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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 2017 (Japanese GAAP)

December 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):		December 28, 2016	
Dividend payable date (as planned):		January 23, 2017	
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 2017 (May 21, 2016 through November 20, 2016)

(1) Consolidated Quarterly Operating Results

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

		First Half of Fiscal Year Ending May 2017		First Half of Fiscal Year Ended May 2016	
Net sales	million yen	165,090	(10.1%)	149,944	(13.6%)
Operating income	million yen	3,641	(-18.2%)	4,453	(171.9%)
Ordinary income	million yen	3,585	(-19.1%)	4,432	(159.8%)
Profit attributable to owners of parent	million yen	2,105	(-24.1%)	2,775	(213.3%)
Profit per share	yen	40.64		52.68	
Diluted profit per share	yen	—		52.64	

(Note) Comprehensive income
First half of fiscal year ending May 2017: 2,165 million yen (-23.2%)
First half of fiscal year ended May 2016: 2,818 million yen (190.7%)

(2) Consolidated Financial Positions

		First Half of Fiscal Year Ending May 2017	Fiscal Year Ended May 2016
Total assets	million yen	145,149	139,552
Net assets	million yen	50,292	51,242
Capital adequacy ratio	%	34.5	36.6

(Reference) Owner's equity
First half of fiscal year ending May 2017: 50,130 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.)

		Fiscal Year Ending May 2017	
Net sales	million yen	348,000	(10.5%)
Operating income	million yen	9,500	(11.5%)
Ordinary income	million yen	9,500	(10.8%)
Profit attributable to owners of parent	million yen	5,500	(4.6%)
Profit per share	yen	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 half 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 half of fiscal year ending May 2017: 3,869,259 shares
Fiscal year ended May 2016: 3,364,759 shares
3) Average number of shares (quarterly period—YTD)
First half of fiscal year ending May 2017: 51,813,941 shares
First half of fiscal year ended May 2016: 52,688,775 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 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, 2016 through November 20, 2016), 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, 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, the ASKUL Group has made long-term planned strategic investments based on its decision that the establishment of leading-edge and highly productive logistic bases, launch of the ASKUL Group's unique new delivery service at an early stage, and the implementation of proactive sales promotion measures to improve customer recognition of LOHACO would significantly contribute to the realization of the growth strategy of the ASKUL Group.

Net sales maintained strong momentum, increasing by 10.1% year-on-year at a double-digit rate although they were slightly less than those planned at the beginning of the period. The B-to-B business, the mainstay of the e-commerce business, posted a 6.0% increase year-on-year in net sales with a 37.2% boost at the growing LOHACO business, underscoring driving force for growth.

Operating income declined as planned due to investments in logistic facilities towards maximizing profits, and implementing proactive sales promotion measures, and operating income for the period under review (3 months) is expected to show an upward swing on a year-on-year basis. In addition, operating income temporarily decreased, attributed to the strengthening of sales promotion measures to accelerate sales growth in LOHACO of the e-commerce business. It was also attributed to increased ratio of fixed costs due to an increase in 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) despite an upturn in sales. Both of the logistics centers have been operating with a production efficiency that is significantly higher than that initially planned. In addition, the KAIZEN Activity Project, a Group-wise initiative to reduce fixed costs, aimed at strengthening the corporate structure, could minimize costs. Backed by these favorable performances, operating income on a consolidated basis for the period under review outperformed the expected performance at the beginning of the period.

As a result, the ASKUL Group posted 165,090 million yen, a 10.1% increase year-on-year, in net sales; 3,641 million yen, down 18.2% year-on-year, in operating income; and 3,585 million yen, a 19.1% decrease year-on-year, in ordinary income for the period under review. Profit attributable to owners of parent stood at 2,105 million yen, down 24.1% year-on-year. As mentioned above, operating income for the period under review (3 months) is expected to show an upward swing on a year-on-year basis due to increased net sales and both income and profit for the full year are expected to increase as expected at the beginning of the period.

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(Note1) used for factories, construction sites, and laboratories marked

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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 8,053 million yen or 6.0% from the preceding fiscal year to 141,919 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. In the LOHACO business the ASKUL Group has made efforts to launch the market-place(Note 2) business which will play a central role in the expansion of products to be sold, and broadening the range of differentiated products whose package has been designed with the theme of "fitting into life (*kurashini najimu*)" in collaboration with makers to achieve the sales goal for the full year. The ASKUL Group has also made efforts to launch full-scale operations of a breakthrough new home delivery service, Happy On Time. This service makes three promises related to delivery time — "hourly-based appointment," "delivery schedule with a 30-minute range," and "notice 10 minutes just before delivery." In the form of an environmentally friendly simple package, this service has met the request of many customers who want to reduce delivery waiting hours and mitigate their anxiety, and simultaneously, has reduced workload related to the disposal of cardboard. Thus, the business is expecting to see a rise in customers' usage of the new service.

As a consequence, net sales of the LOHACO business increased by 5,627 million yen, a 37.2% increase year-on-year, to 20,762 million yen.

As a consequence, total net sales of the e-commerce business stood at 162,682 million yen, a 9.2% increase year-on-year. Gross profit marked 37,047 million yen, an 8.9% increase year-on-year, due mainly to increased sales in living items and MRO supplies.

Selling, general and administrative expenses stood at 33,129 million yen, a 12.2% 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 0.6 percentage points year-on-year to 20.4% due to increased fixed costs. Given that both of the newly established logistics centers have operated stably, the ASKUL Group expects a further improvement in productivity with an increase in transaction volumes, and hence the ratio of selling, general, and administrative expenses to net sales is predicted to fall in the full year.

With these aforementioned results, the e-commerce business posted 3,917 million yen in operating income, or a 12.5% decline year-on-year for the period under review.

[Logistics Business]

The logistics business posted an increase in net sales because 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, was a consolidated organization throughout the period under review. However, the subsidiary saw an operating loss and is continuing to make efforts to reform the business structure and regain profitability.

As a consequence, the logistics business logged 2,117 million yen in net sales, a 156.7% increase year-on-year, and 257 million yen in operating loss for the period under review (operating loss of 18 million yen in the preceding fiscal year).

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[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 393 million yen in net sales, a 188.5% increase year-on-year, and 24 million yen in operating loss for the period under review (operating loss of 9 million yen in the preceding fiscal year).

Note1: 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.

Note2: It is a service which enables customers and companies to conduct transactions through the "LOHACO" system (place), provided by the Company, instead of selling products.

(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 5,344 million yen.

(Assets)

Total assets stood at 145,149 million yen at the end of the period under review, an increase of 5,597 million yen from the end of the preceding fiscal year. The main factors for the increase were an increase in cash and deposits by 7,763 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 1,143 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 2,243 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 94,856 million yen at the end of the period under review, an increase of 6,547 million yen from the end of the preceding fiscal year. The primary factors for the increase were an increase of 5,766 million yen in electronically recorded obligations - operating, an increase of 2,308 million yen in notes and accounts payable - trade and an increase of 1,759 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 1,942 million yen in accounts payable - other and a decrease of 1,049 million yen in income taxes payable.

(Net assets)

Net assets stood at 50,292 million yen at the end of the period under review, a decrease of 950 million yen from the end of the preceding fiscal year. The primary factor for the increase was an increase of 1,171 million yen in retained earnings that resulted from profit attributable to owners of parent of 2,105 million yen and the payment of dividends of 934 million yen. The primary factor in the decrease was the cost of purchasing treasury stock of 2,182 million yen.

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Consequently, the capital adequacy ratio came to 34.5%, compared with 36.6% 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 36,590 million yen, an increase of 7,763 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 9,637 million yen, an increase of 3,887 million yen year-on-year. The main factors contributing to an increase in Funds were income before income taxes of 3,541 million yen; depreciation and amortization of noncurrent assets, depreciation of software, and amortization of goodwill totaling 2,594 million yen; and an 8,094 million yen increase in "notes and accounts payable - trade" because the last day of the period under review falls on a holiday of financial institutions. Meanwhile, the factors leading to a decrease in Funds included a 1,147 million yen increase in "notes and accounts receivable - trade", a 1,595 million yen decrease in "accounts payable - other" and income taxes paid amounting to 1,998 million yen.

(Cash flows from investing activities)

Net Funds used in investing activities were 3,004 million yen, a decrease of 4,360 million yen year-on-year. The main items were 1,404 million yen paid for the purchase of property, plant and equipment, 1,336 million yen paid for the purchase of software.

(Cash flows from financing activities)

Net Funds obtained in financing activities were 1,148 million yen (9,106 million yen was used in the same period last year). The items leading to an increase in Funds were proceeds from long-term loans payable of 2,600 million yen and proceeds from sales and leasebacks of 3,287 million yen. On the other hand, the items resulting in a decrease in Funds included a 1,205 million yen repayment of loans payable, 2,182 million yen paid for the purchase of treasury stock, and cash dividends paid of 934 million yen.

(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.

(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

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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 Half of Fiscal Year Ending May 2017 (November 20, 2016)
Assets		
Current assets		
Cash and deposits	28,826	36,590
Notes and accounts receivable - trade	36,704	37,848
Securities	1,260	420
Merchandise and finished goods	12,119	12,305
Raw materials and supplies	120	301
Costs on uncompleted construction contracts	93	99
Accounts receivable - other	8,469	6,226
Other	2,760	1,858
Allowance for doubtful accounts	(185)	(181)
Total current assets	90,169	95,468
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,885	19,928
Accumulated depreciation	(3,484)	(3,792)
Buildings and structures, net	16,400	16,136
Land	6,543	6,543
Leased assets	8,922	9,304
Accumulated depreciation	(1,980)	(2,366)
Leased assets, net	6,942	6,937
Other	8,568	8,578
Accumulated depreciation	(4,561)	(4,820)
Other, net	4,007	3,757
Construction in progress	215	270
Total property, plant and equipment	34,110	33,646
Intangible assets		
Software	3,976	4,163
Software in progress	562	703
Goodwill	3,519	3,227
Other	10	11
Total intangible assets	8,068	8,105
Investments and other assets		
Investment securities	1,639	2,518
Deferred tax assets	1,668	1,517
Other	4,015	4,009
Allowance for doubtful accounts	(120)	(116)
Total investments and other assets	7,203	7,929
Total non-current assets	49,382	49,681
Total assets	139,552	145,149

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(Unit: million yen)

	Fiscal Year Ended May 2016 (May 20, 2016)	First Half of Fiscal Year Ending May 2017 (November 20, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	42,202	44,510
Electronically recorded obligations - operating	15,616	21,383
Short-term loans payable	615	250
Current portion of long-term loans payable	1,680	1,623
Accounts payable - other	6,971	5,029
Income taxes payable	2,142	1,093
Accrued consumption taxes	192	573
Provisions	775	863
Other	2,166	1,781
Total current liabilities	72,362	77,109
Non-current liabilities		
Long-term loans payable	5,070	6,886
Net defined benefit liability	2,304	2,435
Lease obligations	6,495	6,476
Asset retirement obligations	1,237	1,245
Other	838	702
Total non-current liabilities	15,946	17,747
Total liabilities	88,309	94,856
Net assets		
Shareholders' equity		
Capital stock	21,189	21,189
Capital surplus	23,669	23,669
Retained earnings	19,399	20,571
Treasury shares	(13,079)	(15,261)
Total shareholders' equity	51,179	50,169
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	—
Deferred gains or losses on hedges	(19)	17
Foreign currency translation adjustment	27	20
Remeasurements of defined benefit plans	(89)	(76)
Total accumulated other comprehensive income	(81)	(38)
Subscription rights to shares	25	26
Non-controlling interests	119	135
Total net assets	51,242	50,292
Total liabilities and net assets	139,552	145,149

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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 2016 (May 21, 2015 through November 20, 2015)	First Half of Fiscal Year Ending May 2017 (May 21, 2016 through November 20, 2016)
Net sales	149,944	165,090
Cost of sales	115,895	127,909
Gross profit	34,049	37,181
Selling, general and administrative expenses	29,595	33,539
Operating income	4,453	3,641
Non-operating income		
Interest income	31	12
Subsidy income	12	10
Electricity sales income	15	31
Other	15	26
Total non-operating income	74	80
Non-operating expenses		
Interest expenses	48	63
Commission fee	21	4
Foreign exchange losses	5	28
Other	20	40
Total non-operating expenses	95	136
Ordinary income	4,432	3,585
Extraordinary income		
Gain on reversal of subscription rights to shares	21	—
Gain on forgiveness of debts	66	—
Total extraordinary income	87	—
Extraordinary losses		
Loss on valuation of investment securities	—	10
Loss on retirement of non-current assets	11	12
Provision for loss on store closing	—	8
Loss on closing of stores	—	8
Loss on step acquisitions	72	—
Other	11	4
Total extraordinary losses	94	43
Profit before income taxes	4,425	3,541
Income taxes - current	1,263	925
Income taxes - deferred	381	493
Total income taxes	1,644	1,419
Profit	2,780	2,122
Profit attributable to non-controlling interests	4	16
Profit attributable to owners of parent	2,775	2,105

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(Consolidated Statements of Comprehensive Income)

(Unit: million yen)

	First Half of Fiscal Year Ended May 2016 (May 21, 2015 through November 20, 2015)	First Half of Fiscal Year Ending May 2017 (May 21, 2016 through November 20, 2016)
Profit	2,780	2,122
Other comprehensive income		
Valuation difference on available-for-sale securities	37	0
Deferred gains or losses on hedges	(1)	36
Foreign currency translation adjustment	(6)	(7)
Remeasurements of defined benefit plans, net of tax	8	12
Total other comprehensive income	38	42
Comprehensive income	2,818	2,165
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,814	2,149
Comprehensive income attributable to non-controlling interests	3	15

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(3) Consolidated Statements of Cash Flows

(Unit: million yen)

	First Half of Fiscal Year Ended May 2016 (May 21, 2015 through November 20, 2015)	First Half of Fiscal Year Ending May 2017 (May 21, 2016 through November 20, 2016)
Cash flows from operating activities		
Income before income taxes	4,425	3,541
Depreciation and amortization	985	1,394
Depreciation of software	740	816
Amortization of long-term prepaid expenses	45	44
Amortization of goodwill	301	383
Gain on reversal of subscription rights to shares	(21)	—
Increase (decrease) in allowance for doubtful accounts	(24)	(7)
Increase (decrease) in provisions	39	(113)
Increase (decrease) in net defined benefit liability	78	149
Interest and dividends income	(31)	(12)
Interest expenses	48	63
Loss on retirement of noncurrent assets	8	12
Loss (gain) on step acquisitions	72	—
Gain on forgiveness of debt	(66)	—
Decrease (increase) in notes and accounts receivable - trade	(624)	(1,147)
Decrease (increase) in inventories	(781)	(372)
Decrease (increase) in accounts receivable - other	(659)	(762)
Increase (decrease) in notes and accounts payable - trade	4,028	8,094
Increase (decrease) in accounts payable - other	626	(1,595)
Increase (decrease) in accrued consumption taxes	(1,488)	948
Other, net	501	249
Subtotal	8,205	11,687
Interest and dividends income received	31	12
Interest expenses paid	(41)	(63)
Income taxes paid	(2,445)	(1,998)
Cash flows from operating activities	5,750	9,637
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,977)	(1,404)
Purchase of software	(911)	(1,336)
Purchase of long-term prepaid expenses	(35)	(70)
Payments for guarantee deposits	(331)	(43)
Proceeds from collection of guarantee deposits	5	100
Proceeds from redemption of securities	500	—
Purchase of investment securities	—	(50)
Payments for transfer of business	—	(94)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,074)	—
Payments of loans receivable	(42)	(14)
Collection of loans receivable	501	13
Other, net	(0)	(104)
Cash flows from investing activities	(7,365)	(3,004)

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(Unit: million yen)

	First Half of Fiscal Year Ended May 2016 (May 21, 2015 through November 20, 2015)	First Half of Fiscal Year Ending May 2017 (May 21, 2016 through November 20, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(56)	(365)
Proceeds from long-term loans payable	6,500	2,600
Repayment of long-term loans payable	(1,400)	(840)
Repayments of lease obligations	(260)	(418)
Proceeds from sales and leasebacks	—	3,287
Proceeds from issuance of common stock	105	—
Proceeds from issuance of subscription rights to shares	—	1
Proceeds from disposal of treasury stock	114	—
Purchase of treasury stock	(13,281)	(2,182)
Cash dividends paid	(827)	(934)
Cash flows from financing activities	(9,106)	1,148
Effect of exchange rate change on cash and cash equivalents	(3)	(17)
Net increase (decrease) in cash and cash equivalents	(10,725)	7,763
Cash and cash equivalents at beginning of period	37,246	28,826
Cash and cash equivalents at end of period	26,520	36,590

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(4) 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 504,700 shares of treasury stock, which led to a 2,182 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 15,261 million yen.

(Segment information, etc.)
[Segment information]

I First Half of Fiscal Year Ended May 2016 (May 21, 2015 through November 20, 2015)

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	149,001	824	149,826	117	149,944	—	149,944
Intra-segment sales or transfers	—	—	—	18	18	(18)	—
Total	149,001	824	149,826	136	149,963	(18)	149,944
Segment income (loss)	4,480	(18)	4,461	(9)	4,452	1	4,453

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 1 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 Half of Fiscal Year Ending May 2017 (May 21, 2016 through November 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	162,682	2,117	164,799	290	165,090	—	165,090
Intra-segment sales or transfers	—	—	—	103	103	(103)	—
Total	162,682	2,117	164,799	393	165,193	(103)	165,090
Segment income (loss)	3,917	(257)	3,660	(24)	3,635	6	3,641

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 6 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.

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(Significant Subsequent Events)

At the board of directors' meeting held on December 6, 2016, the Company determined matters concerning the offering of subscription rights to shares with performance conditions to be issued to directors, auditors and employees of the Company and its subsidiaries pursuant to the provisions of Articles 236, 238 and 240 of the Companies Act and resolved to solicit subscribers for such subscription rights to shares.

The general outline is as follows.

1. Details of subscription rights to shares

(1) Total number of subscription rights to shares

5,100 (The number of shares underlying one subscription rights to shares shall be 100.)

(2) Issue price for subscription rights to shares

The issue price per subscription rights to shares shall be 500 yen. (5 yen per share underlying subscription rights to shares)

(3) Total issue price for shares issued upon exercise of subscription rights to shares

2,006,850,000 yen

(4) Class, details and number of shares underlying subscription rights to shares

510,000 shares of common stock of the Company

(5) Value of property to be contributed upon exercise of subscription rights to shares

The value of property to be contributed upon exercise of subscription rights to shares shall be determined by multiplying the amount to be paid in per share (the "Exercise Price") by the number of shares granted.

The Exercise Price shall be 3,930 yen.

(6) Exercise period for subscription rights to shares

From September 3, 2018 to February 14, 2024

(7) Conditions for exercising subscription rights to shares

(i) If, for any of the four fiscal years from the fiscal year ending May 2018 to the fiscal year ending May 2021, the Company achieves both of the conditions described in (a) and (b) below at the same time, subscription rights to shares holder may exercise the subscription rights to shares during a period commencing on the first business day of the month after the next month following the month of submission of the annual securities report for the fiscal year for which the Company meets the said conditions for the first time, and ending on the last day of the exercise period.

(a) EBITDA exceeds 14.5 billion yen.

(b) Net sales of the B-to-C business exceed 100 billion yen.

(ii) To determine EBITDA in (i) above, the amount obtained by adding depreciation and amortization, amortization of goodwill, and depreciation of software stated on the consolidated statement of cash flows in the Company's annual securities report is based on the operating income stated on the consolidated statement of income in said report; provided that, for a fiscal year for which no consolidated financial statements have been prepared, the "consolidated statement of cash flows" and the "consolidated statement of income" above shall be read as the "non-consolidated statement of cash flows" and the "non-consolidated statement of income," respectively. Further, net sales of the B-to-C business are determined based on the net sales of the B-to-C business that are described in the e-commerce business segment of "Operation Results, Overview of Operation Results, etc., Business Operations" of the Company's securities report. In the event that the concept of any of the indicators to be referred to has undergone a material change due to amendments to the applicable accounting standard, changes to the reporting segments and other developments, the board of directors of the Company shall adopt an appropriate indicator or figure to be

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referred to that will replace the indicator undergoing change, to the extent deemed reasonable.

(iii) In the event that the exercise of subscription rights to shares would cause the total number of issued shares of the Company to exceed its total number of shares authorized to be issued at that point in time, said subscription rights to shares may not be exercised.

(iv) Subscription rights to shares constituting less than one unit may not be exercised.

(8) Amount of issue price for shares incorporated into capital if shares are issued upon exercise of subscription rights to shares

(i) In the event of shares being issued upon exercise of the subscription rights to shares, an increase in the amount of capital stock shall be one-half of the maximum amount of increase in stated capital, etc., calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Accounting of Companies. Any fraction less than one yen resulting from the calculation shall be rounded up to the nearest yen.

(ii) In the event of shares being issued upon exercise of the subscription rights to shares, an increase in the amount of legal capital surplus shall be equal to the maximum amount of increase in stated capital, etc., referred to in (i) above, less the increase in the amount of capital stock prescribed in (i) above.

2. Number of people to be solicited for subscription for acquisition of subscription rights to shares and the breakdown thereof

5,100 subscription rights to shares will be allotted to 1,798 allottees who are the directors, auditors and employees of the Company and its subsidiaries.

3. Date of allocation of subscription rights to shares

February 15, 2017

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5. Supplementary Information

Details of Selling, General and Administrative Expenses (Consolidated)

Item	First Half of Fiscal Year Ended May 2016 (May 21, 2015 through November 20, 2015)		First Half of Fiscal Year Ending May 2017 (May 21, 2016 through November 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	7,460	5.0	7,863	4.8	105.4	16,111	5.1
Shipment expenses*1	7,254	4.8	8,422	5.1	116.1	14,734	4.7
Provision for sales promotion expenses*2	248	0.2	304	0.2	122.3	444	0.1
Subcontract expenses	1,345	0.9	1,482	0.9	110.2	2,770	0.9
Business consignment expenses*1	3,711	2.5	4,574	2.8	123.3	8,168	2.6
Rents*3	2,634	1.8	2,973	1.8	112.9	5,665	1.8
Provision of allowance for doubtful accounts	(5)	(0.0)	6	0.0	—	10	0.0
Depreciation*4	964	0.6	1,333	0.8	138.3	2,168	0.7
Amortization of software	730	0.5	802	0.5	109.9	1,473	0.5
Other expenses	5,251	3.4	5,775	3.4	110.0	10,263	3.2
Total	29,595	19.7	33,539	20.3	113.3	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. 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.

*3. 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.

*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.