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A member of the Financial Accounting Standards Foundation

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

December 17, 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):		December 26, 2014	
Dividend payable date (as planned):		January 23, 2015	
Supplemental material of quarterly results:		Yes	
Convening briefing of quarterly results:		Yes (for institutional investors and analysts)	

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

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

(1) Consolidated Quarterly Operating Results

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

		First Half of Fiscal Year Ending May 2015		First Half of Fiscal Year Ended May 2014	
Net sales	million yen	131,944	(10.7%)	119,215	(8.6%)
Operating income	million yen	1,637	(11.6%)	1,467	(-59.0%)
Ordinary income	million yen	1,705	(12.0%)	1,523	(-57.2%)
Net income	million yen	885	(58.7%)	558	(-70.1%)
Net income per share	yen	16.12		10.30	
Diluted net income per share	yen	16.08		10.27	

(Note) Comprehensive income
First half of fiscal year ending May 2015: 969 million yen (356.3%)
First half of fiscal year ended May 2014: 212 million yen (-88.9%)

(2) Consolidated Financial Positions

		First Half of Fiscal Year Ending May 2015	Fiscal Year Ended May 2014
Total assets	million yen	124,137	119,976
Net assets	million yen	58,400	58,073
Capital adequacy ratio	%	46.8	48.0

(Reference) Owner's equity
First half of fiscal year ending May 2015: 58,049 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

(4) Number of issued and outstanding shares (common stock)
1) Number of issued and outstanding shares at the period end (including treasury stock)
First half of fiscal year ending May 2015: 55,032,000 shares
Fiscal year ended May 2014: 54,929,700 shares
2) Number of treasury stock at the period end
First half 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 half of fiscal year ending May 2015: 54,973,743 shares
First half of fiscal year ended May 2014: 54,184,789 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 4 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 November 20, 2014), Japan's job market showed momentum, and overseas-oriented companies active outside the country improved earnings against the backdrop of a weaker yen and a stronger US economy. Nevertheless, the uncertainty surrounding the outlook for Japan's economy continued, due in part to soaring raw material prices and flagging consumer spending after the consumption tax hike.

In such an environment, ASKUL achieved double-digit growth in net sales, along with increased profits, for the period under review.

The Company's core B-to-B business saw stronger net sales growth with higher profitability. At the same time, the LOHACO B-to-C business doubled net sales, registering significant year-on-year growth of 108.1%.

Details of each business were as described below.

In the B-to-B business, to create a stronger foundation and generate greater revenue, ASKUL worked hand in hand with the agents to develop new customers in the strategic segments that include factories, construction sites, laboratories, and health and nursing care facilities, and strived to broaden the range of high-functionality products needed at those places. The efforts resulted in double-digit growth in net sales of MRO supplies(Note) 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 7.0%, or 8,100 million yen, year-on-year to 123,032 million yen.

The gross profit margin of the business started showing signs of improvement. This was because, amid higher raw material prices, 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. Even after those revisions, the Company's prices remain competitive and the number of orders has been growing at a robust pace.

In the LOHACO B-to-C business, ASKUL endeavored to expand the range of product offerings and improve the quality of delivery and other services with a view to accomplishing the medium-term management goal of one million loyal customers. This led to a steady increase in the number and value of orders, despite consumer spending trending downward after the consumption tax hike.

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.

In consequence, the LOHACO B-to-C business doubled net sales year-on-year, recording an increase of 108.1%, or 4,628 million yen, to 8,911 million yen.

The gross profit margin of the business steadily improved compared to the first quarter (May 21, 2014 through August 20, 2014), as a framework was created that enables the Company to constantly monitor prices in the retail market and sell products at proper price.

As a result of these developments, consolidated net sales increased by 10.7% year-on-year to 131,944 million yen. Gross profit grew by 7.5% to 28,690 million yen, buoyed largely by increased sales of living supplies and high gross-margin MRO supplies.

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Selling, general and administrative expenses rose by 7.3% year-on-year to 27,053 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 0.6 percentage points, thanks to the lower fixed-cost ratio resulting from reduced expenses and increased sales, as well as to the restoration of logistics productivity, which had deteriorated temporarily, to normal levels.

Consequently, for the period under review ASKUL achieved year-on-year growth in both net sales and profits, with operating income growing by 11.6% to 1,637 million yen, ordinary income rising by 12.0% to 1,705 million yen, and net income jumping by 58.7% to 885 million yen.

Note: 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) Explanation of Financial Position

Consolidated total assets stood at 124,137 million yen at the end of the period under review, an increase of 4,161 million yen from the end of the preceding fiscal year. The main reasons were a 4,123 million yen increase in "notes and accounts receivable—trade," and a 3,076 million yen increase in investment securities owing largely to the acquisition of stocks and the purchase of corporate bonds. At the same time, the payment for said acquisition and purchase was the primary factor that caused a decrease in assets, reducing cash and deposits by 2,331 million yen.

Consolidated liabilities came to 65,737 million yen, an increase of 3,834 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. An 11,650 million yen increase in "electronically recorded obligations—operating," along with a 5,435 million yen increase in "notes and accounts payable—trade," chiefly caused liabilities to increase for the period under review. The main item that reduced liabilities was a 14,573 million yen decrease in factoring payable.

Net assets stood at 58,400 million yen, an increase of 327 million yen from the end of the preceding fiscal year. This was primarily because of a 121 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 106 million yen increase in valuation difference on available-for-sale securities reflecting the measurement of stock holdings at market value; and a 62 million yen increase in retained earnings resulting from net income of 885 million yen and the payment of dividends of 823 million yen.

Consequently, the capital adequacy ratio came to 46.8%, compared with 48.0% at the end of the preceding fiscal year.

(Cash flows)

Consolidated cash and cash equivalents (hereinafter "Funds") at the end of the period under review were 32,984 million yen, a decrease of 2,331 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 3,568 million yen. The main factors contributing to an increase in Funds were income before income taxes of 1,643 million yen, depreciation and amortization of noncurrent assets and depreciation of software totaling 2,097 million yen, and a 17,022 million yen increase in "notes and accounts payable—trade." Meanwhile, the factors leading to a decrease in Funds included a 4,154 million yen increase in "notes and accounts receivable—trade" and a 14,573 million yen decrease in factoring payable.

(Cash flows from investing activities)

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Net Funds used in investing activities were 4,698 million yen. The main items were 2,911 million yen paid for the purchase of investment securities, 979 million yen paid for the purchase of property, plant and equipment, and 739 million yen paid for the purchase of software.

(Cash flows from financing activities)

Net Funds used in financing activities were 1,200 million yen. The main items leading to an increase in Funds were a 280 million yen increase in short-term loans payable, and proceeds from long-term loans payable of 250 million yen. On the other hand, the items resulting in a decrease in Funds included an 850 million yen repayment of long-term loans payable and cash dividends paid of 823 million yen.

(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)

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 period under review, 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 period under review, 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.

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These changes resulted in a 12 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 Half of Fiscal Year Ending May 2015 (November 20, 2014)
Assets		
Current assets		
Cash and deposits	35,316	32,984
Notes and accounts receivable—trade	29,049	33,173
Merchandise and finished goods	9,663	10,068
Raw materials and supplies	87	46
Costs on uncompleted construction contracts	94	421
Other	5,991	5,155
Allowance for doubtful accounts	(31)	(199)
Total current assets	80,172	81,649
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	13,284	13,610
Accumulated depreciation	(1,704)	(2,107)
Buildings and structures, net	11,579	11,503
Land	7,232	7,242
Construction in progress	61	733
Other	11,819	11,886
Accumulated depreciation	(4,453)	(4,906)
Other, net	7,366	6,979
Total property, plant and equipment	26,240	26,458
Intangible assets		
Software	4,401	3,771
Software in progress	159	276
Goodwill	2,927	2,796
Other	13	10
Total intangible assets	7,501	6,855
Investments and other assets		
Investment securities	433	3,510
Deferred tax assets	2,092	2,058
Other	3,578	3,742
Allowance for doubtful accounts	(43)	(136)
Total investments and other assets	6,061	9,174
Total noncurrent assets	39,803	42,488
Total assets	119,976	124,137

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(Unit: million yen)

	Fiscal Year Ended May 2014 (May 20, 2014)	First Half of Fiscal Year Ending May 2015 (November 20, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	31,469	36,905
Electronically recorded obligations—operating	378	12,029
Short-term loans payable	550	830
Current portion of long-term loans payable	1,112	1,000
Accounts payable—other	3,465	3,848
Factoring payable	14,573	—
Income taxes payable	282	761
Accrued consumption taxes	157	653
Provisions	507	617
Other	927	1,019
Total current liabilities	53,424	57,665
Noncurrent liabilities		
Long-term loans payable	758	463
Net defined benefit liability	1,822	1,931
Lease obligations	4,475	4,224
Provisions	160	79
Asset retirement obligations	981	1,092
Other	280	280
Total noncurrent liabilities	8,477	8,071
Total liabilities	61,902	65,737
Net assets		
Shareholders' equity		
Capital stock	20,801	20,922
Capital surplus	23,313	23,434
Retained earnings	13,438	13,500
Treasury stock	(49)	(49)
Total shareholders' equity	57,502	57,808
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	148	255
Foreign currency translation adjustment	26	30
Remeasurements of defined benefit plans	(51)	(44)
Total accumulated other comprehensive income	123	241
Subscription rights to shares	342	280
Minority interests	104	70
Total net assets	58,073	58,400
Total liabilities and net assets	119,976	124,137

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

(Consolidated Statements of Income)

(Unit: million yen)

	First Half of Fiscal Year Ended May 2014 (May 21, 2013 through November 20, 2013)	First Half of Fiscal Year Ending May 2015 (May 21, 2014 through November 20, 2014)
Net sales	119,215	131,944
Cost of sales	92,536	103,253
Gross profit	26,678	28,690
Selling, general and administrative expenses	25,211	27,053
Operating income	1,467	1,637
Non-operating income		
Interest income	34	29
Foreign exchange gains	32	11
Subsidy income	16	33
Other	28	62
Total non-operating income	112	137
Non-operating expenses		
Interest expenses	44	44
Commission fee	1	1
Other	10	22
Total non-operating expenses	56	68
Ordinary income	1,523	1,705
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	6	56
Loss on liquidation of subsidiaries and affiliates	189	—
Other	0	15
Total extraordinary loss	195	72
Income before income taxes	1,328	1,643
Income taxes—current	24	734
Income taxes—deferred	743	56
Total income taxes	767	791
Income before minority interests	560	851
Minority interests in income (loss)	1	(34)
Net income	558	885

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(Consolidated Statements of Comprehensive Income)

(Unit: million yen)

	First Half of Fiscal Year Ended May 2014 (May 21, 2013 through November 20, 2013)	First Half of Fiscal Year Ending May 2015 (May 21, 2014 through November 20, 2014)
Income before minority interests	560	851
Other comprehensive income		
Valuation difference on available-for-sale securities	(566)	106
Foreign currency translation adjustment	218	4
Remeasurements of defined benefit plans, net of tax	—	7
Total other comprehensive income	(347)	117
Comprehensive income	212	969
Comprehensive income attributable to:		
Owners of the parent	209	1,003
Minority interests	2	(33)

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(3) Consolidated Statements of Cash Flows

(Unit: million yen)

	First Half of Fiscal Year Ended May 2014 (May 21, 2013 through November 20, 2013)	First Half of Fiscal Year Ending May 2015 (May 21, 2014 through November 20, 2014)
Cash flows from operating activities		
Income before income taxes	1,328	1,643
Depreciation and amortization	748	922
Depreciation of software	1,087	1,175
Amortization of long-term prepaid expenses	129	148
Amortization of goodwill	305	319
Share-based compensation expenses	1	—
Loss on liquidation of subsidiaries and affiliates	198	—
Gain on reversal of subscription rights to shares	—	(6)
Increase (decrease) in allowance for doubtful accounts	(52)	213
Increase (decrease) in provisions	20	(2)
Increase (decrease) in provision for retirement benefits	68	—
Increase (decrease) in net defined benefit liability	—	118
Increase (decrease) in provision for loss on disaster	(36)	—
Interest and dividends income	(34)	(29)
Interest expenses	44	44
Loss on retirement of noncurrent assets	3	27
Loss (gain) on sales of noncurrent assets	(0)	(3)
Decrease (increase) in notes and accounts receivable—trade	(1,482)	(4,154)
Decrease (increase) in inventories	(1,501)	(678)
Decrease (increase) in accounts receivable—other	274	(29)
Increase (decrease) in notes and accounts payable—trade	2,876	17,022
Increase (decrease) in accounts payable—other	(82)	405
Increase (decrease) in factoring payable	(427)	(14,573)
Increase (decrease) in accrued consumption taxes	(928)	1,229
Other, net	1,203	50
Subtotal	3,745	3,842
Interest and dividends income received	29	29
Interest expenses paid	(44)	(44)
Income taxes refund and interest on refund	484	—
Income taxes paid	(71)	(260)
Cash flows from operating activities	4,143	3,568
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,831)	(979)
Purchase of software	(1,131)	(739)
Purchase of long-term prepaid expenses	(21)	(77)
Payments for guarantee deposits	(16)	(44)
Proceeds from collection of guarantee deposits	154	13
Purchase of investment securities	—	(2,911)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	35
Payments for asset retirement obligations	(378)	—
Other, net	1	6
Cash flows from investing activities	(17,225)	(4,698)

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(Unit: million yen)

	First Half of Fiscal Year Ended May 2014 (May 21, 2013 through November 20, 2013)	First Half of Fiscal Year Ending May 2015 (May 21, 2014 through November 20, 2014)
Cash flows from financing activities		
Increase in short-term loans payable	300	280
Proceeds from long-term loans payable	—	250
Repayment of long-term loans payable	(731)	(850)
Repayments of lease obligations	(177)	(243)
Proceeds from issuance of common stock	295	186
Proceeds from issuance of subscription rights to shares	—	0
Proceeds from disposal of treasury stock	175	—
Cash dividends paid	(811)	(823)
Cash flows from financing activities	(950)	(1,200)
Effect of exchange rate change on cash and cash equivalents	25	(1)
Net increase (decrease) in cash and cash equivalents	(14,006)	(2,331)
Cash and cash equivalents at beginning of period	46,070	35,316
Cash and cash equivalents at end of period	32,063	32,984

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(4) 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 Half of Fiscal Year Ended May 2014 (May 21, 2013 through November 20, 2013)		First Half of Fiscal Year Ending May 2015 (May 21, 2014 through November 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	6,919	5.8	7,119	5.4	102.9	13,895	5.5
Shipment expenses*1	4,997	4.2	5,784	4.4	115.7	10,481	4.1
Provision for sales promotion expenses	245	0.2	271	0.2	110.7	419	0.2
Subcontract expenses	1,699	1.4	1,630	1.2	96.0	3,333	1.3
Business consignment expenses*1	2,644	2.2	3,026	2.3	114.4	5,805	2.3
Rents	2,524	2.1	2,543	1.9	100.7	5,034	2.0
Provision of allowance for doubtful accounts	(31)	(0.0)	219	0.2	—	(30)	(0.0)
Depreciation*2	744	0.6	906	0.7	121.8	1,728	0.7
Amortization of software	1,081	0.9	1,163	0.9	107.6	2,211	0.9
Other expenses	4,386	3.7	4,388	3.3	100.0	8,546	3.3
Total	25,211	21.1	27,053	20.5	107.3	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.