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Summary of Consolidated Financial Results for First Nine Months of Fiscal Year Ending May 2017 (Japanese GAAP)

April 5, 2017

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
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Quarterly statement filing date (as planned): April 5, 2017
Dividend payable date (as planned): —
Supplemental material of quarterly results: Yes
Convening briefing of quarterly results: Yes

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

1. Consolidated Financial Results for First Nine Months of Fiscal Year Ending May 2017 (May 21, 2016 through February 20, 2017)

(1) Consolidated Quarterly Operating Results

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

		First Nine Months of Fiscal Year Ending May 2017		First Nine Months of Fiscal Year Ended May 2016	
Net sales	million yen	251,718	(9.6%)	229,620	(13.7%)
Operating income	million yen	6,695	(-2.0%)	6,834	(74.1%)
Ordinary income	million yen	6,649	(-2.3%)	6,802	(70.0%)
Profit attributable to owners of parent	million yen	-2,925	(—%)	4,400	(91.7%)
Profit per share	yen	-56.76		83.95	
Diluted profit per share	yen	—		83.90	

(Note) Comprehensive income
First nine months of fiscal year ending May 2017:-2,860 million yen(—%)
First nine months of fiscal year ended May 2016: 4,087 million yen(70.9%)

(2) Consolidated Financial Positions

		First Nine Months of Fiscal Year Ending May 2017	Fiscal Year Ended May 2016
Total assets	million yen	136,424	139,552
Net assets	million yen	42,305	51,242
Capital adequacy ratio	%	30.9	36.6

(Reference) Owner's equity
First nine months of fiscal year ending May 2017: 42,132 million yen
Fiscal year ended May 2016: 51,097 million yen

2. Dividends

			Fiscal Year Ended May 2016	Fiscal Year Ending May 2017	Fiscal Year Ending May 2017 (forecast)
Dividend per share	First quarter	yen	—	—	
	Second quarter	yen	15.00	18.00	
	Third quarter	yen	—	—	
	Fiscal year end	yen	18.00		—
	Total	yen	33.00		—

(Note) Correction of dividend forecast from the most recent dividend forecast: Yes
Year-end dividends and total dividends for the fiscal year ending May 20, 2017 are to be determined.

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3. Consolidated Forecasts for Fiscal Year Ending May 2017 (May 21, 2016 through May 20, 2017)

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

		Fiscal Year Ending May 2017	
Net sales	million yen	335,000	(6.3%)
Operating income	million yen	8,000	(-6.1%)
Ordinary income	million yen	8,000	(-6.7%)
Profit attributable to owners of parent	million yen	—	—
Profit per share	yen	—	

(Note) Correction of financial forecast from the most recent financial forecast: Yes

Profit attributable to owners of parent and profit per share of the consolidated forecasts for the fiscal year ending May 20, 2017 are left undecided as estimating an adequate amount is difficult at present. For further details, see "1. Qualitative Information on Financial Results (3) Explanation of Consolidated Forecasts and Other Forward-Looking Information" on page 4 of Attached Materials.

* 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: No
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 nine months of fiscal year ending May 2017:55,259,400 shares
Fiscal year ended May 2016: 55,259,400 shares

2) Number of treasury stock at the period end
First nine months of fiscal year ending May 2017:4,364,559 shares
Fiscal year ended May 2016: 3,364,559 shares

3) Average number of shares (quarterly period—YTD)
First nine months of fiscal year ending May 2017:51,537,745 shares
First nine months of fiscal year ended May 2016:52,424,063 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 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

The ASKUL Group caused considerable inconvenience and concern to many people including neighboring residents, customers, and business partners, due to the fire at its logistics center, ASKUL Logi PARK Tokyo Metropolitan in Miyoshimachi, Iruma-gun, Saitama Prefecture on February 16, 2017. Again, we deeply apologize for this from the bottom of our heart. The Group is currently checking the fire-prevention facilities of other logistics centers so that neighboring residents and all other relevant parties would feel secured. The Group has also established the Recurrence Prevention Committee with committee members including an external specialist, as well as an organization to be dedicated to ensuring safety. Accepting advice from the Recurrence Prevention Committee, etc., the ASKUL Group will construct and operate logistics centers equipped with even stronger safety and security systems. In respect of services, aiming to eliminate the inconvenience to customers as early as possible, the Group will sincerely make all-out efforts to restore ordinary services, aiming to do this by September 2017.

During the period under review (May 21, 2016 through February 20, 2017), the Japanese economy was at a standstill on the road to economic recovery with uncertainty regarding stock prices and exchange rates due to a changing international situation as well as stagnant consumer spending, while the employment environment recovered.

Under such circumstances, consolidated net sales for the first nine months of the fiscal year under review marked solid growth with an increase of 9.6% year-on-year, as the fire caused only minor impacts on the consolidated operating performance for the said period. The e-commerce business achieved a 5.6% sales increase year-on-year in its core area, the B-to-B business, while seeing an increase in sales of 39.6% in the growth business field, LOHACO.

Operating income declined, as budgeted in the Plan, due to the investment in logistics with a view to maximizing earnings in future and the aggressive sales promotion initiatives. However, quarterly operating income increased from the same period of the previous fiscal year for two consecutive quarters.

As a result, the ASKUL Group posted 251,718 million yen, a 9.6% increase year-on-year, in net sales; 6,695 million yen, down 2.0% year-on-year, in operating income; and 6,649 million yen, a 2.3% decrease year-on-year, in ordinary income for the period under review. Net losses attributable to owners of parent amounted to 2,925 million yen (net profit attributable to owners of parent for the same period of the previous fiscal year was 4,400 million yen) due to the posting of losses of 10,145 million yen arising from the fire disaster as extraordinary losses.

Developments in each business were as outlined below.

[E-commerce business]

The Group had set the policies of revolutionizing services and ensuring logistical efficiency through innovation (implementing the new delivery service Happy On Time and adopting robots), acquiring the No. 1 position in all workplaces through e-commerce technologies and a greater range of products in the B-to-B business, and becoming the leader of the second generation of e-commerce by collaborating with manufacturers and improving visibility in LOHACO of the B-to-C business. Under these policies, the ASKUL Group has made long-term planned strategic investments. It has done so based on its decision to establish leading-edge and highly productive logistic bases, launch the ASKUL Group's unique new delivery service at an early stage, expand original products with high creativity through collaboration with manufacturers, and implement proactive sales promotion initiatives to improve customers' recognition of LOHACO. We believe this will significantly help us to achieve the growth strategy of the ASKUL Group.

The B-to-B business marked a year-on-year increase in net sales, attributed to the larger number of items purchased resulted from the broadened range of products and sales promotion effects. In terms of product category, MRO supplies (Note) used for factories, construction sites, and laboratories marked double-digit growth in net sales, thanks to the increased number of products handled. Net sales of products used at health and nursing care facilities also posted a double-digit increase, due to the integration of the medical site and the ASKUL website. Living supplies including daily consumable goods and disposable papers frequently used in stores, etc., and beverages consumed in offices, showed the strong sales performance, driving growth in the B-to-B business. Stationery and other long-sellers also recorded firm growth. In consequence, net sales in the B-to-B business grew strongly by 11,406 million yen or 5.6% from the preceding fiscal year to 215,193 million yen.

The LOHACO operations of the B-to-C business posted steady sales growth thanks to the acquisition of new users as a result of broadcasting a TV commercial and active promotion activities, as well as efforts for promoting regular use and increasing the number of items for purchase by releasing products needed by many customers. As a consequence, net sales of the LOHACO business increased by 9,323 million yen, a 39.6% increase year-on-year, to 32,864 million yen.

ASKUL Logi PARK Tokyo Metropolitan, the place of the said fire, accounts for 62% of the total transaction volume of LOHACO, and the Group is facing an urgent need to establish an alternative distribution center and restore delivery capacity as early as possible. We apologize for causing inconvenience to customers using the LOHACO service during the period until the full restoration of service. With an eye on sales expansion once ordinary services have been resumed, the ASKUL GROUP will carry on with initiatives to bolster its unique services including the expansion of service areas covered by the in-house revolutionary new delivery service Happy On Time.

As a consequence, total net sales of the e-commerce business stood at 248,058 million yen, a 9.1% increase year-on-year. Gross profit marked 57,145 million yen, an 11.1% increase year-on-year, due mainly to increased sales in living items consumed in offices and MRO supplies.

Selling, general and administrative expenses stood at 50,066 million yen, a 12.9% increase year-on-year. The major factors for the rise were an increase in variable expenses such as delivery expenses and other costs due to sales growth, increases in fixed costs such as depreciation expenses and land and housing rents as a result of the aforementioned investments in logistics facilities towards the maximization of profits in line with the initial plan, and increases in advertisement expenditures arisen from the proactive implementation of sales promotion measures. In the fourth quarter and after, the Group anticipates the additional accrual of expenses arising from the fire, aside from various operational expenses to accomplish the growth strategy. In a bid to secure a growth base, the Group will focus on further streamlining management and strengthening the management structure with Group-wide efforts.

As a result of the increase in net sales as stated above, the e-commerce business posted operating income of 7,079 million yen (a 0.1% increase year-on-year) for the first nine months of the fiscal year under review.

[Logistics Business]

The logistics business saw sales growth, which was attributed to favorable performance by ecohai Co., Ltd. The Group had converted ecohai into its subsidiary in the prior fiscal year with the intention of reinforcing its logistics platform from environmental aspects. Although operating losses continued due to increased costs mainly arising from an improvement in the labor environment, the subsidiary will make its utmost efforts to boost sales through the acquisition of new customers and other measures.

As a consequence, the logistics business logged 3,245 million yen in net sales, a 56.2% increase year-on-year, and 356 million yen in operating loss for the period under review (operating loss of 220 million yen in the preceding fiscal year).

[Others]

Tsumagoimeisui Corporation, which was converted into a subsidiary of the ASKUL Group in the preceding fiscal year, contributed to a boost in sales. With the newly added production lines constructed during the period under review, the subsidiary is showing steady sales growth. The company will focus on expanding sales distribution networks and improving factory utilization to record a surplus at an early stage.

As a result, the subsidiary posted 579 million yen in net sales, a 126.2% increase year-on-year, and 36 million yen in operating loss for the period under review (operating loss of 17 million yen in the preceding fiscal year).

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

(Assets)

Total assets stood at 136,424 million yen at the end of the fiscal year under review, a decrease of 3,127 million yen from the end of the preceding fiscal year. The main factors for the increase were an increment by 859 million yen in cash and deposits mainly due to proceeds from the sale in the sales and leaseback transaction, and the drawdown of borrowing, an increase of 1,644 million yen in notes and accounts receivable-trade, attributable to sales growth, and an increase of 2,253 million yen in deferred tax assets (fixed) arising mainly from the impact of booking losses from the fire. The major factors for the decrease were a decline of 1,745 million yen in merchandise and finished goods, as well as a fall of 1,964 million yen in lease assets, mainly due to impacts of the fire, and a decrease of 2,586 million yen in accounts receivable-other, due to the collection of credit associated with the sales and leaseback transaction.

(Liabilities)

Total liabilities stood at 94,118 million yen at the end of the period under review, an increase of 5,809 million yen from the end of the preceding fiscal year. The major factors for the increase were an increment of 6,819 million yen due to the provision for losses (current and fixed) arising from the fire, an increase of 3,542 million yen in notes and accounts payable – trade due to increased purchasing, and an increase of 1,359 million yen in the current portion of long-term loans payable and long-term loans. The major factors for the decrease were a fall of 1,321 million yen in accounts payable - other, a decrease of 1,648 million yen in income taxes payable, and a decrease of 1,739 million yen in lease obligations (non-current).

(Net assets)

Net assets stood at 42,305 million yen at the end of the period under review, a decrease of 8,937 million yen from the end of the preceding fiscal year. The major factors for the decrease were a decline of 4,784 million yen in retained earnings which arose from net losses attributable to owners of parent of 2,925 million yen and the payment of dividends of 1,859 million yen, and an increase of 4,220 million yen in treasury shares through the acquisition.

Consequently, the capital adequacy ratio came to 30.9%, compared with 36.6% at the end of the preceding fiscal year.

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

The Company decided at the Board of Directors' meeting held on April 5, 2017 to revise the forecast of its full-year consolidated financial results for the fiscal year ending May 20, 2017 (from May 21, 2016 to May 20, 2017), which was announced on July 5, 2016. The revision is due to the adverse impacts caused by the fire which occurred at the Company's logistics center, ASKUL Logi Park Tokyo Metropolitan on February 16, 2017. The details are as follows.

The e-Commerce business forecasts its consolidated net sales as follows.

The B-to-C business, LOHACO, estimates a decline in sales of ¥10 billion due to the adverse impact caused by the fire at ASKUL Logi PARK Tokyo Metropolitan, the distribution center in the east Japan area. The B-to-B business forecasts a decline in sales of ¥3 billion from the initial forecast mainly due to disruption of distribution after the fire, though the damage caused by the fire itself was limited.

We apologize for causing trouble and inconvenience to our customers due to the fire. To resolve the problem at the earliest stage, we will make efforts for maximizing shipments by taking measures. These will include overhauling the target distribution areas of our logistics centers, making maximum use of the existing distribution centers with 24-hour operations, and renting an alternative warehouse to replace ASKUL Logi PARK Tokyo Metropolitan. We will move forward and aim for further growth to ensure our distribution capacity is at the level it was before the fire as early as possible. We forecast consolidated operating income and ordinary income to be ¥8.0 billion, or a decline of ¥1.5 billion from the prior forecast due to the further accrual of expenses to recover productivity to the original level.

Please note that profit attributable to owners of parent and profit per share are to be determined because of the undecided amount of insurance proceeds, etc. and unsettled loss amount at present.

Revisions to Consolidated Forecasts for Fiscal Year Ending May 2017 (May 21, 2016-May 20, 2017)

	Net Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Profit per share
Previous forecast (A)	(million yen) 348,000	(million yen) 9,500	(million yen) 9,500	(million yen) 5,500	(yen) 105.98
Revised forecast (B)	335,000	8,000	8,000	—	—
Amount of change (B – A)	(13,000)	(1,500)	(1,500)	—	—
Rate of change (%)	(3.7)	(15.8)	(15.8)	—	—
(Reference) Results for fiscal year ended May 2016	315,024	8,517	8,574	5,255	100.50

For reference, please see the announcement released today (April 5, 2017), "Notice on Booking of Extraordinary Losses Due to Fire in ASKUL Logi Park Tokyo Metropolitan (Logistics Center), and Revision of Forecast of Operating Performance and Expected Dividends"

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

Not applicable.

(4) Additional information

From the first quarter of the fiscal year under review, the ASKUL Group adopted accounting rules prescribed in the Implementation Guidance on Recoverability of Deferred Tax Assets (the Accounting Standards Board of Japan Implementation Guidance No. 26 issued on March 28, 2016).

3. Material Events regarding Going Concern Assumption

Not applicable.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	Fiscal Year Ended May 2016 (May 20, 2016)	First Nine Months of Fiscal Year Ending May 2017 (February 20, 2017)
Assets		
Current assets		
Cash and deposits	28,826	29,686
Notes and accounts receivable - trade	36,704	38,348
Securities	1,260	—
Merchandise and finished goods	12,119	10,374
Raw materials and supplies	120	216
Costs on uncompleted construction contracts	93	52
Accounts receivable - other	8,469	5,883
Other	2,760	2,391
Allowance for doubtful accounts	(185)	(181)
Total current assets	90,169	86,771
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,885	19,974
Accumulated depreciation	(3,484)	(4,036)
Buildings and structures, net	16,400	15,938
Land	6,543	6,543
Leased assets	8,922	6,841
Accumulated depreciation	(1,980)	(1,863)
Leased assets, net	6,942	4,977
Other	8,568	8,481
Accumulated depreciation	(4,561)	(4,972)
Other, net	4,007	3,509
Construction in progress	215	142
Total property, plant and equipment	34,110	31,111
Intangible assets		
Software	3,976	4,469
Software in progress	562	682
Goodwill	3,519	3,034
Other	10	10
Total intangible assets	8,068	8,197
Investments and other assets		
Investment securities	1,639	2,518
Deferred tax assets	1,668	3,922
Other	4,015	3,986
Allowance for doubtful accounts	(120)	(84)
Total investments and other assets	7,203	10,343
Total non-current assets	49,382	49,652
Total assets	139,552	136,424

(Unit: million yen)

	Fiscal Year Ended May 2016 (May 20, 2016)	First Nine Months of Fiscal Year Ending May 2017 (February 20, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	42,202	45,745
Electronically recorded obligations - operating	15,616	14,781
Short-term loans payable	615	200
Current portion of long-term loans payable	1,680	1,598
Accounts payable - other	6,971	5,650
Income taxes payable	2,142	493
Accrued consumption taxes	192	805
Provisions	775	818
Provision for loss on fire	—	150
Other	2,166	1,574
Total current liabilities	72,362	71,819
Non-current liabilities		
Long-term loans payable	5,070	6,511
Net defined benefit liability	2,304	2,490
Provision for loss on fire	—	6,668
Lease obligations	6,495	4,756
Asset retirement obligations	1,237	1,212
Other	838	661
Total non-current liabilities	15,946	22,299
Total liabilities	88,309	94,118
Net assets		
Shareholders' equity		
Capital stock	21,189	21,189
Capital surplus	23,669	23,669
Retained earnings	19,399	14,615
Treasury shares	(13,079)	(17,299)
Total shareholders' equity	51,179	42,174
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	—
Deferred gains or losses on hedges	(19)	3
Foreign currency translation adjustment	27	24
Remeasurements of defined benefit plans	(89)	(70)
Total accumulated other comprehensive income	(81)	(42)
Subscription rights to shares	25	27
Non-controlling interests	119	145
Total net assets	51,242	42,305
Total liabilities and net assets	139,552	136,424

(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 2016 (May 21, 2015 through February 20, 2016)	First Nine Months of Fiscal Year Ending May 2017 (May 21, 2016 through February 20, 2017)
Net sales	229,620	251,718
Cost of sales	178,133	194,347
Gross profit	51,487	57,370
Selling, general and administrative expenses	44,652	50,675
Operating income	6,834	6,695
Non-operating income		
Interest income	43	19
Foreign exchange gains	0	—
Electricity sales income	19	40
Subsidy income	12	10
Other	21	37
Total non-operating income	98	107
Non-operating expenses		
Interest expenses	72	91
Commission fee	20	9
Foreign exchange losses	—	0
Electrical sales expense	11	21
Other	25	30
Total non-operating expenses	130	153
Ordinary income	6,802	6,649
Extraordinary income		
Gain on sales of investment securities	280	—
Gain on reversal of subscription rights to shares	21	—
Gain on forgiveness of debts	66	—
Total extraordinary income	368	—
Extraordinary losses		
Loss on valuation of investment securities	—	10
Loss on retirement of non-current assets	20	13
Provision for loss on store closing	—	8
Loss on closing of stores	—	8
Loss on fire	—	* 10,145
Loss on step acquisitions	72	—
Other	14	4
Total extraordinary losses	107	10,191
Profit (loss) before income taxes	7,063	(3,542)
Income taxes - current	2,380	1,873
Income taxes - deferred	331	(2,517)
Total income taxes	2,711	(643)
Profit (loss)	4,352	(2,899)
Profit (loss) attributable to non-controlling interests	(48)	25
Profit (loss) attributable to owners of parent	4,400	(2,925)

(Consolidated Statements of Comprehensive Income)

(Unit: million yen)

	First Nine Months of Fiscal Year Ended May 2016 (May 21, 2015 through February 20, 2016)	First Nine Months of Fiscal Year Ending May 2017 (May 21, 2016 through February 20, 2017)
Profit (loss)	4,352	(2,899)
Other comprehensive income		
Valuation difference on available-for-sale securities	(242)	0
Deferred gains or losses on hedges	(25)	23
Foreign currency translation adjustment	(9)	(3)
Remeasurements of defined benefit plans, net of	12	19
Total other comprehensive income	(264)	39
Comprehensive income	4,087	(2,860)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,137	(2,885)
Comprehensive income attributable to non-controlling interests	(49)	25

(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)
Not applicable.

(Notes on Significant Changes in Shareholders' Equity)
Pursuant to the resolution of the board of directors' meeting held on October 5, 2016, ASKUL acquired 1,000,000 shares of treasury stock, which led to a 4,220 million yen increase in such stock during the period under review. As a result, treasury stock at the end of the period under review came to 17,299 million yen.

(Quarterly Consolidated Statements Income related)
* Losses from the fire disaster
First nine months of the fiscal period under review (from May 21, 2016 to February 20, 2017)

The fire at the ASKUL Group's distribution center, ASKUL Logi PARK Tokyo Metropolitan, on February 16, 2017, caused damage to buildings, etc. and destruction of merchandise. The major assets affected were property, plant and equipment such as buildings, and inventory assets including merchandise. The damage was recorded as extraordinary loss on fire . Major items of loss on fire are as follows.

Provision for costs to restore assets to original condition	6,819	Million yen
Losses on property, plant and equipment and inventory assets	3,286	
Other related expenses	39	
Total	10,145	

The above loss on fire indicates estimated figures calculated based on available information about the damage identified at present, and may vary, depending on the disaster situation or due to changes in estimates moving forward. Given that the damage situation and other factors are still being investigated, if we find out new facts then additional costs or losses may be incurred on removal expenses.

(Segment information, etc.)
[Segment information]

I First Nine Months of Fiscal Year Ended May 2016 (May 21, 2015 through February 20, 2016)

Information on net sales and income/loss by segment

(Unit: million yen)

	Reporting Segment			Other (Note 1)	Total	Adjustments (Note 2)	Amount reported on the consolidated statements of income (Note 3)
	E-commerce business	Logistics business	Subtotal				
Net sales							
Sales to external customers	227,328	2,078	229,406	214	229,620	—	229,620
Intra-segment sales or transfers	—	—	—	41	41	(41)	—
Total	227,328	2,078	229,406	256	229,662	(41)	229,620
Segment income (loss)	7,070	(220)	6,850	(17)	6,832	2	6,834

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

II First Nine Months of Fiscal Year Ending May 2017 (May 21, 2016 through February 20, 2017)

Information on net sales and income/loss by segment

(Unit: million yen)

	Reporting Segment			Other (Note 1)	Total	Adjustments (Note 2)	Amount reported on the consolidated statements of income (Note 3)
	E-commerce business	Logistics business	Subtotal				
Net sales							
Sales to external customers	248,058	3,245	251,303	414	251,718	—	251,718
Intra-segment sales or transfers	—	—	—	165	165	(165)	—
Total	248,058	3,245	251,303	579	251,883	(165)	251,718
Segment income (loss)	7,079	(356)	6,722	(36)	6,685	9	6,695

Notes:
1. The above category, Others, represents a business segment including the manufacturing business, and is separate from businesses of the Reporting Segment.
2. The adjustment of 9 million yen of the segment income is subject to the elimination of intra-segment transactions.
3. Segment income is adjusted with operating income reported on the consolidated statements of income.

(Significant Subsequent Events)

(Borrowing of the large amount of funds)

The ASKUL Group has the following borrowing.

(1) Use

Capital investments, etc.

(2) Names of lenders

Sumitomo Mitsui Banking Corporation and other three financial institutions

(3) Borrowing amount

10,000 million yen

(4) Borrowing conditions

Set based on market interest rate, etc.

(5) Drawdown date

March 31, 2017

(6) Borrowing period

5 years

(7) Contents of assets pledged or guarantee

None

5. Supplementary Information

Details of Selling, General and Administrative Expenses (Consolidated)

Item	First Nine Months of Fiscal Year Ended May 2016 (May 21, 2015 through February 20, 2016)		First Nine Months of Fiscal Year Ending May 2017 (May 21, 2016 through February 20, 2017)			(Reference) Fiscal Year Ended May 2016 (May 21, 2015 through May 20, 2016)	
	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	11,234	4.9	11,949	4.7	106.4	16,111	5.1
Shipment expenses*2	10,785	4.7	12,812	5.1	118.8	14,734	4.7
Provision for sales promotion expenses*3	367	0.2	439	0.2	119.5	444	0.1
Subcontract expenses	2,027	0.9	2,244	0.9	110.7	2,770	0.9
Business consignment expenses*2	5,890	2.6	7,055	2.8	119.8	8,168	2.6
Rents	4,142	1.8	4,444	1.8	107.3	5,665	1.8
Provision of allowance for doubtful accounts	(3)	(0.0)	4	0.0	—	10	0.0
Depreciation*4	1,557	0.7	1,983	0.8	127.3	2,168	0.7
Amortization of software*5	1,092	0.5	1,236	0.5	113.2	1,473	0.5
Other expenses	7,558	3.1	8,505	3.3	112.5	10,263	3.2
Total	44,652	19.4	50,675	20.1	113.5	61,810	19.6

Notes:

*1. Personnel expenses for the first nine months of the fiscal year under review rose from those in the same period of the previous fiscal year. The major factors for the increment were an increase in the number of employees in charge of merchandise planning and procurement in conjunction with the expansion of product lineups, and an increase in system engineers in LOHACO of the e-commerce business.

*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. Provision for sales promotion expenses for the period under review rose from a year earlier. This was mainly due to the impact of an increase in provision for sales promotion expenses in preparation for the expenditure of sales promotion expenses expected in the future as a result of an increase in net sales of the B-to-B business included in the e-commerce business.

*4. Depreciation for the period under review rose from the same period of the preceding fiscal year. The primary factor for the increase was the launch of operations of the ASKUL Logi PARK Fukuoka and the ASKUL Logi PARK Yokohama.

*5. Depreciation of software for the first nine months of the fiscal year under review increased from that of the same period of the previous fiscal year. The major factor for the increase was the launch of the marketplace service in LOHACO.