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

March 17, 2015

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): March 27, 2015
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 Nine Months of Fiscal Year Ending May 2015 (May 21, 2014 through February 20, 2015)

(1) Consolidated Quarterly Operating Results

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

		First Nine Months of Fiscal Year Ending May 2015		First Nine Months of Fiscal Year Ended May 2014	
Net sales	million yen	201,898	(10.7%)	182,404	(10.1%)
Operating income	million yen	3,926	(56.8%)	2,503	(-48.6%)
Ordinary income	million yen	4,002	(56.6%)	2,555	(-49.5%)
Net income	million yen	2,295	(112.2%)	1,081	(-75.3%)
Net income per share	yen	41.74		19.91	
Diluted net income per share	yen	41.65		19.80	

(Note) Comprehensive income
First nine months of fiscal year ending May 2015: 2,391 million yen (285.5%)
First nine months of fiscal year ended May 2014: 620 million yen (-85.6%)

(2) Consolidated Financial Positions

		First Nine Months of Fiscal Year Ending May 2015	Fiscal Year Ended May 2014
Total assets	million yen	127,129	119,976
Net assets	million yen	59,026	58,073
Capital adequacy ratio	%	46.1	48.0

(Reference) Owner's equity
First nine months of fiscal year ending May 2015: 58,669 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.)

		Fiscal Year Ending May 2015	
Net sales	million yen	277,000	(9.3%)
Operating income	million yen	6,500	(52.0%)
Ordinary income	million yen	6,460	(45.2%)
Net income	million yen	3,400	(57.0%)
Net income per share	yen	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: Yes
4) Retrospective restatement: No

Note: For further details, see "2. Matters regarding Summary Information (Others) (3) Changes in Accounting Policies and Accounting Estimates, Retrospective Restatement" on page 4 of Attached Materials.

(4) Number of issued and outstanding shares (common stock)
1) Number of issued and outstanding shares at the period end (including treasury stock)
First nine months of fiscal year ending May 2015: 55,047,800 shares
Fiscal year ended May 2014: 54,929,700 shares
2) Number of treasury stock at the period end
First nine months 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 nine months of fiscal year ending May 2015: 54,984,809 shares
First nine months of fiscal year ended May 2014: 54,334,173 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 February 20, 2015), the Japanese economy continued its moderate recovery trend. Companies, especially large enterprises, reported better earnings and results, while the job market showed momentum. In addition, there were early signs of the bottoming out of consumer spending, which had been weak since the consumption tax hike.

In such an environment, the ASKUL Group achieved double-digit growth in net sales and doubled net income through improved logistics productivity, on a year-on-year basis for the period under review. The core B-to-B business saw stronger net sales growth with higher profitability, and the LOHACO B-to-C business achieved significant net sales growth of 79.3%.

Details of each business were as described below.

In the B-to-B business, ASKUL focused on the following three objectives to create a stronger foundation for and generate greater revenue from the business: increasing the number of customers in the strategic segments that include factories, construction sites, laboratories, and health and nursing care facilities; broadening the range of new high-functionality products that are needed at those places; and upgrading the Company's Internet shopping site to make it even more user-friendly than ever. These efforts resulted in double-digit growth in net sales of MRO supplies(Note 1) for use in factories, construction sites, laboratories, and other workplaces and of detergents, cleaning supplies, and the like that are especially frequently used in health and nursing care facilities and stores. Products such as furniture and stationery also recorded firm growth. In consequence, net sales in the B-to-B business grew solidly by 7.6%, or 13,247 million yen, year-on-year to 187,772 million yen.

Amid a weaker yen and other difficult market conditions that persisted, ASKUL progressively revised the prices of its main products, such as copier paper and plastic folders, that it had hitherto struggled to maintain by resorting to cost cutting and other measures. Thanks to these price revisions that were introduced from the ASKUL Catalog Autumn/Winter 2014 published in August 2014, the gross profit margin of the business steadily improved. Even after the revisions, the Company's prices remain competitive and the number of orders has been growing at a robust pace.

The LOHACO B-to-C business saw a consistent increase in the number and value of orders, despite consumer spending trending downward after the consumption tax hike. With the aim of acquiring one million loyal customers as envisaged in the medium-term management strategy, ASKUL dedicated itself to enhancing and expanding product offerings and improving the quality of delivery and other services. The number of "loyal customers," whom the Company defines as repeat customers satisfying certain criteria, reached approximately 200,000 by the end of the period under review.

With regard to merchandise, LOHACO started selling type 1 over-the-counter drugs in June 2014, and began offering beer and alcoholic beverages in a full-fledged manner in August of the same year, sourced from Japan's four major breweries and other producers. Additionally, focus was placed on increasing the number of items offered in the main product segments, such as household items, beverages, and food, by reinforcing the ties with suppliers that have been forged through the B-to-B business.

The LOHACO E-commerce Marketing Lab,(Note 2) which was founded in January 2014, began its second-term activities with the participation of 50 suppliers. Its first-term activities culminated, among other things, in the development of innovative methods to promote direct marketing and CRM(Note 3) that connect manufacturers and retailers with customers. Utilizing these methods and other tools, the laboratory continues to facilitate the building of highly value-added e-commerce businesses that are tailored to society's needs.

In consequence, the LOHACO B-to-C business recorded net sales growth of 79.3%, or 6,246 million yen, year-on-year to 14,125 million yen while steadily improving the gross profit margin.

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As a result of these developments, consolidated net sales increased by 10.7% year-on-year to 201,898 million yen. Gross profit grew by 8.7% to 43,987 million yen, buoyed largely by increased sales of living supplies and high gross-margin MRO supplies.

Selling, general and administrative expenses rose by 5.5% year-on-year to 40,060 million yen, owing in a large part to increases in shipment expenses and other variable costs associated with higher sales. However, the ratio of those expenses to net sales improved by 1.0 percentage point, driven by the following two factors: higher logistics productivity achieved by optimizing inventory placement and leveling off the packing and restocking workload to accommodate LOHACO's growth; and the lower fixed-cost ratio resulting from increased sales and from cost-cutting efforts to improve profitability.

Consequently, for the period under review ASKUL achieved year-on-year growth in both net sales and profits, with operating income growing by 56.8% to 3,926 million yen, ordinary income rising by 56.6% to 4,002 million yen, and net income soaring by 112.2% to 2,295 million yen.

Notes:
1. MRO is the acronym for maintenance, repair, and operations. The term "MRO supplies" denotes indirect materials in general, including consumables and repair supplies, for use in factories, construction sites, and other workplaces.
2. The LOHACO E-commerce Marketing Lab has been established to enrich people's lives through the realization of an efficient social system that will be accomplished by developing leading-edge marketing methods for the rapidly growing and advancing e-commerce market and thus facilitating the proliferation of e-commerce. Toward that end, the laboratory scientifically and logically analyzes big data, that is, a massive volume of data obtained from LOHACO and elsewhere in the market, and tests the results in the real environment of LOHACO.
3. CRM is the acronym for customer relationship management, which refers to a mechanism designed to improve customer satisfaction by recording customer attributes and purchase histories and serving each customer according to their individual needs.

(2) Explanation of Financial Position

Consolidated total assets stood at 127,129 million yen at the end of the period under review, an increase of 7,153 million yen from the end of the preceding fiscal year. The main reasons were a 5,860 million yen increase in "notes and accounts receivable—trade" associated with higher sales, and a 3,148 million yen increase in investment securities owing largely to the July 2014 acquisition of the stock and bonds of Star Festival Inc.(Note) The primary factor leading to a decrease in asset was a 1,197 million yen reduction in cash and deposits, caused mainly by the payment for the acquisition of aforesaid stock and bonds.

Consolidated liabilities came to 68,102 million yen, an increase of 6,199 million yen from the end of the preceding fiscal year. During the first quarter, ASKUL changed its method of payment to all suppliers and business partners from factoring to one using electronically recorded obligations. The main factors behind the increase in liabilities were an 11,332 million yen increase in "electronically recorded obligations—operating," a 6,832 million yen increase in "notes and accounts payable—trade" due to increased procurement associated with higher sales, and a 1,047 million yen increase in income taxes payable. The main item that reduced liabilities was a 14,573 million yen decrease in factoring payable.

Net assets stood at 59,026 million yen, an increase of 953 million yen from the end of the preceding fiscal year. This was primarily because of a 140 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; a 94 million yen increase in valuation difference on available-for-sale securities reflecting the measurement of stock holdings at market value; and a 646 million yen increase in retained earnings resulting from net income of 2,295 million yen and the payment of dividends of 1,648 million yen.

Consequently, the capital adequacy ratio came to 46.1%, compared with 48.0% at the end of the preceding fiscal year.

Note: Star Festival Inc. operates Gochikuru, a comprehensive site offering a host of box meal delivery and catering services for home.

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

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

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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)

In the first quarter, ASKUL adopted 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 provisions in the main clause of Paragraph 35 of the Standard and the main clause of Paragraph 67 of the Guidance. 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 retained earnings at the beginning of the period under review, nor on income and loss.

(Change of useful life)

During the second quarter, ASKUL finalized the plan to relocate one of its distribution centers. Accordingly, the Company has reduced the useful life of the noncurrent assets that will become unusable after the relocation, and applied the change prospectively.

During the second quarter, ASKUL also decided to redesign the product database. Accordingly, the Company has reduced the useful life of the noncurrent assets that will be used for a shorter period of time than initially anticipated, and applied the change prospectively.

These changes resulted in a 46 million yen decrease in operating income, ordinary income, and income before income taxes, respectively, for the period under review in comparison with the previous method.

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 Nine Months of Fiscal Year Ending May 2015 (February 20, 2015)
Assets		
Current assets		
Cash and deposits	35,316	34,119
Notes and accounts receivable—trade	29,049	34,909
Securities	—	500
Merchandise and finished goods	9,663	10,738
Raw materials and supplies	87	42
Costs on uncompleted construction contracts	94	97
Other	5,991	4,794
Allowance for doubtful accounts	(31)	(198)
Total current assets	80,172	85,004
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	13,284	13,673
Accumulated depreciation	(1,704)	(2,322)
Buildings and structures, net	11,579	11,351
Land	7,232	7,242
Construction in progress	61	676
Other	11,819	12,164
Accumulated depreciation	(4,453)	(5,145)
Other, net	7,366	7,018
Total property, plant and equipment	26,240	26,289
Intangible assets		
Software	4,401	3,768
Software in progress	159	178
Goodwill	2,927	2,633
Other	13	9
Total intangible assets	7,501	6,590
Investments and other assets		
Investment securities	433	3,582
Deferred tax assets	2,092	2,060
Other	3,578	3,743
Allowance for doubtful accounts	(43)	(139)
Total investments and other assets	6,061	9,245
Total noncurrent assets	39,803	42,125
Total assets	119,976	127,129

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(Unit: million yen)

	Fiscal Year Ended May 2014 (May 20, 2014)	First Nine Months of Fiscal Year Ending May 2015 (February 20, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	31,469	38,301
Electronically recorded obligations—operating	378	11,711
Short-term loans payable	550	1,550
Current portion of long-term loans payable	1,112	874
Accounts payable—other	3,465	3,670
Factoring payable	14,573	—
Income taxes payable	282	1,330
Accrued consumption taxes	157	982
Provisions	507	612
Other	927	1,033
Total current liabilities	53,424	60,067
Noncurrent liabilities		
Long-term loans payable	758	317
Net defined benefit liability	1,822	1,998
Lease obligations	4,475	4,237
Provisions	160	119
Asset retirement obligations	981	1,080
Other	280	280
Total noncurrent liabilities	8,477	8,034
Total liabilities	61,902	68,102
Net assets		
Shareholders' equity		
Capital stock	20,801	20,941
Capital surplus	23,313	23,453
Retained earnings	13,438	14,084
Treasury stock	(49)	(49)
Total shareholders' equity	57,502	58,430
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	148	243
Foreign currency translation adjustment	26	36
Remeasurements of defined benefit plans	(51)	(40)
Total accumulated other comprehensive income	123	239
Subscription rights to shares	342	272
Minority interests	104	85
Total net assets	58,073	59,026
Total liabilities and net assets	119,976	127,129

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

(Consolidated Statements of Income)

(Unit: million yen)

	First Nine Months of Fiscal Year Ended May 2014 (May 21, 2013 through February 20, 2014)	First Nine Months of Fiscal Year Ending May 2015 (May 21, 2014 through February 20, 2015)
Net sales	182,404	201,898
Cost of sales	141,941	157,910
Gross profit	40,463	43,987
Selling, general and administrative expenses	37,959	40,060
Operating income	2,503	3,926
Non-operating income		
Interest income	48	44
Foreign exchange gains	32	22
Subsidy income	21	38
Other	34	79
Total non-operating income	137	185
Non-operating expenses		
Interest expenses	66	66
Commission fee	4	3
Other	15	40
Total non-operating expenses	85	110
Ordinary income	2,555	4,002
Extraordinary income		
Gain on sales of noncurrent assets	—	3
Gain on reversal of subscription rights to shares	—	6
Total extraordinary income	—	9
Extraordinary loss		
Loss on retirement of noncurrent assets	30	96
Loss on liquidation of subsidiaries and affiliates	187	—
Other	0	14
Total extraordinary loss	217	111
Income before income taxes	2,337	3,900
Income taxes—current	62	1,648
Income taxes—deferred	1,181	(22)
Total income taxes	1,244	1,625
Income before minority interests	1,093	2,274
Minority interests in income (loss)	11	(20)
Net income	1,081	2,295

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(Consolidated Statements of Comprehensive Income)

(Unit: million yen)

	First Nine Months of Fiscal Year Ended May 2014 (May 21, 2013 through February 20, 2014)	First Nine Months of Fiscal Year Ending May 2015 (May 21, 2014 through February 20, 2015)
Income before minority interests	1,093	2,274
Other comprehensive income		
Valuation difference on available-for-sale securities	(700)	94
Foreign currency translation adjustment	227	11
Remeasurements of defined benefit plans, net of tax	—	10
Total other comprehensive income	(472)	116
Comprehensive income	620	2,391
Comprehensive income attributable to:		
Owners of the parent	607	2,410
Minority interests	13	(19)

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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 Nine Months of Fiscal Year Ended May 2014 (May 21, 2013 through February 20, 2014)		First Nine Months of Fiscal Year Ending May 2015 (May 21, 2014 through February 20, 2015)			(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	10,556	5.8	10,761	5.3	101.9	13,895	5.5
Shipment expenses*1	7,547	4.1	8,709	4.3	115.4	10,481	4.1
Provision for sales promotion expenses	360	0.2	393	0.2	109.1	419	0.2
Subcontract expenses	2,502	1.4	2,269	1.1	90.7	3,333	1.3
Business consignment expenses*1	4,090	2.2	4,581	2.3	112.0	5,805	2.3
Rents	3,759	2.1	3,814	1.9	101.5	5,034	2.0
Provision of allowance for doubtful accounts	(21)	(0.0)	225	0.1	—	(30)	(0.0)
Depreciation*2	1,228	0.7	1,395	0.7	113.6	1,728	0.7
Amortization of software	1,643	0.9	1,581	0.8	96.3	2,211	0.9
Other expenses	6,292	3.4	6,328	3.1	100.6	8,546	3.3
Total	37,959	20.8	40,060	19.8	105.5	51,425	20.3

Notes:

*1. 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.

*2. 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.