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Summary of Consolidated Financial Results for First Quarter of the Fiscal Year Ending May 2018 (Japanese GAAP)*

September 14, 2017

Company name: ASKUL Corporation
Stock exchange listing: Tokyo
Code number: 2678
URL: http://www.askul.co.jp/kaisya/ir/
Representative: Shoichiro Iwata President and chief executive officer
Contact: Tsuguhiro Tamai Executive officer and chief financial officer
Phone: 03-4330-5130

Scheduled date of filing quarterly securities report: September 29, 2017
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on quarterly financial results: Yes
Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Three Months Ended August 20, 2017 (May 21, 2017 to August 20, 2017)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 20, 2017	81,065	0.6	1,155	(5.0)	1,014	(13.8)	554	(14.1)
August 20, 2016	80,560	10.7	1,216	(58.3)	1,176	(59.5)	645	(65.2)

(Note) Comprehensive income: Three months ended August 20, 2017: ¥ 567 million [(12.6) %]
Three months ended August 20, 2016: ¥ 648 million [(66.1) %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
August 20, 2017	10.89	10.88
August 20, 2016	12.44	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
August 20, 2017	154,582	45,949	29.6
May 20, 2017	155,678	46,231	29.6

(Reference) Equity: As of August 20, 2017: ¥ 45,771 million
As of May 20, 2017: ¥ 46,060 million

* This release is the full text of the captioned release excerpt disclosed on September 14, 2017.

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2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 20, 2017	-	18.00	-	18.00	36.00
Fiscal year ending May 20, 2018	-				
Fiscal year ending May 20, 2018 (Forecast)		18.00	-	18.00	36.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 1st quarter dividend for the fiscal year ending May 20, 2018 :

Commemorative dividend - yen
Special dividend - yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 20, 2018(May 21, 2017 to May 20, 2018)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	365,000	8.7	3,500	(60.5)	3,000	(66.2)	1,500	47.8	29.47

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the three months ended August 20, 2017 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)
Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

August 20, 2017: 55,259,400 shares
May 20, 2017: 55,259,400 shares

2) Total number of treasury shares at the end of the period:

August 20, 2017: 4,338,559 shares
May 20, 2017: 4,364,559 shares

3) Average number of shares during the period:

Three months ended August 20, 2017: 50,899,598 shares
Three months ended August 20, 2016: 51,894,841 shares

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* This excerpt from the Summary of Consolidated Financial Results is not subject to quarterly review.

* 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 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 5 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, 2017 through August 20, 2017), Japan's economy was at a standstill on the road to economic recovery with uncertainty regarding stock prices and exchange rates, as well as sluggish consumer spending, while the employment environment continued to recover.

The ASKUL Group has positioned the fiscal year ending May 2018 as a year to solidify a base for the complete restoration from a fire that occurred at ASKUL Logi PARK Tokyo Metropolitan ("ALP Tokyo Metropolitan") on February 16, 2017, aiming at a V-shaped recovery of operating performance for the fiscal year ending May 2019.

The Group will launch full-scale operations at ASKUL Value Center Hidaka ("AVC Hidaka") at the end of September 2017 to achieve a restoration of merchandise delivery capacity and further improve the efficiency of operations. In addition, ASKUL Value Center Kansai ("AVC Kansai"), a core operating base covering the west of Kansai, will commence operations in September 2017 with a full-scale launch in February 2018. In conjunction with full-scale operations of these logistics centers, the Group aims to get on a recovery track toward sales growth in the latter half of the fiscal year ending May 2018, in order to achieve year-on-year sales growth on a consolidated basis. Meanwhile, the Group anticipates incurring a one-time charge upon starting operations at logistics centers, higher initial variable costs, given that reaching full production will take some time with low capacity at the beginning of the launch and a gradual increase in labor productivity, and a higher ratio of fixed costs to net sales mainly caused by a rise in rents. Due to these high operating costs, the Group forecasts a decline in operating income year-on-year.

Under these circumstances, in the first quarter of the fiscal year under review, the Group focused on full-scale operations at AVC Hidaka and preparing for the launch of AVC Kansai, while each logistics center worked at full capacity to cover delivery volumes of ALP Tokyo Metropolitan, and LOHACO strove to normalize its services with preparations for major sales promotion activities, which are planned to be carried out in October 2017, aimed at a further acceleration of sales growth.

Consolidated financial results for the first quarter under review marked steady performance as a whole against the full-year plan.

Net sales grew 0.6% year-on-year. The B-to-B business, the core of the e-commerce business, achieved steady growth with a 3.0% sales increase year-on-year, while facing a 17.5% sales decline in LOHACO, due to a curb on sales promotions because of limited delivery capacity and the number of goods being traded still below the level before the fire.

Gross profit increased, which is attributed to increased gross profit margins mainly in the B-to-B business through extended private brand (PB) products (Note 1) and others. However, the Group saw rising logistics variable expenses in selling, general and administrative expenses. This was

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because labor productivity was still below the level of ALP Tokyo Metropolitan, with delivery work undertaken under the ongoing process of the full implementation of logistics equipment, which underpin the highly automated operations at AVC Hidaka and other new logistics centers. In addition, a rise in the fixed cost ratio to net sales due to rent and other expenses brought about negative impacts. The increase in these costs left operating income unchanged from the preceding fiscal year.

As a consequence, the ASKUL Group posted 81,065 million yen, a 0.6% increase year-on-year, in net sales; 1,155 million yen, a 5.0% decrease year-on-year, in operating income; 1,014 million yen, a 13.8% decline year-on-year, in ordinary income due to posting 135 million yen as non-operating expenses for the depreciation of ALP Tokyo Metropolitan under suspended operation; 554 million yen, a 14.1% decrease year-on-year, in profit attributable to owners of the parent for the fiscal period under review.

Operating results of each business are as follows.

<E-commerce Business>
The B-to-B business achieved sales growth year-on-year, which was mainly attributable to a rising number of new customers, ongoing extension of merchandise lines, and positive effects of sales promotion activities. In terms of product category, living supplies including daily consumable goods and disposable papers frequently used in stores, etc., and beverages consumed in offices were the major driving forces behind sales growth, while net sales of MRO supplies (Note 2), a key area, and products used at health and nursing care facilities also marked sales growth. Consequently, the B-to-B business posted net sales of 71,623 million yen, an increase by 2,102 million yen (or 3.0%) year-on-year.

LOHACO, which had been severely damaged by the fire, posted net sales of 8,075 million yen, a decline of 1,712 million yen (17.5%) year-on-year, but has been on a steady recovery track, supported by the launch of AVC Hidaka. Regarding product lineups, to bolster pet goods, a product line in strong demand by customers, the ASKUL Group acquired Charm Co., Ltd., an e-commerce retailer of pet and gardening items, in July 2017 and converted it into a Group subsidiary. The subsidiary will contribute to sales growth during and after the second quarter. Regarding services, the Group's unique delivery service, "Happy On Time," has added new service functions including delivery with a specified place to put delivered items, and collection of cardboard boxes. The Group believes these new functions will help improve the convenience of customers, as well as delivery efficiency, which will positively differentiate the Group from competitors.

In addition, Marketplace (Note 3), a new source for earnings, has shown strong momentum with the extensive placement of about 100 stores.

As a result, net sales of the e-commerce business totaling the aforementioned two businesses stood at 79,699 million yen, a 0.5% increase year-on-year. Gross profit marked 18,836 million yen, a 5.5% increase year-on-year, mainly due to a rise in sales of office living items, MRO supplies, and others.

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Selling, general and administrative expenses stood at 17,580 million yen, a 6.5% increase year-on-year. The main factors behind the rise were increased business consignment expenses, mainly due to 24-hour operations undertaken at some logistics centers to compensate for delivery capacity, and higher non-current expenses including rents. The ratio of selling, general and administrative expenses to net sales stood at 22.1%, an increase of 1.3 percentage points year-on-year, due to increases in fixed costs and other expenses, but the ratio is expected to decrease toward the end of the fiscal year, due to increased sales at LOHACO, restoration of labor productivity, and positive impacts of KAIZEN Activity Project focusing on cost reduction to strengthen management structure.

With these results, the e-commerce business posted 1,255 million yen in operating income, a 6.8% decline year-on-year for the period under review.

<Logistics Business>
The Group's subsidiary ecohai Co., Ltd. achieved sales growth. Although the company posted an operating loss, it has applied all of its resources to restructuring its business and increase earnings.

As a result, the logistics business posted net sales of 1,187 million yen, a 7.8% increase year-on-year, and an operating loss of 106 million yen for the period under review (operating loss of 111 million yen for the same period of the preceding fiscal year).

<Others>
The Group's subsidiary, Tsumagoimeisui Corporation, achieved sales growth. Net sales have risen steadily, which is attributable to the extension of production lines during the preceding fiscal year and growing sales volume. In addition, the company secured profitability by boosting production volume with expanded distribution networks and improving productivity with a higher operating ratio.

The subsidiary posted net sales of 233 million yen, a 23.0% increase year-on-year, and operating income of 8 million yen for the period under review (operating loss of 22 million yen during the same period of the preceding fiscal year).

Notes:
1. PB is the acronym for private brand. Private brand products are products with brand names created by retailers who develop unique products and have them produced by other makers.
2. MRO is the acronym for maintenance, repair, and operations. The term, "MRO supplies" denotes indirect materials including consumables and repair supplies, for use at factories, construction sites, and other workplaces.
3. Market Place is a market connecting buyers and sellers on a website. ASKUL does not sell products, but provides electronic market services by offering a selling place and supporting business to customer (B to C) transactions.

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(2) Explanation of Financial Position

(Assets)

Total assets stood at 154,582 million yen at the end of the period under review, a decrease of 1,096 million yen from the end of the preceding fiscal year. The main factor behind the increase was an increase of 5,366 million yen in property, plant and equipment, which was mainly due to capital investments associated with AVC Hidaka and AVC Kansai. The main factor behind the decrease was a decline of 7,106 million yen in cash and deposits, which was mainly due to disbursements for capital investment funds and payments of income taxes.

(Liabilities)

Total Liabilities stood at 108,632 million yen at the end of the period under review, a decrease of 814 million yen from the end of the preceding fiscal year. The primary factors behind the increase were an increase of 1,597 million yen in short-term loans payable due to borrowings by Charm Co., Ltd., which had been acquired in the first quarter of the period under review, and an increase of 804 million yen in the current portion of long-term loans payable and long-term loans payable. The major factors behind the decline were a decrease of 1,038 million yen in notes and accounts payable-trade and a decrease of 1,500 million yen in income taxes payable.

(Net assets)

Net assets stood at 45,949 million yen at the end of the period under review, a decrease of 282 million yen from the end of the preceding fiscal year. The main factor behind the decrease was a decline of 397 million yen in retained earnings, which resulted from net profit attributable to owners of the parent of 554 million yen and the payment of dividends of 916 million yen. Consequently, the capital adequacy ratio was 29.6%, which was unchanged from the end of the preceding fiscal year.

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

No revision has been made to consolidated forecasts announced on July 4, 2017.

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2. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of May 20, 2017	As of August 20, 2017
Assets		
Current assets		
Cash and deposits	47,059	39,953
Notes and accounts receivable - trade	39,173	36,934
Merchandise and finished goods	11,276	12,484
Raw materials and supplies	191	108
Costs on uncompleted construction contracts	96	60
Accounts receivable - other	5,365	5,376
Other	2,195	1,947
Allowance for doubtful accounts	(186)	(169)
Total current assets	105,172	96,694
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,039	20,619
Accumulated depreciation	(4,293)	(4,817)
Buildings and structures, net	15,745	15,802
Land	6,543	6,574
Leased assets	7,101	7,152
Accumulated depreciation	(2,038)	(2,234)
Leased assets, net	5,063	4,918
Other	8,626	9,053
Accumulated depreciation	(5,169)	(5,407)
Other, net	3,457	3,645
Construction in progress	747	5,982
Total property, plant and equipment	31,557	36,923
Intangible assets		
Software	4,430	4,801
Software in progress	901	843
Goodwill	2,812	4,132
Other	11	27
Total intangible assets	8,156	9,804
Investments and other assets		
Investment securities	2,499	2,614
Deferred tax assets	3,790	3,976
Other	4,578	4,645
Allowance for doubtful accounts	(77)	(77)
Total investments and other assets	10,792	11,158
Total non-current assets	50,506	57,887
Total assets	155,678	154,582

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(Million yen)

	As of May 20, 2017	As of August 20, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	40,330	39,292
Electronically recorded obligations - operating	21,146	21,029
Short-term loans payable	200	1,797
Current portion of long-term loans payable	1,762	2,302
Accounts payable - other	7,193	7,455
Income taxes payable	1,709	208
Accrued consumption taxes	956	398
Provision	1,455	976
Other	1,742	1,955
Total current liabilities	76,497	75,416
Non-current liabilities		
Long-term loans payable	16,201	16,464
Lease obligations	4,591	4,460
Provision for loss on fire	7,162	7,162
Net defined benefit liability	2,832	2,887
Asset retirement obligations	1,470	1,488
Other	690	752
Total non-current liabilities	32,949	33,215
Total liabilities	109,446	108,632
Net assets		
Shareholders' equity		
Capital stock	21,189	21,189
Capital surplus	23,669	23,669
Retained earnings	18,555	18,158
Treasury shares	(17,299)	(17,196)
Total shareholders' equity	46,114	45,820
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-	0
Deferred gains or losses on hedges	(2)	(4)
Foreign currency translation adjustment	22	23
Remeasurements of defined benefit plans	(74)	(67)
Total accumulated other comprehensive income	(54)	(48)
Subscription rights to shares	17	17
Non-controlling interests	154	160
Total net assets	46,231	45,949
Total liabilities and net assets	155,678	154,582

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

Consolidated Statements of Income

First Three-month Period

(Million yen)

	For the three months ended August 20, 2016	For the three months ended August 20, 2017
Net sales	80,560	81,065
Cost of sales	62,617	62,115
Gross profit	17,943	18,950
Selling, general and administrative expenses	16,727	17,795
Operating profit	1,216	1,155
Non-operating income		
Interest income	6	5
Electricity sales income	17	10
Other	8	13
Total non-operating income	33	29
Non-operating expenses		
Interest expenses	31	21
Foreign exchange losses	24	-
Depreciation of inactive non-current assets	-	135
Other	16	13
Total non-operating expenses	72	170
Ordinary profit	1,176	1,014
Extraordinary losses		
Loss on retirement of non-current assets	0	21
Provision for loss on store closing	8	-
Loss on closing of stores	8	-
Total extraordinary losses	17	21
Profit before income taxes	1,159	992
Income taxes - current	57	162
Income taxes - deferred	448	269
Total income taxes	506	432
Profit	653	560
Profit attributable to non-controlling interests	8	6
Profit attributable to owners of parent	645	554

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Consolidated Statements of Comprehensive Income

First Three-month Period

(Million yen)

	For the three months ended August 20, 2016	For the three months ended August 20, 2017
Profit	653	560
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	0
Deferred gains or losses on hedges	(4)	(1)
Foreign currency translation adjustment	(6)	1
Remeasurements of defined benefit plans, net of tax	6	6
Total other comprehensive income	(4)	6
Comprehensive income	648	567
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	641	560
Comprehensive income attributable to non-controlling interests	7	6

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(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Material changes in shareholders' equity)

Not applicable

(Material changes in subsidiaries during the period under review)

Not applicable

Note: The ASKUL Group acquired all of the shares of Charm Co., Ltd. in the first quarter of the period under review and included it within the scope of consolidation, although this does not become subject to any material changes in a specified subsidiary.

(Segment Information, etc.)

[Segment Information]

I First Quarter of Fiscal Year Ended May 2017 (May 21, 2016 through August 20, 2016)

Information on net sales and income (loss) by segment

(Unit: million yen)

	Reporting Segment			Others (Note 1)	Total	Adjustments (Note 2)	Amount reported on Consolidated Statements of Income (Note 3)
	E-commerce business	Logistics business	Total				
Net sales							
Sales to external customers	79,309	1,100	80,410	150	80,560	—	80,560
Intra-segment sales or transfers	—	—	—	39	39	(39)	—
Total	79,309	1,100	80,410	190	80,600	(39)	80,560
Segment income (loss)	1,346	(111)	1,235	(22)	1,213	3	1,216

(Notes)

1. The above category, Others, represents business segments including the manufacturing business, and is separate from businesses of the Reporting Segment.
2. The adjustment of 3 million yen to segment income includes the elimination of intra-segment transactions of 3 million yen.
3. Segment income is adjusted with operating income reported in the consolidated statements of income.

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II First Quarter of Fiscal Year Ending May 2018 (May 21, 2017 through August 20, 2017)

Information on net sales and income (loss) by segment

(Unit: million yen)

	Reporting Segment			Others (Note 1)	Total	Adjustments (Note 2)	Amount reported on Consolidated Statements of Income (Note 3)
	E-commerce business	Logistics business	Total				
Net sales							
Sales to external customers	79,699	1,187	80,886	179	81,065	—	81,065
Intra-segment sales or transfers	—	—	—	54	54	(54)	—
Total	79,699	1,187	80,886	233	81,120	(54)	81,065
Segment income (loss)	1,255	(106)	1,149	8	1,157	(2)	1,155

Notes:

1. The above category, Others, represents business segments including the manufacturing business, and is separate from businesses of the Reporting Segment.
2. The adjustment of minus 2 million yen of the segment loss includes the elimination of intra-segment transactions of minus 2 million yen.
3. Segment income is adjusted with operating income reported in the consolidated statements of income.

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3. Supplementary Information

Details of Selling, General and Administrative Expenses (Consolidated)

Item	First Quarter of Fiscal Year Ended May 2017 (May 21, 2016 through August 20, 2016)		First Quarter of Fiscal Year Ending May 2018 (May 21, 2017 through August 20, 2017)			(Reference) Fiscal Year Ended May 20, 2017 (May 21, 2016 through May 20, 2017)	
	Amount (million yen)	Ratio to Sales (%)	Amount (million yen)	Ratio to Sales (%)	Year-on-Year Change (%)	Amount (million yen)	Ratio to Sales (%)
Personnel expenses	3,884	4.8	4,217	5.2	108.6	16,040	4.8
Delivery expenses*1	4,166	5.2	4,495	5.5	107.9	17,005	5.1
Provision for sales promotion expenses	131	0.2	129	0.2	98.2	484	0.1
Outsourcing expenses	725	0.9	788	1.0	108.7	3,015	0.9
Business consignment expenses*1	2,228	2.8	3,015	3.7	135.3	9,821	2.9
Rents*2	1,481	1.8	1,921	2.4	129.7	6,258	1.9
Provision of allowance for doubtful accounts	12	0.0	(16)	(0.0)	—	15	0.0
Depreciation*3	672	0.8	454	0.6	67.6	2,469	0.7
Amortization of software	392	0.5	437	0.5	111.6	1,668	0.5
Other expenses*4	3,031	3.8	2,351	2.9	77.6	11,110	3.3
Total	16,727	20.8	17,795	22.0	106.4	67,890	20.2

Notes:

*1. Delivery expenses and business consignment expenses for the period under review rose from the same period of the preceding fiscal year. This was mainly due to increased logistics expenses during the fire-disaster restoration period.

*2 Rents increased during the period under review from the same period of the preceding fiscal year. This was mainly attributable to the placement of new logistics centers.

*3 Depreciation declined during the period under review from the same period of the preceding fiscal year. This was mainly due to the suspended operation of ASKUL Logi Park Tokyo Metropolitan caused by the fire. (Depreciation during the suspended operation period is posted as a non-operating expense.)

*4 Other expenses declined during the period under review from the same period of the preceding fiscal year. This was primarily attributable to advertising costs for TV LOHACO commercials incurred during the period of the preceding fiscal year.