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A member of the Financial Accounting Standards Foundation

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

September 14, 2016

Company name:	ASKUL Corporation		Stock exchange listings: Tokyo
Securities code:	2678	URL: http://www.askul.co.jp/kaisya/ir/	
Representative:	Name: Shoichiro Iwata	Title: President and chief executive officer	
Inquiries:	Name: Tsuguhiro Tamai	Title: Executive officer, Corporate Planning Unit	Tel: (03) 4330-5130
Quarterly statement filing date (as planned):		September 30, 2016	
Dividend payable date (as planned):		—	
Supplemental material of quarterly results:		Yes	
Convening briefing of quarterly results:		No	

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

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

(1) Consolidated Quarterly Operating Results

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

		First Quarter of Fiscal Year Ending May 2017		First Quarter of Fiscal Year Ended May 2016	
Net sales	million yen	80,560	(10.7%)	72,794	(15.5%)
Operating income	million yen	1,216	(-58.3%)	2,916	(665.1%)
Ordinary income	million yen	1,176	(-59.5%)	2,908	(619.2%)
Profit attributable to owners of the parent	million yen	645	(-65.2%)	1,854	(915.0%)
Profit per share	yen	12.44		34.67	
Diluted profit per share	yen	—		34.62	

(Note) Comprehensive income
First quarter of fiscal year ending May 2017: 648 million yen (-66.1%)
First quarter of fiscal year ended May 2016: 1,913 million yen (482.6%)

(2) Consolidated Financial Positions

		First Quarter of Fiscal Year Ending May 2017	Fiscal Year Ended May 2016
Total assets	million yen	142,188	139,552
Net assets	million yen	50,958	51,242
Capital adequacy ratio	%	35.7	36.6

(Reference) Owner's equity
First quarter of fiscal year ending May 2017: 50,805 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		18.00
	Total	yen	33.00		36.00

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

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

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

		First Half of Fiscal Year Ending May 2017		Fiscal Year Ending May 2017	
Net sales	million yen	166,000	(10.7%)	348,000	(10.5%)
Operating income	million yen	3,200	(-28.1%)	9,500	(11.5%)
Ordinary income	million yen	3,200	(-27.8%)	9,500	(10.8%)
Profit attributable to owners of the parent	million yen	1,800	(-35.2%)	5,500	(4.6%)
Profit per share	yen	34.69		105.98	

(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: 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 quarter 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 quarter of fiscal year ending May 2017: 3,364,559 shares
Fiscal year ended May 2016: 3,364,559 shares
3) Average number of shares (quarterly period—YTD)
First quarter of fiscal year ending May 2017: 51,894,841 shares
First quarter of fiscal year ended May 2016: 53,478,182 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, 2016 through August 20, 2016), the Japanese economy was at a standstill on the road to economic recovery with uncertainty regarding stock prices and exchange rates as well as stagnant consumer spending, while the employment environment continued to recover.

Under such circumstances, the ASKUL Group focused on strengthening services in line with the policies of revolutionizing services and ensuring logistical efficiency through innovation (implementing new delivery services and adopting robots). It strives to acquire the absolutely No. 1 position in all workplaces through e-commerce technologies and a greater range of products in the B-to-B business, the mainstay of the Group businesses. It will also become the leader of the second generation of e-commerce by collaborating with manufacturers and improving visibility in the LOHACO operations of the B-to-C business.

Under these policies, in a bid to maximize earnings in the coming years, the ASKUL Group has made upfront investments in essential developments including the establishment of leading-edge and highly productive logistic bases where implementation of picking robots is expected. It has also launched the ASKUL Group's unique new delivery service at an early stage, and conducted proactive sales promotion measures to improve customer recognition of LOHACO.

Net sales maintained strong momentum, increasing by 10.7% year-on-year. The B-to-B business, the mainstay of the e-commerce business, posted a 6.6% increase year-on-year in net sales with a 36.5% boost at the growing LOHACO business, underscoring driving force for growth.

Operating income declined due to investments in logistic facilities in line with the original business plan towards maximizing profits, and implementing proactive sales promotion measures. In addition, operating income temporarily decreased, attributed to the earlier implementation, compared with the same period of the previous fiscal year, of sales promotion measures including TV commercials to accelerate sales growth in LOHACO of the e-commerce business. It was also attributed to increased fixed costs such as depreciation expenses and land and housing rents that resulted from the construction of new logistics centers, ASKUL Logi PARK Fukuoka (launched operations in December 2015) and ASKUL Logi PARK Yokohama (launched operations in May 2016). Both of the logistics centers have been operating stably since the start. In addition, the KAIZEN Activity Project, a Group-wise initiative to reduce fixed costs, aimed at strengthening the corporate structure, has shown steady progress. Backed by these favorable performances, operating income on a consolidated basis for the period under review outperformed the initial plan, and operating income for the second quarter and beyond in the fiscal period is expected to show an upward swing.

As a result, the ASKUL Group posted 80,560 million yen, a 10.7% increase year-on-year, in net sales; 1,216 million yen, down 58.3% year-on-year, in operating income; and 1,176 million yen, a 59.5% decrease year-on-year, in ordinary income for the period under review. Profit attributable to owners of the parent stood at 645 million yen, down 65.2% year-on-year.

Developments in each business were as outlined below.

[E-commerce business]

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

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long-sellers also recorded firm growth. In consequence, net sales in the B-to-B business grew strongly by 4,306 million yen or 6.6% from the preceding fiscal year to 69,521 million yen.

The LOHACO business posted steady sales growth thanks to the broadcasting of the TV commercial aimed at a breathtaking rise in brand recognition, as well as continued efforts for broadening the product range, including the release of products such as t-shirts, underwear, and socks. The LOHACO business also came to the decision of launching a full-scaled operation from August 31, 2016, of a breakthrough new home delivery service, Happy On Time which had been running at the testing process, in some areas of Tokyo and Osaka. Happy On Time assures three engagements on delivery time which are "hourly-based appointment", "delivery schedule with a 30-minute range", and "notice 10 minutes just before delivery". The new delivery service, in the form of an environmental-friendly simple package, has met the request, from many customers, of asking to reduce delivery waiting hours and mitigate their anxiety, and simultaneously, has reduced burdens on the disposals of cardboard. Thus, the business is expecting to see a rise in customers' usage on the new service.

As a consequence, net sales of the LOHACO business increased by 2,615 million yen, a 36.5% increase year-on-year, to 9,788 million yen.

Net sales of the e-commerce business totaling the aforementioned two businesses stood at 79,309 million yen, a 9.6% increase year-on-year. Gross profit marked 17,854 million yen, a 7.6% increase year-on-year, due mainly to increased sales in office living items and MRO supplies.

Selling, general and administrative expenses stood at 16,507 million yen, a 20.9% 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. The ratio of selling, general, and administrative expenses to net sales rose by 1.9 percentage points year-on-year to 20.8%. Given that both of the newly established logistics centers have been operated stably, the ASKUL Group expects further improvement in productivity with an increase in transaction volumes, and thereby the ratio of selling, general, and administrative expenses to net sales would fall in coming years.

With these aforementioned results, the e-commerce business posted 1,346 million yen in operating income, or a 54.3% decline year-on-year for the period under review.

[Logistics Business]

The logistics business posted an increase in net sales backed by the solid performance by ecohai Co., Ltd., which became a subsidiary of the ASKUL Group in the preceding consolidated fiscal year in line with the corporate intent of strengthening a distribution platform from environmental aspects. However, the subsidiary saw an operating loss and is exerting its utmost efforts to reform the business structure and regain profitability.

As a consequence, the logistics business logged 1.1 billion yen in net sales, a 170.5% increase year-on-year, and 111 million yen in operating loss for the period under review (operating loss of 27 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 for the full-year period of the fiscal year.

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As a result, the subsidiary posted 190 million yen in net sales and 22 million yen in operating loss for the period under review.

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

As the last date of the period under review fell on a holiday of financial institutions, the settlements due on the last day of the period under review were cleared on the following business day. In consequence, liability portions subject to those settlements such as electronically recorded obligations—operating and other payable, and the corresponding amounts of cash and deposits were recorded as part of liabilities and assets respectively on the balance sheet at the end of the period under review, which inflated the balance sheet by 6,142 million yen.

(Assets)

Total assets stood at 142,188 million yen at the end of the period under review, an increase of 2,636 million yen from the end of the preceding fiscal year. The main factors for the increase were an increase in cash and deposits by 8,225 million yen mainly due to the unsettled portion of electronically recorded obligations-operating and proceeds from the sale in the sale and leaseback transaction. The major factors for the decrease were a decline by 2,296 million yen in notes and accounts receivable-trade due to the collection of accounts receivable transacted in the peak period at the end of the preceding fiscal year, and a decrease by 2,879 million yen in accounts receivable-other, due to the collection of the credit associated with the sales and leaseback transaction.

(Liabilities)

Total liabilities stood at 91,230 million yen at the end of the period under review, an increase of 2,920 million yen from the end of the preceding fiscal year. The primary factors for the increase were an increase of 4,802 million yen in electronically recorded obligations—operating, and an increase of 2,179 million yen in the current portion of the long-term loans payable and long-term loans payable. As stated in the above, these increases were due to the last day of the period under review falling on a holiday of financial institutions. The major factors for the decrease were a fall of 2,033 million yen in accounts payable-other and a decrease of 1,970 million yen in income taxes payable.

(Net assets)

Net assets stood at 50,958 million yen at the end of the period under review, a decrease of 284 million yen from the end of the preceding fiscal year. The primary factor for this was a decrease of 288 million yen in retained earnings that resulted from profit attributable to owners of the parent of 645 million yen and the payment of dividends of 934 million yen.

Consequently, the capital adequacy ratio came to 35.7%, compared with 36.6% at the end of the preceding fiscal year.

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

No revision has been made to the consolidated forecasts announced on July 5, 2016.

2. Matters regarding Summary Information (Others)

(1) Material Changes in Subsidiaries during This Accumulated Quarter

Not applicable.

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(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.

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4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	Fiscal Year Ended May 2016 (May 20, 2016)	First Quarter of Fiscal Year Ending May 2017 (August 20, 2016)
Assets		
Current assets		
Cash and deposits	28,826	37,052
Notes and accounts receivable - trade	36,704	34,407
Securities	1,260	1,260
Merchandise and finished goods	12,119	12,216
Raw materials and supplies	120	89
Costs on uncompleted construction contracts	93	147
Accounts receivable - other	8,469	5,590
Other	2,760	2,241
Allowance for doubtful accounts	(185)	(176)
Total current assets	90,169	92,827
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,885	20,087
Accumulated depreciation	(3,484)	(3,721)
Buildings and structures, net	16,400	16,366
Land	6,543	6,543
Leased assets	8,922	9,364
Accumulated depreciation	(1,980)	(2,202)
Leased assets, net	6,942	7,162
Other	8,568	8,640
Accumulated depreciation	(4,561)	(4,741)
Other, net	4,007	3,899
Construction in progress	215	20
Total property, plant and equipment	34,110	33,992
Intangible assets		
Software	3,976	4,030
Software in progress	562	671
Goodwill	3,519	3,329
Other	10	9
Total intangible assets	8,068	8,040
Investments and other assets		
Investment securities	1,639	1,638
Deferred tax assets	1,668	1,772
Other	4,015	4,044
Allowance for doubtful accounts	(120)	(128)
Total investments and other assets	7,203	7,327
Total non-current assets	49,382	49,360
Total assets	139,552	142,188

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(Unit: million yen)

	Fiscal Year Ended May 2016 (May 20, 2016)	First Quarter of Fiscal Year Ending May 2017 (August 20, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	42,202	41,721
Electronically recorded obligations - operating	15,616	20,419
Short-term loans payable	615	703
Current portion of long-term loans payable	1,680	1,655
Accounts payable - other	6,971	4,937
Income taxes payable	2,142	172
Accrued consumption taxes	192	255
Provisions	775	815
Other	2,166	2,277
Total current liabilities	72,362	72,957
Non-current liabilities		
Long-term loans payable	5,070	7,275
Net defined benefit liability	2,304	2,366
Lease obligations	6,495	6,705
Asset retirement obligations	1,237	1,242
Other	838	683
Total non-current liabilities	15,946	18,272
Total liabilities	88,309	91,230
Net assets		
Shareholders' equity		
Capital stock	21,189	21,189
Capital surplus	23,669	23,669
Retained earnings	19,399	19,111
Treasury shares	(13,079)	(13,079)
Total shareholders' equity	51,179	50,891
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(1)
Deferred gains or losses on hedges	(19)	(23)
Foreign currency translation adjustment	27	22
Remeasurements of defined benefit plans	(89)	(83)
Total accumulated other comprehensive income	(81)	(86)
Subscription rights to shares	25	25
Non-controlling interests	119	127
Total net assets	51,242	50,958
Total liabilities and net assets	139,552	142,188

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

(Consolidated Statements of Income)

(Unit: million yen)

	First Quarter of Fiscal Year Ended May 2016 (May 21, 2015 through August 20, 2015)	First Quarter of Fiscal Year Ending May 2017 (May 21, 2016 through August 20, 2016)
Net sales	72,794	80,560
Cost of sales	56,210	62,617
Gross profit	16,583	17,943
Selling, general and administrative expenses	13,667	16,727
Operating income	2,916	1,216
Non-operating income		
Interest income	16	6
Subsidy income	1	—
Electricity sales income	8	17
Other	9	8
Total non-operating income	37	33
Non-operating expenses		
Interest expenses	23	31
Commission fee	7	1
Foreign exchange losses	—	24
Other	13	14
Total non-operating expenses	45	72
Ordinary income	2,908	1,176
Extraordinary income		
Gain on reversal of subscription rights to shares	1	—
Total extraordinary income	1	—
Extraordinary losses		
Loss on retirement of non-current assets	1	0
Provision for loss on store closing	—	8
Loss on closing of stores	—	8
Total extraordinary losses	1	17
Profit before income taxes	2,908	1,159
Income taxes - current	681	57
Income taxes - deferred	367	448
Total income taxes	1,049	506
Profit	1,859	653
Profit attributable to non-controlling interests	5	8
Profit attributable to owners of parent	1,854	645

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(Consolidated Statements of Comprehensive Income)

(Unit: million yen)

	First Quarter of Fiscal Year Ended May 2016 (May 21, 2015 through August 20, 2015)	First Quarter of Fiscal Year Ending May 2017 (May 21, 2016 through August 20, 2016)
Profit	1,859	653
Other comprehensive income		
Valuation difference on available-for-sale securities	50	(1)
Deferred gains or losses on hedges	0	(4)
Foreign currency translation adjustment	(0)	(6)
Remeasurements of defined benefit plans, net of tax	4	6
Total other comprehensive income	54	(4)
Comprehensive income	1,913	648
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,908	641
Comprehensive income attributable to non-controlling interests	4	7

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(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Segment information, etc.)

[Segment information]

I First Quarter of Fiscal Year Ended May 2016 (May 21, 2015 through August 20, 2015)

Information on net sales and income/loss by segment

(Unit: million yen)

	Reporting Segment		Amount reported on the consolidated statements of income(Note)
	E-commerce business	Logistics business	
Net sales			
Sales to external customers	72,387	406	72,794
Intra-segment sales or transfers	—	—	—
Total	72,387	406	72,794
Segment income (loss)	2,944	(27)	2,916

Note: Segment income corresponds to operating income reported on the consolidated statements of income.

II First Quarter of Fiscal Year Ending May 2017 (May 21, 2016 through August 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(Note3)
	E-commerce business	Logistics business	Subtotal				
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 a business segment including the manufacturing business, and is separate from businesses of the Reporting Segment.
2. The adjustment of 3 million yen of the segment income includes the elimination of intra-segment transactions of 3 million yen.
3. Segment income is adjusted with operating income reported on the consolidated statements of income.

(Significant Subsequent Events)

Not applicable.

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5. Supplementary Information

Details of Selling, General and Administrative Expenses (Consolidated)

Item	First Quarter of Fiscal Year Ended May 2016 (May 21, 2015 through August 20, 2015)		First Quarter of Fiscal Year Ending May 2017 (May 21, 2016 through August 20, 2016)			(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	3,690	5.1	3,884	4.8	105.3	16,111	5.1
Shipment expenses*1	3,529	4.8	4,166	5.2	118.1	14,734	4.7
Provision for sales promotion expenses	119	0.2	131	0.2	110.3	444	0.1
Subcontract expenses	665	0.9	725	0.9	109.0	2,770	0.9
Business consignment expenses*1	1,621	2.2	2,228	2.8	137.5	8,168	2.6
Rents*2	1,283	1.8	1,481	1.8	115.4	5,665	1.8
Provision of allowance for doubtful accounts	(5)	0.0	12	0.0	—	10	0.0
Depreciation*3	451	0.6	672	0.8	148.9	2,168	0.7
Amortization of software	370	0.5	392	0.5	106.0	1,473	0.5
Other expenses*4	1,941	2.7	3,031	3.8	156.1	10,263	3.2
Total	13,667	18.8	16,727	20.8	122.4	61,810	19.6

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. Rents for the period under review increased from the same period of the preceding fiscal year. The primary factor for the increase was the new construction of the ASKUL Logi PARK Yokohama.

*3. 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.

*4. Other expenses for the period under review increased from the same period of the preceding fiscal year. The major factor for the increase was an increase in advertisement expenses that resulted from the TV commercial of LOHACO.