20, 2014), Japan's consumer spending declined, following the last-minute surge in demand before the consumption tax hike. Although corporate earnings, particularly those in export-oriented sectors, continued to improve, the uncertainty surrounding the outlook for the Japanese economy persisted.

In such an environment, ASKUL's net sales and profits both showed solid gains for the period under review. This was thanks in part to strong growth in the maintenance, repair, and operations (MRO) business. The Company has been focusing on this business, which primarily provides products for factories and construction sites, as one of the strategic ones in the field of its core B-to-B business. Additionally, the LOHACO B-to-C business posted significant sales growth, supported in particular by vigorous advertising campaigns and the strategic pricing of main products. As a result, for the period under review, both consolidated net sales and profits increased on a year-on-year basis.

Developments in each business area were as outlined below.

In the B-to-B business, net sales grew steadily by 5.8%, or 3,211 million yen, year-on-year to 58,948 million yen. This was the result of the joint efforts of ASKUL and its agents to develop new customers in the strategic segments, such as factories, construction sites, laboratories, and medical and nursing care facilities, with a view to creating a stronger foundation for and generating greater revenue from the business. Such efforts led to double-digit growth in sales of MRO supplies for use in factories, construction sites, and laboratories, and of detergents, cleaning supplies, and such that are especially frequently used in medical and nursing care facilities and stores. Other products, including furniture and stationery, also saw solid growth.

On July 4, 2014, ASKUL concluded a business and capital alliance agreement with Star Festival Inc. to broaden the range of service offerings. Star Festival operates Gochikuru, a comprehensive site offering a host of box meal delivery and catering services for home, which will be added to ASKUL's menu of services by around October 2014.

The LOHACO B-to-C business concentrated on widening the range of products offered and increasing usage by new customers to achieve its medium-term performance indicator of one million loyal customers.

With regard to merchandise, ASKUL started selling type 1 over-the-counter drugs at LOHACO Drug, an online pharmacy on LOHACO, in June 2014. Then on August 20, 2014, the Company opened Beer Shop, an online liquor store that boasts an extensive offer of beer and alcoholic beverages from Japan's four major breweries and other producers.

ASKUL also applied itself to marketing initiatives in partnership with suppliers, developing and putting into practice innovative online marketing methods to increase usage by new customers. A notable example is a 1-Day Sample program, under which new products, hot items, and such are offered at a special 24-hour introductory price with the aim of having many customers experience, and realize the benefits of, those products and of enticing them into repeat purchases.

The number of orders, although having been affected by the decline in demand following the consumption tax hike, recovered to the levels prior to the tax increase. In consequence, net sales in the LOHACO B-to-C business grew by 124.3%, or 2,265 million yen, year-on-year to 4,089 million yen.

As a result of these developments, consolidated net sales increased by 9.5% year-on-year to 63,037 million yen. Gross profit rose by 6.2% to 13,576 million yen, reflecting increased sales of such products as living supplies and high gross-margin MRO supplies.

Selling, general and administrative expenses climbed by 6.2% year-on-year to 13,194 million yen, owing mainly to increases in variable costs associated with higher sales. On the other hand, the ratio of those expenses to net sales improved by 0.7 percentage points, helped by the restoration of

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logistics productivity, which had deteriorated temporarily, to normal levels, as well as by a reduction in the costs related to the acquisition of ASKUL Logi PARK Tokyo Metropolitan incurred in the preceding fiscal year.

Consequently, for the period under review, operating income grew by 4.6% year-on-year to 381 million yen, ordinary income rose by 2.1% to 404 million yen, and net income surged by 37.3% to 182 million yen.

(2) Explanation of Financial Position

Consolidated total assets stood at 116,513 million yen at the end of the period under review, a decrease of 3,462 million yen from the end of the preceding fiscal year. Although investment securities increased by 3,137 million yen owing largely to the acquisition of stocks and the purchase of corporate bonds, that was offset by decreases of 4,272 million yen in cash and deposits due primarily to the payment for said acquisition and purchase, of 1,007 million yen in "notes and accounts receivable—trade," and of 737 million yen in consumption taxes receivable contained in other of current assets.

Consolidated liabilities came to 58,753 million yen, a decrease of 3,149 million yen from the end of the preceding fiscal year. The primary factor was an 11,765 million yen decrease in factoring payable, while a 7,787 million yen increase in "electronically recorded obligations—operating" caused liabilities to increase. During the period under review, the Company's method of payment to all suppliers and business partners was switched from factoring to one using electronically recorded obligations.

Net assets stood at 57,760 million yen, a decrease of 312 million yen from the end of the preceding fiscal year. This was primarily because of a 641 million yen decrease in retained earnings, which resulted from net income of 182 million yen and the payment of dividends of 823 million yen. Meanwhile, factors contributing to an increase in net assets included a 118 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 145 million yen increase in valuation difference on available-for-sale securities reflecting the measurement of stock holdings at market value.

Consequently, the capital adequacy ratio came to 49.2%, compared with 48.0% at the end of the preceding fiscal year.

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

No revision has been made to the consolidated forecasts announced on July 4, 2014.

2. Matters regarding Summary Information (Others)

(1) Material Changes in Subsidiaries during This Accumulated Quarter

Not applicable.

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

Not applicable.

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

(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") with regard to the

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provisions in the main clause of Paragraph 35 of the Standard and the main clause of Paragraph 67 of the Guidance, as of the period under review. Accordingly, the Company reviewed its method of determining retirement benefit obligations and service costs, with the result of changing the method of attributing expected retirement benefits to periods from the straight-line basis to the benefit formula basis, and changing the method of determining the discount rate from one based on the average remaining service period to one using a single weighted-average discount rate based on the duration.

These changes had no impact on net defined benefit liability and retained earnings at the beginning of the period under review; nor did they have any impact on operating income, ordinary income, and income before income taxes for the period under review.

3. Material Events regarding Going Concern Assumption

Not applicable.

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4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	Fiscal Year Ended May 2014 (May 20, 2014)	First Quarter of Fiscal Year Ending May 2015 (August 20, 2014)
Assets		
Current assets		
Cash and deposits	35,316	31,044
Notes and accounts receivable—trade	29,049	28,042
Merchandise and finished goods	9,758	9,820
Raw materials and supplies	87	38
Other	5,991	4,499
Allowance for doubtful accounts	(31)	(44)
Total current assets	80,172	73,400
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	13,284	13,356
Accumulated depreciation	(1,704)	(1,901)
Buildings and structures, net	11,579	11,454
Land	7,232	7,242
Construction in progress	61	696
Other	11,819	11,844
Accumulated depreciation	(4,453)	(4,681)
Other, net	7,366	7,163
Total property, plant and equipment	26,240	26,556
Intangible assets		
Software	4,401	3,975
Software in progress	159	257
Goodwill	2,927	2,959
Other	13	11
Total intangible assets	7,501	7,203
Investments and other assets		
Investment securities	433	3,570
Deferred tax assets	2,092	2,190
Other	3,578	3,727
Allowance for doubtful accounts	(43)	(136)
Total investments and other assets	6,061	9,353
Total noncurrent assets	39,803	43,113
Total assets	119,976	116,513

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(Unit: million yen)

	Fiscal Year Ended May 2014 (May 20, 2014)	First Quarter of Fiscal Year Ending May 2015 (August 20, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	31,469	32,595
Electronically recorded obligations—operating	378	8,166
Short-term loans payable	550	350
Current portion of long-term loans payable	1,112	1,160
Accounts payable—other	3,465	3,412
Factoring payable	14,573	2,807
Income taxes payable	282	93
Accrued consumption taxes	157	411
Provisions	507	620
Other	927	1,063
Total current liabilities	53,424	50,681
Noncurrent liabilities		
Long-term loans payable	758	432
Net defined benefit liability	1,822	1,889
Lease obligations	4,475	4,349
Provisions	160	132
Asset retirement obligations	981	986
Other	280	280
Total noncurrent liabilities	8,477	8,071
Total liabilities	61,902	58,753
Net assets		
Shareholders' equity		
Capital stock	20,801	20,919
Capital surplus	23,313	23,431
Retained earnings	13,438	12,797
Treasury stock	(49)	(49)
Total shareholders' equity	57,502	57,098
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	148	294
Foreign currency translation adjustment	26	25
Remeasurements of defined benefit plans	(51)	(47)
Total accumulated other comprehensive income	123	272
Subscription rights to shares	342	288
Minority interests	104	102
Total net assets	58,073	57,760
Total liabilities and net assets	119,976	116,513

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

(Consolidated Statements of Income)

(Unit: million yen)

	First Quarter of Fiscal Year Ended May 2014 (May 21, 2013 through August 20, 2013)	First Quarter of Fiscal Year Ending May 2015 (May 21, 2014 through August 20, 2014)
Net sales	57,560	63,037
Cost of sales	44,775	49,461
Gross profit	12,785	13,576
Selling, general and administrative expenses	12,420	13,194
Operating income	364	381
Non-operating income		
Interest income	15	14
Foreign exchange gains	28	—
Subsidy income	8	16
Other	7	27
Total non-operating income	60	58
Non-operating expenses		
Interest expenses	20	22
Commission fee	1	1
Other	6	10
Total non-operating expenses	28	35
Ordinary income	396	404
Extraordinary loss		
Loss on retirement of noncurrent assets	3	25
Other	—	1
Total extraordinary loss	3	26
Income before income taxes	392	377
Income taxes—current	15	105
Income taxes—deferred	242	92
Total income taxes	258	197
Income before minority interests	133	180
Minority interests in income	0	(2)
Net income	133	182

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(Consolidated Statements of Comprehensive Income)

(Unit: million yen)

	First Quarter of Fiscal Year Ended May 2014 (May 21, 2013 through August 20, 2013)	First Quarter of Fiscal Year Ending May 2015 (May 21, 2014 through August 20, 2014)
Income before minority interests	133	180
Other comprehensive income		
Valuation difference on available-for-sale securities	(660)	145
Foreign currency translation adjustment	21	(0)
Remeasurements of defined benefit plans, net of tax	—	3
Total other comprehensive income	(639)	148
Comprehensive income	(505)	328
Comprehensive income attributable to:		
Owners of the parent	(507)	330
Minority interests	1	(2)

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(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

5. Supplementary Information

Details of Selling, General and Administrative Expenses (Consolidated)

Item	First Quarter of Fiscal Year Ended May 2014 (May 21, 2013 through August 20, 2013)		First Quarter of Fiscal Year Ending May 2015 (May 21, 2014 through August 20, 2014)			(Reference) 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 (%)	Amount (million yen)	Ratio to Sales (%)
Personal expenses*1	3,289	5.7	3,592	5.7	109.2	13,895	5.5
Shipment expenses*2	2,466	4.3	2,831	4.5	114.8	10,481	4.1
Provision for sales promotion expenses	128	0.2	125	0.2	97.9	419	0.2
Subcontract expenses	846	1.5	809	1.3	95.6	3,333	1.3
Business consignment expenses*2	1,329	2.3	1,485	2.4	111.7	5,805	2.3
Rents	1,293	2.2	1,262	2.0	97.6	5,034	2.0
Provision of allowance for doubtful accounts	(6)	(0.0)	59	0.1	—	(30)	(0.0)
Depreciation*3	279	0.5	448	0.7	160.7	1,728	0.7
Amortization of software	531	0.9	571	0.9	107.6	2,211	0.9
Other expenses	2,261	4.0	2,008	3.1	88.8	8,546	3.3
Total	12,420	21.6	13,194	20.9	106.2	51,425	20.3

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 and business consignment expenses for the period under review rose from a year earlier. This was mainly due to the impact of net sales growth.

*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.